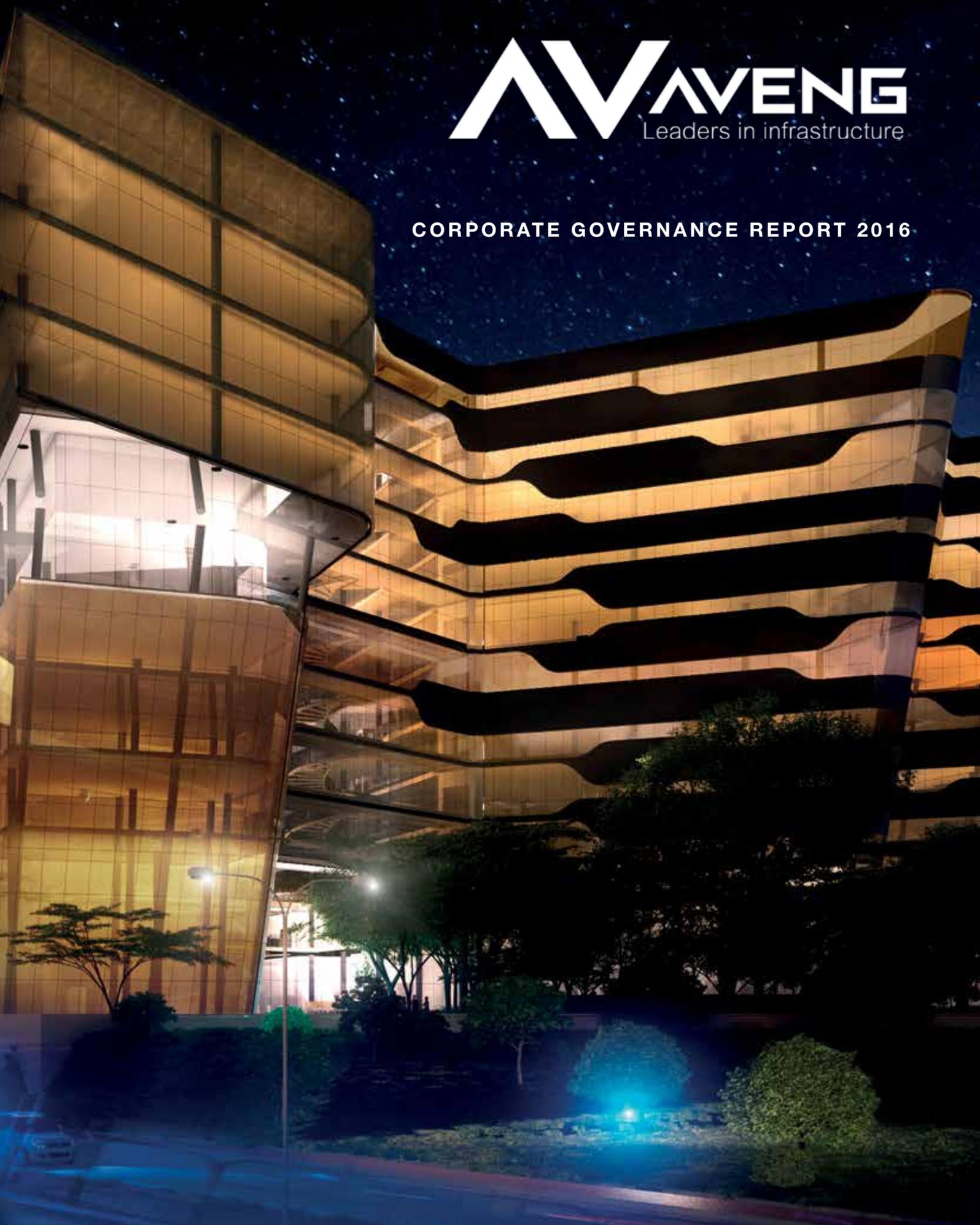




CORPORATE GOVERNANCE REPORT 2016



Governance at Aveng

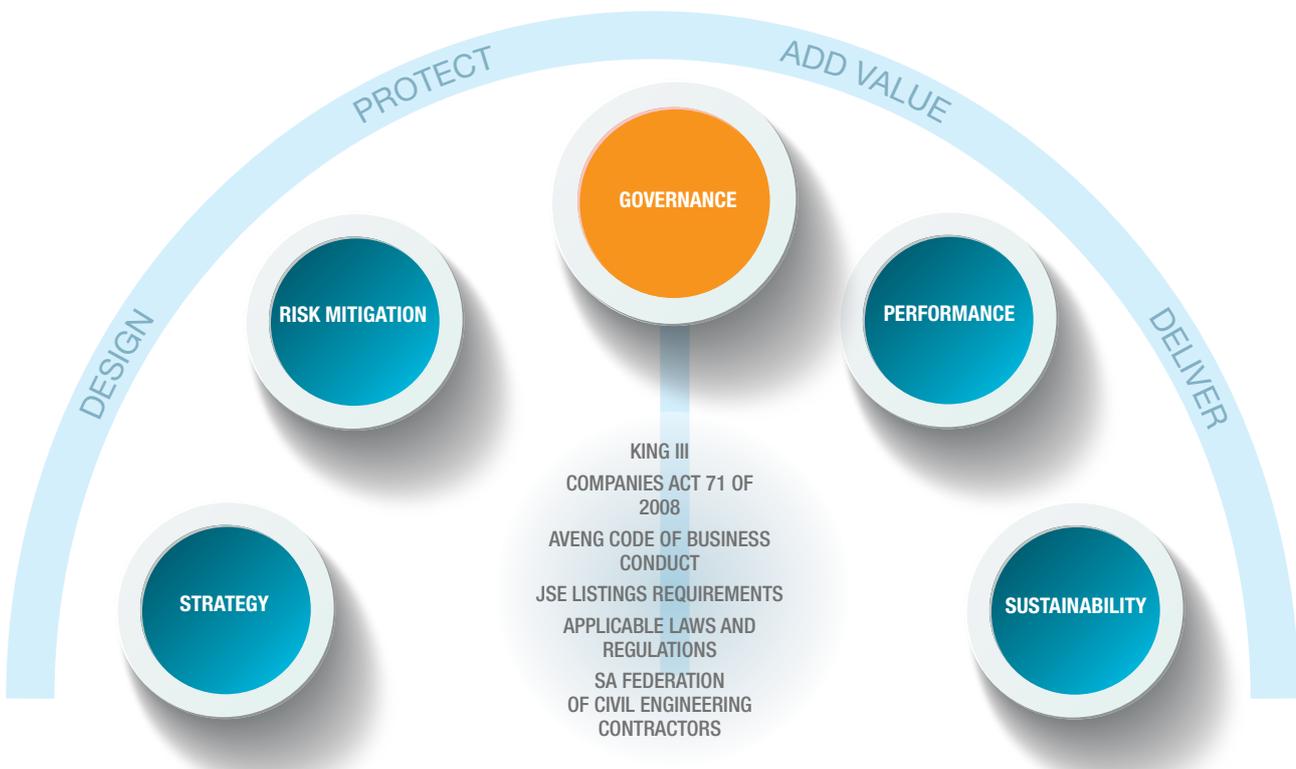
Governance at Aveng

Good corporate governance aligns Aveng’s strategy and risk management with its performance to ensure that the Group is able to be sustainable in the long term and add value to its stakeholders.

