

The purpose of governance

The context of governance in Aveng

Aveng is registered in South Africa in terms of the Companies Act, 71 of 2008 (Companies Act) and files returns with the Companies and Intellectual Property Commission (CIPC). Aveng is a public company listed on the JSE, and is mandated to create value on behalf of its shareholders.

Stakeholders need to know that a company is well managed, and this is the aim of corporate governance. The Aveng Group's compliance is benchmarked against the framework of the King Code of Governance for South Africa. With the launch of King IV, a team of managers and executives has been tasked to review how these principles are best applied in the context of Aveng's economic, social and environmental sustainability.

The Aveng Code of Business Conduct communicates the Board's commitment to an ethical culture. 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 in the Board Charter as well as board and committee meetings.

The phrase "Home Without Harm Everyone Everyday" articulates Aveng's core value, for the people of Aveng work in an industry where they mine, engineer, build, and manufacture for their daily living. Safety is the first agenda item at every board meeting and executive committee meeting.

The Board needs an ongoing relationship with its stakeholders to understand their legitimate needs and expectations. This understanding helps the executives to develop better strategy. For this reason, relationships are another recurring item on the Board's agenda.

Governance structure

Principal accountability

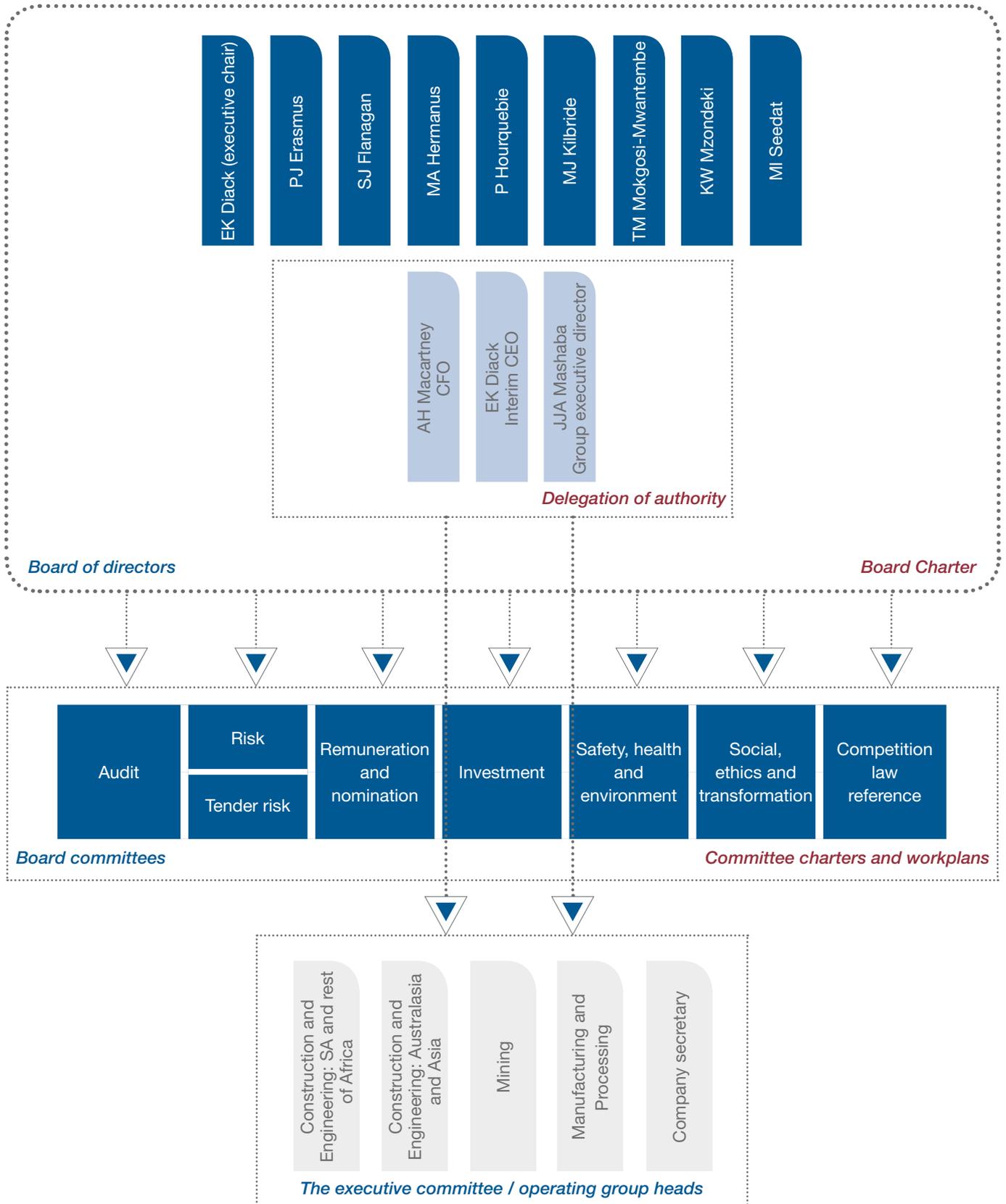
The Board makes itself collectively responsible for the success of the Company. It aims to provide stakeholders with confidence that the Group is being managed ethically, with robust operations that function within prudent risk parameters.