The Board unanimously embraces the principles of the King Code of Governance (King III) and benchmarks its compliance against this framework. Further, the Board subscribes to full compliance with applicable laws and regulations in jurisdictions in which Aveng operates.

Aveng subscribes to the highest levels of professionalism and integrity. The Board and the Group’s individual employees are committed to the Aveng Code of Business Conduct. This prescribes our approach to ethical business practices and our obligations to customers, shareholders, employees, representatives, suppliers and

the authorities. Management is tasked to ensure compliance with the code, and all employees and representatives are expected to act in a manner that inspires the trust and confidence of the general public. Commitment to the Code of Business Conduct is embedded at board meetings.



Strategy: Cognisant of the share price performance and market capitalisation of the Group, the Board commenced a strategic review in December 2015 to introduce measures to unlock shareholder value.

Performance: Aveng’s recover and stabilise strategic phase is largely complete. During this phase, Aveng Grinaker-LTA’s performance has been strengthened, McConnell Dowell has been restructured and other operating groups have been optimised in preparation for profitable growth.

Risk mitigation: Aveng’s Code of Business Conduct ensures every employee, officer and director throughout the Group complies with all applicable laws. Aveng’s “compliance universe” was defined through a risk management process. Controls include the three lines of defence, a combined assurance plan and Aveng’s internal control forum.

Sustainability: Aveng’s executive management has been stable for the past two years and is shifting the Company’s focus from its operational turnaround phase to a more externally directed and profitable growth phase.

Board responsibility

Board responsibility

The Board provides strategic leadership to the Group, independently reviewing the business models of the operating groups and promoting accelerated execution of the approved strategy.

Board responsibility: The Aveng Board makes itself collectively responsible for the success of the Company. Its aim is to provide stakeholders with confidence that the Group is being managed ethically, with robust operations that function within prudent risk parameters. The Board is satisfied that, for the year under review, it has complied with the terms of its charter.

The Board of directors of Aveng Limited is the Group's highest decision-making body. Day-to-day responsibilities for corporate governance are overseen by management who report regularly to the Board and Board committees. The chairman of the Board and the chairmen of the board committees play an active role in all corporate governance matters and regularly interact with the company secretary, executive directors and management.

The Board has a formal charter which, among other things, sets out its roles and responsibilities in areas such as ethical

leadership, strategy, financial management, risk management, compliance, sustainability and governance in general. The charter addresses the duties of individual directors as prescribed in common law and the provisions of the Companies Act. The charter addresses important matters such as the separate roles of the chairman and the chief executive officer, the focus on stakeholder relationships, the implementation of a proper delegation of authority and the composition and evaluation of the Board and its various committees.

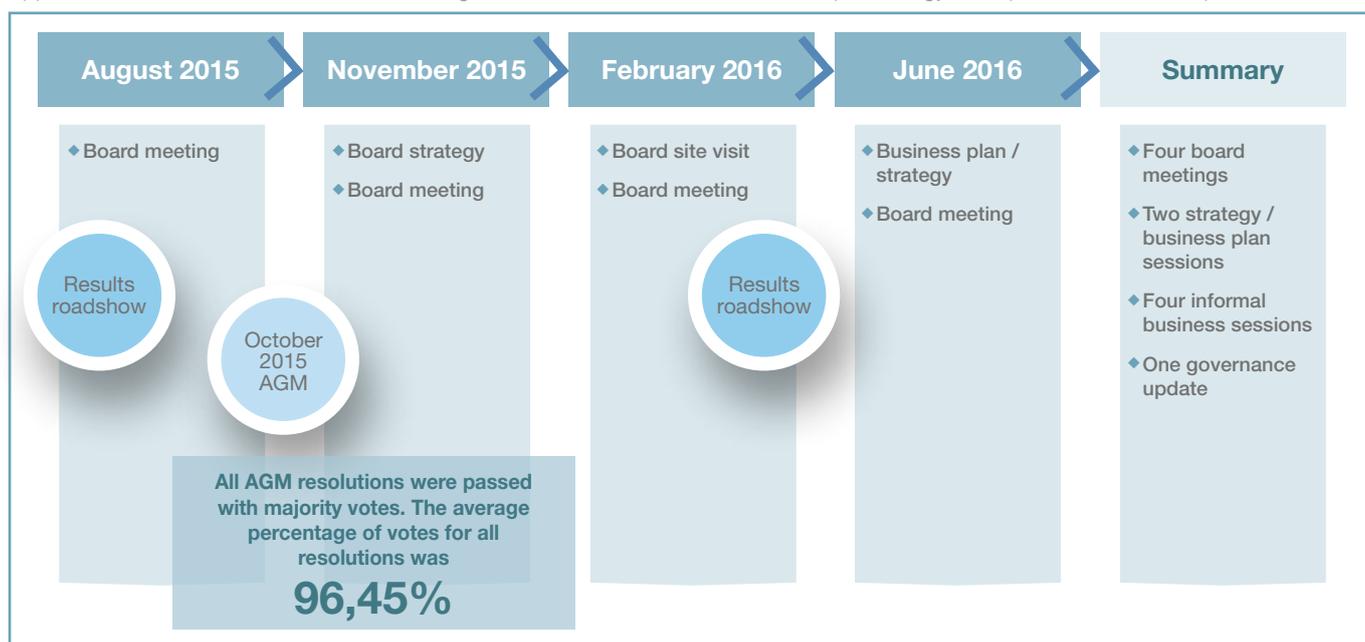
Aveng Board and attendance

Five meetings

MI Seedat (chair) (5/5)
 AWB Band (5/5)
 EK Diack (5/5)
 PJ Erasmus (5/5)
 SJ Flanagan (4/4)
 MA Hermanus (5/5)
 P Hourquebie (5/5)
 MJ Kilbride (5/5)
 AH Macartney (5/5)
 JJA Mashaba (5/5)
 TJ Mokgosi-Mwantembe (5/5)
 KW Mzondeki (5/5)
 HJ Verster (5/5)
 PK Ward (5/5)

Board meetings

The Board convenes each quarter to attend to the requirements of the board work plan which stipulates regular material reviews and approvals for consideration. Additional meetings are scheduled to consider the Group's strategy and operational business plans.



Board responsibility continued

Board insight

A clear understanding of the diverse industries and specific challenges of each business unit is necessary for the Board to provide insightful direction to the Group. The following initiatives supported communication between the Board and the Group's operating divisions.

2016: Key governance initiatives in support of operations

Board site visits are done twice a year. In February, the five Sandton building sites were visited. Management had the opportunity to present their aspirations to the Board. At the board meetings that followed, directors shared their views on the site visits and some of the lessons learnt.

Aveng tender advisory committee was formed to strengthen the tender process. A complete tender review is performed weekly by management, who then recommend projects to go forward to the tender risk committee, streamlining the latter to improve time management and focus on crucial issues.

Informal business update sessions are held in the months between board meetings to ensure board members are kept abreast of current issues.

Key issue sessions: At the chairman's request (whenever concern is raised), board members are invited to sessions for extended discussion on key topics. Most recently human resources presented on B-BBEE, transformation and succession planning.

Restructured executive committee meetings now report on top-line performance of margins and the order book – taking conversations from an operational perspective to forward looking growth and an external focus.

The **restructured risk committee agenda** ensures that report backs are cognisant of material matters. The committee is more focused on high-level material matters.

Board and operating group meetings were streamlined to rationalise the flow of discussions and avoid duplication of reporting.

Educational updates are a standing agenda item for board committees in order to develop directors and present updates on legislation or lessons learnt on projects. The full Board is invited to attend these presentations.

Board refreshment

The Board is regularly assessed for its qualifications, diversity, independence, and experience, and its ability to create value in the short, medium and long term.

The Board started the year with a **new chairman; Mahomed Seedat** took the seat on 1 July 2015. He had been an independent non-executive director of Aveng since July 2012 with extensive industry knowledge of mining, safety, health and environment, transformation, labour relations, business leadership and governance.

Two retirements were expected in the 2016 financial year, so the Board scrutinised its profile, cross-referencing the experience of its members to industry-related areas critical

to group operations. No material gaps were evident, but the Board's refreshment and continuity programme identified the requirement for a person with advanced experience in the fields of construction and engineering.

On 5 August 2015, **Philip Hourquebie joined the Board** as an independent non-executive director, bringing a weight of finance and governance leadership. He is a chartered accountant with extensive operational experience and was previously a member of the King III Committee on Boards and Directors. On 17 August 2015, **David Robinson retired** from executive management and on 31 October 2015, Mr Robinson retired from the Aveng Board. The Board expressed thanks to Mr Robinson for 10 years' service.

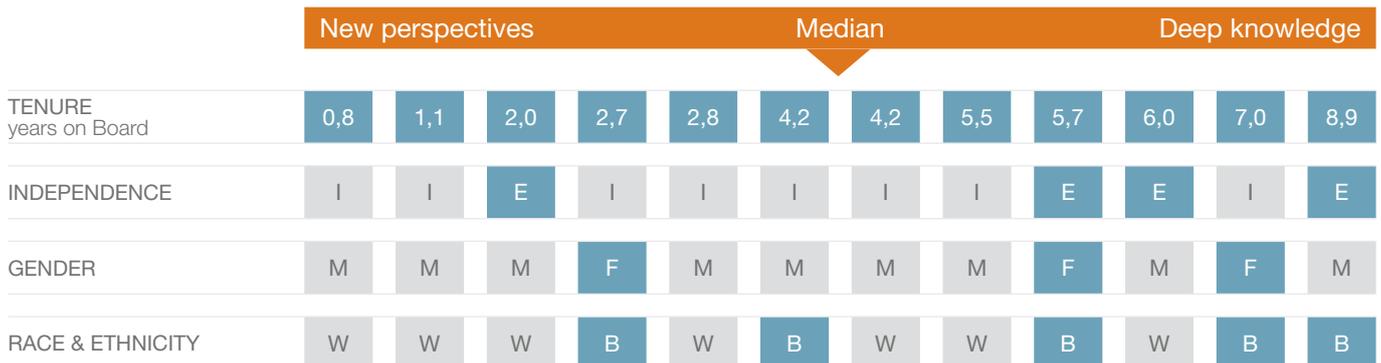
On 1 November 2015, **Sean Flanagan was appointed** as independent non-executive director bringing 30 years of industry-specific experience derived from contract and claims negotiation, project engineering, project and construction management, setting company strategies, leading mergers and acquisitions, and troubleshooting in underperforming projects and businesses. On 30 June 2016, **Peter Ward retired** after nine years on the Board, serving on various committees. The Board thanked Mr Ward and wished him well in his retirement.

On 19 August 2016, **Angus Band retired** after 10 years on the Board, having previously served as chairman. The Board thanked Mr Band and wished him well.

Board insight

Board tenure

Tenure of directors is considered to ensure that the Board is regularly refreshed while maintaining a stable leadership and corporate memory. In the following diagram the tenure of each board member was overlaid against their respective independence, gender, race & ethnicity. It is pleasing to report that a mix of fresh ideas and corporate memory is shown across all measurements.



- ◆ The Board is a balanced mix of a deep knowledge of Aveng and new perspectives.
- ◆ Term limit: Directors are eligible for nine years whereafter rigorous review of independence takes place.
- ◆ All non-executive directors are independent.
- ◆ 75% of directors are independent.
- ◆ 25% of directors are women.
- ◆ 42% of directors are black.

Frameworks for governance

A summary of the initiatives of the board committees follows. These initiatives are discussed in more detail in the integrated report at www.aveng.co.za

Key issues	Governance structure / process / procedure	Metrics and actions	Responsible committee or entity
Stakeholder engagement and relationships			
Stakeholder engagement	Stakeholder engagement structure	Stakeholder engagement initiatives are undertaken with key stakeholders and driven by operating group managing directors and group executive directors.	Social, ethics and transformation committee / management
	Roadshows	Management meets with shareholders and analysts to provide feedback on the steps taken to improve the management of risk and the financial performance of the business.	Executive committee
	CEO roundtable	As part of the strategy to engage leadership across the Group, a CEO roundtable was introduced where the CEO engages in a less formal setting with senior managers to discuss current issues in the organisation and solicit their input and commitment to resolving these issues.	
Employment equity	Revised codes of good practice and the construction charter	The Board is satisfied that the Group has a robust plan to ensure that Aveng remains competitive in the industry in terms of empowerment score.	Social, ethics and transformation committee
	B-BBEE strategic plans	Operating group managing directors present their three-year B-BBEE strategic plans to the social, ethics and transformation committee. Employment equity targets are integrated into the performance contracts of line management.	
	Transformation roadshows	Transformation roadshows are held across the Group with both suppliers and line management to enlighten, empower and enable them on B-BBEE strategic imperatives.	Executive committee
	Fronting interventions	Training and awareness sessions provide greater awareness of fronting. Group-wide interventions and training on enterprise and supplier development have been completed, centralising preferential procurement reporting and monitoring within centre-led procurement.	Management
Public safety	Safety, health and environment dashboard	A graphic dashboard represents progress made with initiatives and key indicator trends.	Safety, health and environmental committee
Risk and opportunities			
Effective identification and assessment of material issues	Risk register	Measures progress achieved on recorded risk mitigation actions.	Risk committee
	Top 10 business risks	Reflects key issues facing the Group, particularly those that affect more than one part of the organisation. Proposed actions and progress are indicated for the relevant operating group to provide a clearer overview of the group-wide risk landscape.	
Problematic contracts	Project reviews	Project and risk reviews undertaken with feedback and actions developed in consultation with operating groups.	Risk committee
	Project assurance	A detailed framework defining the minimum governance requirements from a risk management perspective. Early warning protocols.	
Opportunity management	Aveng tender advisory committee	Detailed reviews of tender opportunities performed by management before presentation to tender risk committee.	Management
	Tender risk assessment and modelling (risk tolerance)	To determine the maximum project size that the Company can tolerate. This is not only a financial metric, but also considers the skills base and risk profile of the project.	Tender risk committee Investment committee
Strategic perspective	Assessment of macro-economic and industry trends	Business units are analysed to assess their relative attractiveness and competitiveness.	Board / Executive committee