The International Integrated Reporting Council has extended the definition of capital beyond economics to the six capitals: financial, manufactured, human, intellectual, natural, social and relationship capital. The Board must not only consider how it makes money, but show how the duty of care has been applied in its judgement calls. The Board has formed sub-committees to ensure that its collective mind has been adequately applied to the complexities of this duty.

Delegated accountability

The Board has delegated management accountability to the chief executive officer through a delegation of authority framework. The chief executive officer directs the business and ensures strategic implementation across the varied operating groups. The chief executive officer is assisted by the executive committee.

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The Board is satisfied that for the year under review, it has complied with the terms of its charter.
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The Board

Mandate – the board charter

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.

Corporate governance

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 Board oversees processes to ensure that each business area and every employee is responsible for acting in accordance with sound corporate governance principles in their relationships with management, shareholders and other stakeholders.

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.

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.

There is a growing expectation for non-executive directors who sit on remuneration committees to be more specialised. This is an obligation which will require more attention to training and onboarding, as well as increased attention to updates in remuneration trends. These specialised directors need to be well versed in the applicable terms of reference and relevant corporate governance principles (specifically King IV) and global principles. They must understand the business environment, be intellectually agile. For this reason, professional development of remuneration and nomination committee non-executive directors will be addressed in the new year.

Other directorships

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 their ability to discharge their duties to Aveng. Non-executive directors are not awarded share options or any benefits other than directors' fees. No service contracts exist between the Company and 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 access to external professional advisers, at the expense of the Company.

The Board continued

The Board provides strategic leadership to the Group. It independently reviews the business models of the operating groups to promote accelerated execution of the approved plan.

Retirement by rotation

In compliance with the provisions of the Company's memorandum of incorporation, one-third of all of 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 the 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 they take. The delegation of authority is 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 trade 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.

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 Securities 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.

Composition



Board size

The Board of directors had only one change in the year with the retirement of AWB Band on 19 August 2016. This reduced the Board size to 12 members. In May 2017, the remuneration and nomination committee considered the size of the Board. The current Aveng Board is larger than the average construction sector board, but given the diversity of operations and operational challenges, the size of the Aveng Board was deemed appropriate.

On 22 September 2017, Mr Kobus Verster resigned as CEO, reducing the size of the Board to 11 members. The position of chief executive has been assumed by the executive chairman until a new CEO is appointed.

Independence

The executive versus non-executive director mix is appropriate. 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 independence component of the Board ensures that no one individual has unfettered powers of decision-making and authority. The majority of directors are independent. This year Ms Mokgosi-Mwantembe is not counted as independent due to a shareholding in the Kutana group of companies.

On 23 August 2017, Mr Eric Diack assumed a limited duration role as executive chairman of Aveng. At the end of the contracted period of executive duties, Mr Diack will continue as a director but will not be classified as independent for a period of three years.

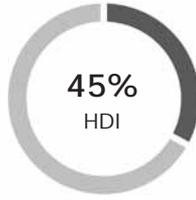
Role of chairman of the Board

In accordance with King IV and the JSE Listings Requirements, the roles of 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 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 ensures that strategies are economically, socially and environmentally viable.

While the role of the Aveng chairman is usually assumed by an independent non-executive director, the Board considered the challenges facing the Company and its executive management and appointed Mr Eric Diack as executive chairman to support the chief executive and help the Group realise its significant value. At the same time Ms Kholeka Mzondeki was appointed lead independent director. The chief executive's resignation one month after this appointment has created a situation where Aveng has had to apply for dispensation from the JSE for Mr Diack to temporarily assume the duties associated with both roles until the new CEO is appointed. The JSE has granted the dispensation.

Composition continued



Company secretary

Ms M Nana is the appointed company secretary.

Her primary role is to ensure that the Board is cognisant and aware of its fiduciary duties and responsibilities. The company secretary plays a key role in keeping the Board aware of relevant changes in legislation and governance best practice.

Other key performance areas of the company secretary include overseeing the induction of new directors as well as the ongoing education of directors. The company secretary is also secretary to the board committees and the Board has unfettered access to the services of the company secretary.

An annual evaluation of the company secretary was carried out by the audit committee, on behalf of the Board.

The results of the evaluation confirmed that the company secretary continues to demonstrate the requisite level of knowledge and experience to carry out her duties. The Board is also comfortable that she maintains an arm's length relationship with individual directors.

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.