Frameworks for governance continued

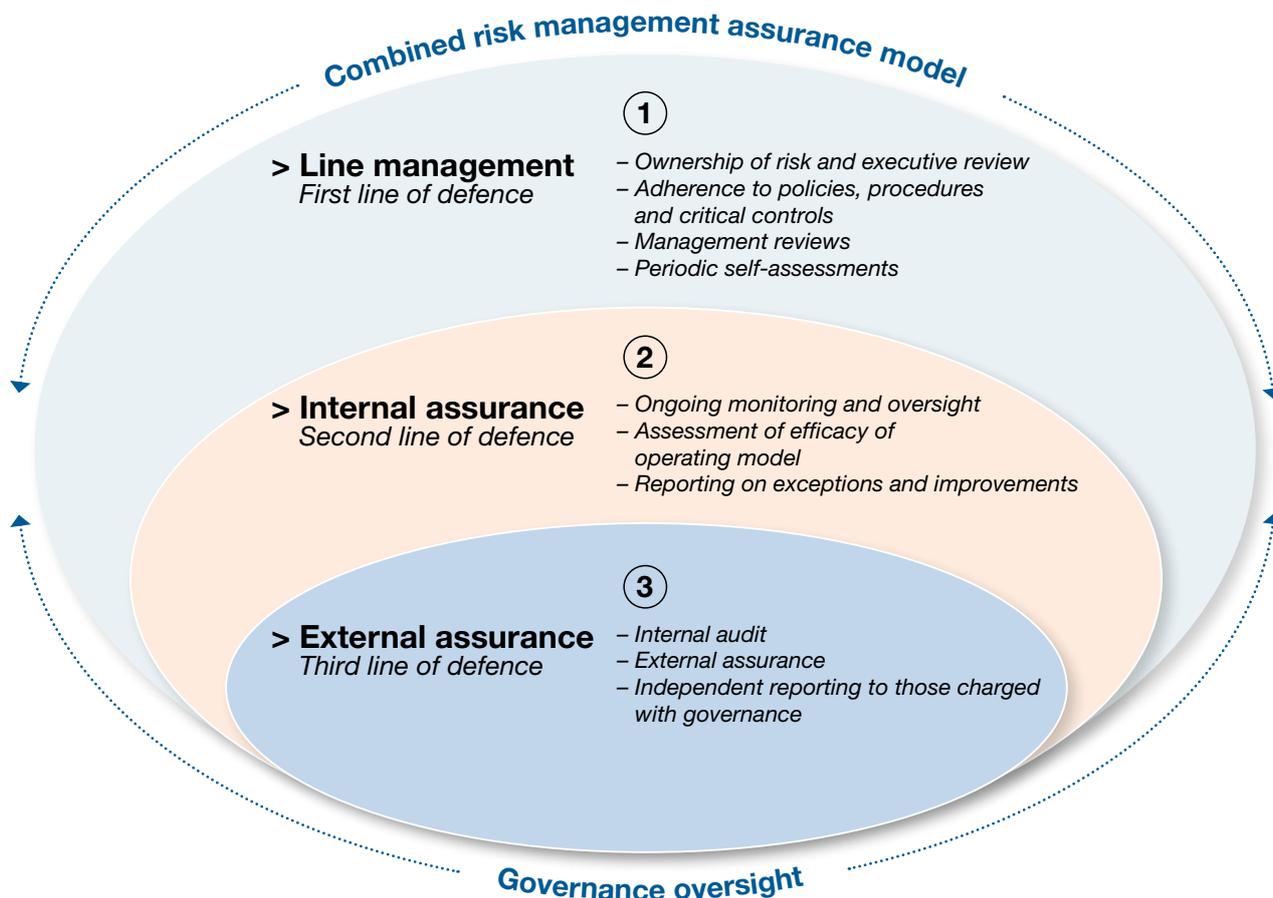
Key issues	Governance structure / process / procedure	Metrics and actions	Responsible committee or entity
Strategy and resource allocation			
	2016 strategic workshop	Assessment of operating groups' capacity, competence and culture to achieve and sustain a turnaround, and their ability to win and grow business in the current environment.	Board / Executive committee
Performance and outlook			
	Strategic workshops	A platform to enable the operating groups to implement their strategic objectives in support of the Group's strategic goals. It aims to establish a high-performance culture throughout the Group, aligned to the Aveng DNA.	Board / Executive committees of operating groups
Remuneration			
Remuneration policy	Remuneration modelling exercises	Review quality of people, identification of succession gaps and creation of growth path for talent pipeline.	Remuneration and nomination committee
Succession plans	Annual succession review	Review quality of people, identification of succession gaps and creation of growth path for talent pipeline.	Remuneration and nomination committee
	Individual development plans (IDPs)	Good progress made on IDPs which are being monitored quarterly.	Remuneration and nomination committee
Industrial relations climate in South Africa	Employee and union engagement	South African operations are exposed to risks associated with the changes in legislation governing the way temporary employees and labour brokers are managed. Engagement with employees and organised labour aims to foster labour stability across the organisation.	Remuneration and nomination committee
Governance			
Scope	Annual work plans for all committees	Set objectives for the year.	All Board committees
	Meeting calendar	The meeting calendar is adapted to address material issues. Informal Board business update sessions keep the Board abreast of current issues before they escalate into critical situations.	Board and Board committees
Compliance	Regulatory compliance framework	Ensuring effective management of the Group's compliance with applicable laws and consideration of adherence to non-binding rules, codes and standards.	Audit committee Social, ethics and transformation committee Executive committee
	Environmental legal audits	Ensure that sites comply with safety regulatory requirements.	Safety, health and environmental committee
	Operating group governance framework	The governance framework is agreed between the Group and its operating group boards. This is done twice a year at the interim stage and year-end when the delegation of authority is tabled for adoption and approval.	Board / operating group boards / company secretary
	Delegation of authority framework	Includes established benchmarks and performance indicators to hold management accountable for decisions and actions.	Board
Assessments	Annual assessment of the Board and committees	Assessments are done annually, alternatively by internal questionnaire interviews and external evaluations.	Chairman of Board and committees and company secretary

Key governance achievements, challenges and continuing focus areas

Topic	Activities / discussion	Actions arising	Continued focus
Strategy	One-day offsite meeting in November 2015 to discuss strategy and the group business model. Each operating Group presented an updated plan to the Board for review, input and approval. The Board assessed the Group's capacity, competence and culture with a view to completing the turnaround and sustaining it in difficult environments that have transformed in the last decade. The strategy must be adapted to the changed requirements for winning and growing business.	Management undertook a process to align operating Group strategies and develop a clear articulation of the strategy to internal and external stakeholders.	On 27 November 2015, the Board confirmed a Group business model with a strong corporate centre providing guidance, direction and some shared services.
	The Board considered the disparity between market valuation and the intrinsic value of the business, together with its upside potential resulting from performance improvements.	A strategic review was undertaken. Overhead structures were reassessed to remove waste / excess duplication and ensure best practice is implemented across the Group.	Continuous measurement and review by the Board and executive committee.
	Shift from <i>recover and stabilise phase</i> to <i>position for profitable growth</i> by building a resilient company.	Liquidity and risk have been managed closely while the Group's structure, processes and people are strengthened. Legacy issues continue to be in the spotlight.	Management reviews legacy issues and action plans each month to keep the pressure on risk management and growth promotion.
	Accelerate value creation and <i>position for growth</i> .	<ul style="list-style-type: none"> ◆ Realisation of Aveng Capital Partners' infrastructure assets ◆ Divestment of Aveng Steel in response to market conditions ◆ Assessing various transformational alternatives for Aveng Grinaker-LTA. 	To take advantage of cross-synergies, the strategies of business units and operating groups are reassessed on a rotational basis each month at the executive committee meeting.
Board evaluation	In July 2015, the company secretary conducted a board assessment via questionnaires distributed to board and committee members. In July 2016, the chairman conducted individual interviews with each board member. Responses indicate that the Board is satisfied with its ability to discharge its mandate in an open and independent manner. The governance process supports their mandate and improvement was noted in the quality of Board papers leading to better informed decisions.	Risk management has improved significantly over the past year and work continues to ensure it is more forward looking. The ICT platform requires improvement.	Implementation of IT governance has started, and while this is monitored by the audit committee, more detailed feedback and involvement of the Board may be necessary. Board members requested an improvement in stakeholder communication.
Leadership and employees	McConnell Dowell executive committee restructured and strengthened with appointment of four new executives.	Leadership conference held to align management with the new operating model.	Stabilise the organisation and position for profitable growth.
Reward and retention of key employees	Long term incentive plan (LTIP) scheme was approved at the AGM following a rigorous review by management and the remuneration committee.	As Aveng has been in a closed, cautionary or prohibited period since the approval of the LTIP, no awards were made to any participants for the 2015 financial year. To mitigate retention threats, cash-based retention awards were made to some senior executives in 2016.	Once Aveng enters into an open period, LTIP share-based awards will be made for the 2015 / 2016 financial year.

Principal strategic risks

Aveng continuously reviews and improves risk management processes and has adopted the concept of “three lines of defence” to strengthen risk management and ensure adequate assurance levels. The three lines of defence jointly form the combined risk management assurance model for Aveng.



Specific risks we face	2016 rating	2015 rating	Movement 2015 to 2016	Source
Safety	1	1	–	Internal
<p><i>The safety and wellbeing of our people is critical to high performance and integral to the way in which we do business.</i></p> <p>Successes:</p> <ul style="list-style-type: none"> ◆ Improvement in leading indicators ◆ Visible leadership improved ◆ Increase in ISO-based standards and SHE certification ◆ Increase in the use of employee wellness programme ◆ Several projects and fixed facilities received safety performance and system certification in accordance with the Master Builders Association’s five-star rating <p>Focus next 12 months:</p> <p>The Group strives to improve internal sustainability reporting process and control environments. A common reporting platform is being developed to identify and analyse trends.</p>				
Macro-economic environment and securing quality work	2	4	↑	External
<p><i>Subdued economic outlook in South Africa is negatively impacting the construction and manufacturing industries.</i></p> <p><i>Quality work drives revenue and increases long term sustainability of Aveng as a global company. A material deterioration in one or more markets will have an impact in the size and nature of the Group.</i></p>				

- ↑ A higher risk rating in 2016 than in 2015.
- ↓ Risk rating in 2016 has reduced from 2015.
- No change in risk rating.

Principal strategic risks continued

Specific risks we face	2016 rating	2015 rating	Movement 2015 to 2016	Source
<p>Successes:</p> <ul style="list-style-type: none"> ◆ Increased focus on balancing order book growth against project risk profiles when tendering in regions and sectors ◆ The application of the three lines of defence model to tender reviews has heightened the focus on winning projects where Aveng has both technical knowledge and experience ◆ Continued focus on key client relationships to promote negotiated contracts with equitable terms and a constant focus on group synergies ◆ The Group's capacity has been proactively aligned with anticipated opportunities across the various sectors and geographies 				
Liquidity	3	2	↓	Internal
<i>Sufficient working capital through the business cycle reduces exposure to refinancing and liquidity risk which influences credit facilities and the ability to raise cost-effective borrowings.</i>				
<p>Successes:</p> <ul style="list-style-type: none"> ◆ Positive cash flow in the South African businesses and partial funding for McConnell Dowell due to the following: <ul style="list-style-type: none"> – Successful sale of the property portfolio – Robust cash flow management across the Group, resulting in reduction in working capital at Aveng Steel and Aveng Manufacturing – Resolution of claims and close-out of loss making projects – Reduction in the underclaim position – Resizing and optimising overheads (long term impact) 				
Quality and execution of projects	4	3	↓	Internal
<i>Operational performance drives the earnings and returns of the business.</i>				
<p>Successes:</p> <ul style="list-style-type: none"> ◆ Senior management has focused acutely on operational performance by improving several first line of defence initiatives, including improved accuracy of the estimating and tendering of contracts, development of a commercial training framework for commercial processes and procedures and standardising documentation. Monthly project review processes and project peer reviews form part of the second line of defence and are well established. External consulting expertise was utilised to review the top 21 critical sites ◆ Organisational restructure and appointment of functional heads to improve capability and accountability within operating businesses 				
Transformation and labour instability and costs in South Africa	5	7	↑	External
<i>Application of revised B-BBEE codes may impact the Group's transformation rating, which may negatively impact its ability to secure projects in South Africa, particularly within the government sector.</i>				

↑ A higher risk rating in 2016 than in 2015.

↓ Risk rating in 2016 has reduced from 2015.

– No change in risk rating.

Principal strategic risks continued

Specific risks we face	2016 rating	2015 rating	Movement 2015 to 2016	Source
<p>Successes:</p> <ul style="list-style-type: none"> ◆ The Group is in its second year of a three-year transformation strategy to ensure compliance with the revised codes of good practice. The strategy is underpinned by a robust operational governance protocol, knowledge and skills transfer to targeted key employees ◆ Operating group strategies have been developed to meet the requirements of the new codes ◆ Focused recruitment, in-house development and training, and alignment with CSI initiatives are ongoing ◆ Building local partnerships and knowledge bases continues ◆ The Group regained its level 2 B-BBEE rating based on its 2015 performance. In particular, we achieved performance improvements in the areas of management control, employment equity, preferential procurement and skills development 				
<p><i>Industrial unrest in South Africa may result in project delays and disruptions, affecting safety, productivity and profitability.</i></p>				
<p>Successes:</p> <ul style="list-style-type: none"> ◆ A proactive labour relations strategy has been developed and implemented with allowances made in tenders for labour unrest ◆ Strike mitigation plans are in place at each business unit ◆ There is increased line management engagement with labour and less reliance on industrial relations management as a result of ongoing engagement with organised labour and clients 				
<p>Talent management</p>				
	6	5	↓	Internal
<p><i>People are the Group's most important asset, and various specialist skills are required to deliver projects successfully. Loss of critical skills affects performance and execution and has a negative impact on earnings and the long term sustainability of Aveng.</i></p>				
<p>Successes:</p> <ul style="list-style-type: none"> ◆ The senior management of Aveng Grinaker-LTA has settled and undertaken comprehensive optimisation of the organisation ◆ A new CEO at McConnell Dowell has completed the Company's organisational restructure to improve capability and accountability ◆ A succession model has been developed for the top 40 of Aveng senior managers and all senior team members across the Group have been assessed for competency, with specific interventions developed to address shortcomings ◆ Remuneration strategies have been implemented to ensure retention of high performers within the Group ◆ An Aveng culture survey has been undertaken in the South African operations 				
<p>Focus next 12 months:</p> <p>Further focus on the recruitment and retention strategy and addressing issues raised in the Aveng culture survey.</p>				
<p>Reputation</p>				
	7	6	–	Internal
<p><i>Negative perceptions of the Group impact prospects for future work.</i></p>				
<p>Successes:</p> <ul style="list-style-type: none"> ◆ Newly appointed group strategy and investor relations executive ◆ Increased focus on stakeholder and employee engagement at all levels, including CEO and MD roundtable meetings ◆ Re-energised internal and external communications ◆ Engagement with senior government officials has played a leading role in the negotiation of a settlement concerning historical collusive instances in the industry ◆ Regular engagement with financial institutions and industry forums ◆ Partnering with the Department of Trade and Industry (DTI) to train emerging contractors as part of the Incubator programme 				
<p>Focus next 12 months:</p> <p>Aveng will pursue continuous improvement in its communication at all levels with internal and external stakeholders. Government will require further specific interventions to address issues of transformation, employment equity and past collusive behaviour.</p>				

↑ A higher risk rating in 2016 than in 2015.

↓ Risk rating in 2016 has reduced from 2015.

– No change in risk rating.

Assurance

Principal strategic risks

Aveng continuously reviews and improves risk management processes and has adopted the concept of “three lines of defence” to strengthen risk management and ensure adequate assurance levels.

The three lines of defence jointly form the combined risk management assurance model for Aveng.

Additional information on the combined risk management assurance models is available on page 20 of the integrated report which is available on the Group’s website. 

Assurance

The ultimate aim of governance is assurance: comfort that the Group complies with relevant legislation and good practice (compliance); confidence that there are no material control breakdowns (internal and external assurance); assurance that risks are managed (risk management); and a positive assertion that the organisation is operating with integrity and fairness (ethics management). At Aveng, this assurance is further contextualised against the Group’s material matters to ensure that a responsive approach is adopted.

Aveng’s combined risk management assurance model is being embedded by the group commercial, internal audit and external audit functions, to eliminate duplication of effort and to ensure that there are no gaps in the coverage of projects and that control mechanisms in the operating groups are adequate.

The three lines of defence model is embedded in the Aveng operating model. Controls consciousness has improved significantly. An internal control forum is held regularly, chaired by the Group CFO and attended by internal auditors, external auditors, and finance directors of the operating groups. Sign-off by all operating groups indicates that there is an acceptance of critical controls that must work and critical control workshops are held quarterly at the operating groups to help identify, document and evaluate these critical controls.

Board’s responsibility

Based on the recommendation of the audit committee, the Board considers and confirms the going-concern status of the Group in preparation of the financial statements at both the interim reporting period and at year-end. The assumptions underlying the going-concern statement include profitability, budgets, forecasts, cash flow and liquidity.

The Board monitors the preparation, integrity and reliability of the financial statements, accounting policies and the information contained in the integrated report. A robust, integrated process assists the Board to identify, evaluate and manage significant risks posed to the Group. While management is responsible for this process, it is independently monitored by the audit and risk committees.

Statement of going concern:

The directors have reviewed the Group’s cash flow forecast for the year ending 30 June 2017. The cash and liquidity assessment has revealed that the business has sufficient liquidity. The directors are satisfied that the Group has access to adequate resources to continue as a going concern and accordingly the audited consolidated financial statements are prepared on a going-concern basis.

Risk management

The risk committee and audit committee continuously review the Group’s risk management structures, systems, processes and procedures. Management is accountable to the Board for integrating risk management into the day-to-day activities of the Group.

The internal audit function is overseen by the audit committee and guided by the internal audit charter, which is approved annually by the audit committee. Internal audit has the expertise to carry out independent detailed project reviews should significant concerns arise at Board committee level.

Statement on risk controls:

The risk and audit committee, on behalf of the Board, confirms that there is no reason to believe that there were any material internal control or risk management shortcomings during this financial year that have not been addressed or are in the process of being addressed.

Ethics management

Ethics is a practical issue and a matter of survival in business. Clients, shareholders and stakeholders must know that they can depend on the character and integrity of the Company. Aveng’s Board considers sound corporate governance structures and processes pivotal to delivering sustainable growth in the interest of all stakeholders.

Fair play and corporate responsibility have to be positive and continuous, particularly in the diverse industries in which Aveng operates. Anti-competitive behaviour, bribery and corruption are risks that are managed on an ongoing basis, with the Board embedding a rigorous accountability culture and comprehensive processes. Positive communication messages address reputational issues and bolster growth opportunities.

Before any bid is submitted, declarations of no anti-competitive actions or transgressions of the Aveng code of ethics are made to the tender risk committee, with a similar process for all smaller bids approved at operating group level.

At each Board meeting, directors affirm their commitment to the Aveng Code of Business Conduct. Top leadership takes this commitment seriously and directly addresses any unethical behaviour in operating activities. Further, integrity and character are key factors in every hiring and partnering decision. All prospective executive employees are required to sign a declaration that they have not participated in anti-competitive behaviour before a formal offer will be made to them. On the whole, a zero-tolerance policy is employed within the Group.

Assurance continued

Statement of commitment:

The Board is committed to providing effective and ethical leadership characterised by accountability, fairness and transparency. The Board accepts its responsibility for ensuring that management nurtures a culture of ethical conduct and establishes the correct tone at the top in respect of the Group's DNA and values.

Compliance

Compliance reports are presented to the audit and social, ethics and transformation committees quarterly and to the Aveng Board annually. The Board monitors compliance with:

◆ **JSE Limited Listings Requirements:**

Aveng, as a JSE publicly listed company is subject to, and remains compliant with, the JSE Listings Requirements in line with the advice of JP Morgan, Aveng's sponsor.

◆ **The King Report on Corporate**

Governance for South Africa, 2009

(King III): As part of its philosophy on leadership, sustainability and corporate citizenship, Aveng applies the recommendations of King III and continues to identify areas where applications can be enhanced in the best interest of the Company.

◆ **Companies Act 71 of 2008 (Companies**

Act): The Companies Act aims to promote good governance and transparency in South African businesses. Aveng's social, ethics and transformation committee ensures compliance with all relevant governance provisions of the Act.

◆ **Other legislation:** A Board-approved compliance framework is implemented by Aveng and its operating groups in line with an annual compliance plan. Key milestones are monitored by the audit and social, ethics and transformation committees for programme effectiveness.

- ◆ **SAFCEC:** Aveng is a member of the South African Federation of Civil Engineering Contractors which regulates the relationship between employers, employees and trade unions.

Statement of compliance:

Aveng and its operating groups apply the governance principles contained in King III and continue to entrench and strengthen recommended practices in their governance structures, systems, processes and procedures.

The Board of directors

Independence

The independence of non-executive directors is evaluated annually by the remuneration and nomination committee against criteria set out in the Companies Act and King Code of Corporate Governance. The strong independent component of the Board ensures that no individual has unfettered powers of decision-making and authority.

Role of chairman of the Board

In accordance with King III and the JSE Listings Requirements, the roles of the chairman and chief executive officer are separated. There is a clear division of responsibilities within the Board and the Company, ensuring a balance of power and authority.

The chairman is an independent non-executive director. He is responsible for the overall effectiveness of the Board and its committees and this includes fostering a culture of openness and constructive dialogue with the Board. His direction ensures that the Board provides effective leadership, maintains ethical standards and is responsible, accountable, fair and transparent. He makes himself available to shareholders and other stakeholders for discussions on corporate governance concerns and as a whole ensures that strategies are economically, socially and environmentally viable.

Appointments

The aim is to have a vibrant Board with directors whose skills complement each other so that they can constructively challenge management's strategies and evaluate the performance of the Group against the strategies and established benchmarks. The formal process for nominating new candidates for appointment as directors to the Board is overseen by the remuneration and nomination committee. Any appointments of directors are approved by the Board as a whole and newly appointed directors are expected to stand down at the first annual general meeting following their appointment for election by shareholders.

Inductions and ongoing development

New directors are required to take part in a formal induction programme immediately

after their appointment to the Board. This training is intended to provide new directors with in-depth knowledge of the Company's activities and organisation, the environment in which it operates and sustainability issues, and introduces them to senior managers.

Other directorships

Independent non-executive directors may accept appointments to other boards, including industry-related organisations, government entities and charitable organisations, provided their other commitments do not impact on their ability to discharge their duties to Aveng. Independent non-executive directors are not awarded share options or any benefits other than directors' fees. No service contracts exist between the Company and independent non-executive directors.

Access to information and resources

From time to time, members of the executive committee attend board meetings by invitation. The independent non-executive directors also interact regularly with executive management through site visits and the tender risk committee.

All directors of the Board are provided with unrestricted access to the company secretary, management and company information. Directors are also provided with the requisite resources to discharge their duties and responsibilities, including the access to external professional advisers, at the expense of the Company.

Retirement by rotation

In compliance with the provisions of the Company's memorandum of incorporation, one-third of all the directors are expected to retire by rotation and, if eligible and willing to continue to serve as directors, offer themselves for re-election by shareholders.

@ Details of directors retiring by rotation are set out in the notice of annual general meeting.

Delegation of authority

The Board has defined levels of materiality in respect of strategy, financial matters, risk, compliance, sustainability and governance. Board committees have been constituted to assist the Board in discharging its duties in these respects. The Board revisited and

approved the delegation of authority framework to formalise management's responsibility and accountability for the decisions and actions taken by them. The delegation of authority was rolled out to all operating groups.

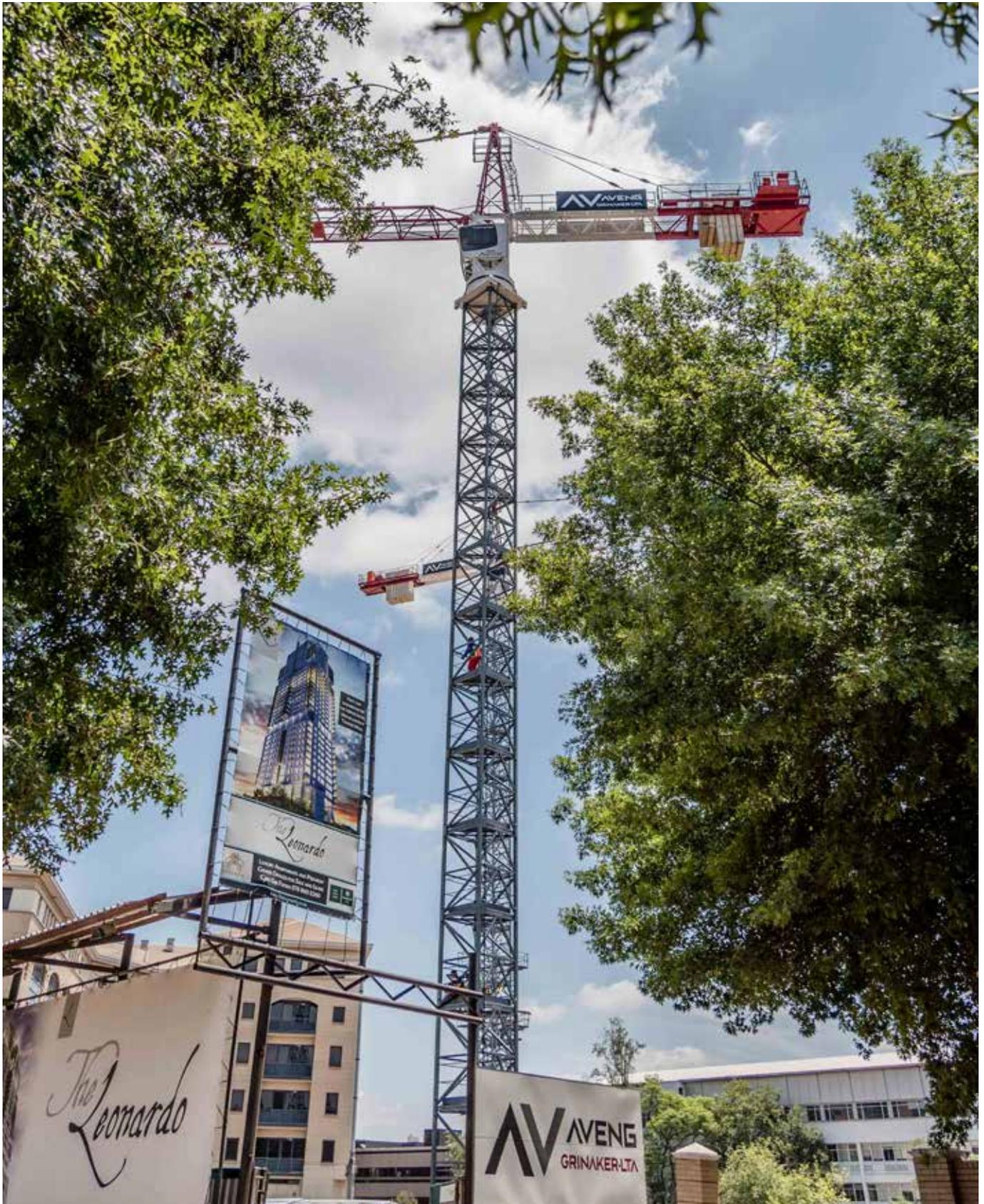
Share dealings by directors and officers

Aveng implements a voluntary closed period for one week prior to the mandatory closed period commencing at the Group's year-end on 1 July until the release of the year-end results. As required by the JSE Listings Requirements, a closed period is also implemented at half-year until the release of the interim results.

During closed periods, directors and designated senior executives may not deal in the shares or in any other instrument linked to the shares of the Group. In addition, they cannot trade in the Aveng shares during any period where they have access to unpublished price-sensitive information. To ensure effective compliance, it is a requirement that no trading in Aveng Limited securities by directors and designated senior executives may take place outside of the closed periods without prior written approval from the chairman for directors and the chief executive officer for executives of the Group.

Directors and senior designated employees are required to instruct their portfolio or investment managers not to trade in Aveng Limited securities without their written consent. They are required to advise the company secretary immediately after the trade has taken place, who will then report the transaction to the JSE Limited through the Stock Exchange News Service, within one working day.

Identical rules and restraints apply where Aveng Limited securities are held by immediate family members of directors, or senior designated employees, or by trusts in which directors or senior designated employees or their families are beneficiaries.



Leonardo Hotel, Sandton, Johannesburg

Board committees and attendance

Board committees and attendance

The Board applies responsible governance in managing the business within the approved risk appetite through various board committees.

Audit committee	Remuneration and nomination committee	Social ethics and transformation committee
Five meetings	Six meetings	Four meetings
Independent non-executive directors (* By invitation) (** Standing invitation)		
EK Diack (chair) (5/5) P Hourquebie ² (5/5) KW Mzondeki (5/5) PK Ward ¹ (5/5) MI Seedat** (5/5)	TM Mokgosi-Mwantembe (chair) (6/6) AWB Band (6/6) MI Seedat (6/6)	MI Seedat (chair) (4/4) AWB Band (4/4) TM Mokgosi-Mwantembe (4/4) KW Mzondeki (4/4)
Management and other (* By invitation)		
<ul style="list-style-type: none"> ◆ Chairman of the Board ◆ Chief executive officer ◆ Group CFO ◆ Head of internal audit ◆ External audit representative 	<ul style="list-style-type: none"> ◆ Chief executive officer ◆ Group executive director ◆ Group remuneration and rewards executive* 	<ul style="list-style-type: none"> ◆ Chief executive officer ◆ Group executive director ◆ Group transformation executive*
Responsibilities		
<ul style="list-style-type: none"> ◆ Assess financial sustainability ◆ Financial and integrated reporting ◆ Internal controls ◆ Combined risk management assurance ◆ Oversee IT governance 	<ul style="list-style-type: none"> ◆ Ensure optimal remuneration structures to attract, retain and motivate top employees to enable and support the business strategy ◆ Identify and source appropriately skilled directors who individually and collectively add value to the Board 	<ul style="list-style-type: none"> ◆ Oversee transformation strategies, plans and processes ◆ Act as social and ethics committee for Aveng Limited and relevant subsidiary companies as required in terms of the Companies Act 71 of 2008
¹ Retired 31 October 2015 (DG Robinson), 30 June 2016 (PK Ward) and 19 August 2016 (AWB Band) ² Appointed to the Board on 5 August 2015 (PH Hourquebie) and 1 November 2015 (SJ Flanagan) * Senior management		
Statement of compliance		
<i>The committee is satisfied that it has complied with its regulatory and other responsibilities under the charter, as well as its legal responsibilities in terms of the Companies Act 71 of 2008, as amended.</i>	<i>The committee is satisfied that it has complied with its responsibilities under the charter.</i>	<i>The committee is satisfied that it has complied with its responsibilities under the charter.</i>
Audit committee statement on the financial director <i>In accordance with the JSE Listings Requirements, the audit committee is required to consider the appropriateness of the expertise and experience of the financial director of the Company. For the year under review, the committee is satisfied that Adrian Macartney possesses the appropriate expertise and experience to fulfil his responsibilities in that position.</i>		Board statement <i>Aveng has discharged its responsibility in respect of section 43 of the Companies Act pertaining to the social and ethics requirements, namely, that in the period 1 July 2015 to 30 June 2016, Aveng Corporate and the operating groups supported and respected the protection of internationally proclaimed human rights; they upheld freedom of association and the right to collective bargaining. To our knowledge there were no incidents of discrimination and due to measures in place there were no issues pertaining to child and forced labour. There were no significant regulatory incidents pertaining to the above, which could have adversely affected the operating groups financially, their reputation, regulatory or legal standing, or delayed or stopped any projects.</i>
Audit committee statement on the company secretary <i>In accordance with the JSE Listings Requirements, the audit committee is required to consider the appropriateness of the expertise and experience of the company secretary. For the year under review, the committee is satisfied that Michelle Nana possesses the appropriate expertise and experience to fulfil her responsibilities in that position.</i>		Ethics management <i>Statement of commitment: The Board is committed to providing effective and ethical leadership characterised by responsibility, accountability, fairness and transparency. The Board accepts its responsibility for ensuring that management nurtures a culture of ethical conduct and establishes the correct tone at the top in respect of the Group's values.</i>

Board and committee attendance remained good.

Independent non-executive directors meet independently of executive directors after each board meeting.

Board committees and attendance continued

Safety, health and environmental committee	Investment committee	Risk committee	Tender risk committee
Four meetings	Seven meetings	Four meetings	Weekly
MA Hermanus (chair) (4/4) MJ Kilbride (4/4) MI Seedat (4/4) AWB Band** (4/4)	EK Diack (chair) (7/7) AWB Band (7/7) PA Hourquebie ² (7/7) MJ Kilbride (7/7) MI Seedat (7/7) SJ Flanagan* (2/2)	PJ Erasmus (chair) (4/4) AWB Band (4/4) EK Diack (3/4) MJ Kilbride (4/4) MI Seedat (4/4) KW Mzondeki (1/1) PK Ward (retired) (4/4)	PJ Erasmus AWB Band EK Diack SJ Flanagan MI Seedat
<ul style="list-style-type: none"> ◆ Chief executive officer ◆ Group executive director ◆ Group safety, health and environment executive* 	<ul style="list-style-type: none"> ◆ Chief executive officer ◆ Group CFO ◆ Group: investment and optimisation executive* 	<ul style="list-style-type: none"> ◆ Chief executive officer ◆ Group CFO ◆ Group commercial executive* 	<ul style="list-style-type: none"> ◆ Chief executive officer (chair) ◆ Group CFO ◆ Group commercial executive*
Ensure that the Aveng's priority of "Home without Harm, Everyone Everyday" is upheld	Consider major investment and divestment opportunities in terms of the Board-approved delegation of authority and strategy and where appropriate make recommendations to the Board	Ensure that there is an effective risk management process that identifies and monitors the management of key risks	Governance of tender risk management through a formal process and system
<i>The committee is satisfied that it has complied with its responsibilities under the charter.</i>	<i>The committee is satisfied that it has effectively fulfilled its roles and duties during the year under review and has complied with the provisions of its charter, which was approved by the Board.</i>	<i>The committee is satisfied that during the year under review it has complied with its responsibilities under the charter, as well as its legal responsibilities in terms of the Companies Act 71 of 2008, as amended. The risk committee oversees the implementation of all three lines of defence and satisfies itself through the activities of the tender risk committee that adequate business processes are followed.</i>	
Board statement <i>The Board acknowledges its accountability for safety, health and environmental management and upholds the philosophy of "Home Without Harm Everyone Everyday", which applies to all employees and subcontractors of the Aveng Group.</i>			

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