Committee composition

Following the appointment of Mr Eric Diack as executive chairman, governance structures required that he resign from the role of chairman and member of the audit committee. Mr Peter Erasmus and Mr Philip Hourquebie, both independent non-executive directors, were appointed to the audit committee, with Mr Hourquebie assuming the role of chair of the committee.

During the period, Mr Philip Hourquebie was also appointed to the remuneration and nomination committee and the social, ethics and transformation committee.

Mr Sean Flanagan was appointed to the risk and tender risk committees.

When King IV is fully applied, the composition of the committees will again be reviewed.

Board race and gender policy

The JSE and King IV both require that a board race and gender policy be built into the compliance framework. The Board must set its own targets and timelines. At Aveng, succession planning is built into the proposed target as part of board rotation. The remuneration and nomination committee has set a minimum compositional framework of 40% black directors and three female directors.

The heavy construction industry, represented by SAFCEC has recommended that 38% of board members be from the historically disadvantaged sector. The minimum requirement of the Construction Charter is 20%. With 27% female representation, Aveng's Board is on par with the sector.

Tenure

Tenure of directors is considered to ensure that the Board is regularly refreshed while maintaining a stable leadership and corporate memory. The tenure of each board member is considered in the context of their independence, gender and ethnicity. It is pleasing to report that a mix of fresh ideas and corporate memory is shown across all measurements.

Compliance

Aveng's compliance framework

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 listed company is subject to, and remains compliant with, the JSE Listings Requirements in line with the advice of Aveng's sponsor, UBS South Africa Proprietary Limited.
- ▶ King Report on Corporate Governance for South Africa: During the year under review, Aveng continued to focus on applying the recommendations of King III and is satisfied that it has substantially applied these principles. At the same time, the Board has started preparing for the adoption of King IV. Additional information is available at www.aveng.co.za/aveng/ethics-and-governance/corporate-governance.
- ▶ 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 of King III and continue to entrench and strengthen recommended practices in their governance structures, systems, processes and procedures.

Annual compliance certificate

The annual compliance certificate confirming Aveng's compliance with the JSE Listings Requirements has been completed and submitted to the JSE on 20 October 2017.

Legislative compliance

As part of Aveng's compliance management processes, training of employees remains a key initiative to ensure that the Group meets its compliance obligations and improves the way it conducts its business in the interest of its stakeholders. In addition, employee compliance training is an important component to the Group's commitment to be an effective and sustainable integrity-based organisation. For example, the Group conducted targeted training on topics including anti-bribery, corruption and anti-trust issues.

Competition law training

The Group's competition law training programme is an important tool which reinforces Aveng's commitment to eliminating anti-competitive practices. The competition law training is conducted online and ensures that employees undergo a rigorous education and certification programme in order to comply with competition laws of all countries and regions in which they conduct business. Refresher training is conducted annually. In 2017, 611 employees received competition law training.

Anti-corruption training

To continue promoting an ethical organisational culture within the Group, anti-corruption training was conducted across the Aveng Africa operations, by an independent, external company. The training focused on applicable anti-corruption legislation, employees' obligations in terms of Aveng group policies and key anti-corruption learnings through examples. The training content was developed after receiving feedback from an employee survey to determine the effectiveness of the Group's anti-corruption strategy. In total, 1 805 employees received anti-corruption training.

King IV readiness

In readiness for the launch of King IV, the Aveng company secretarial department enlisted an internal gap analysis to understand where to deregulate and what the best routes are to entrench the philosophies and the desired outcomes of effective control, legitimacy, good performance and an ethical culture. To this end, a steering team has been established, with each member designated a specific outcome, and the task of ensuring that the required reporting evidence is in place to show that the performance has been monitored and measured.

King III governance assessment (GAI) result

For the year under review, Aveng measured its compliance with King III against the IOD's governance assessment instrument. The following summarises the Group's results.

KING III COMPLIANCE SCORECARD for the year under review	
Board composition	AAA
Remuneration	AAA
Governance office bearers	AAA
Board role and duties	AAA
Accountability	AAA
Performance assessment	AAA
Board committees	AAA

AAA	Highest application
AA	High application
BB	Notable application
B	Moderate application
C	Application to be improved
L	Low application



Control framework

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 refined by the group commercial, internal audit and external audit functions, to give comfort 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. Control consciousness has improved significantly. An internal control forum is held regularly, chaired by the group finance director 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.

Internal and external assurance

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. While management is responsible for this process, it is independently monitored by the audit and risk committees.

Management performed an assessment of Aveng as a going concern considering: the budget for 2017 to 2020, budget risks in the order book, a conservative two-year liquidity forecast, the successful completion of the property deal, possible adverse market conditions, long-outstanding claims and debtors, labour difficulties, discontinued operations and other restructuring activities.

The lower than expected QCLNG award required the Board to take a step back and again review the solvency and liquidity position of the Group to ensure a fair presentation of the financial statements. The external auditor, EY, and the Board needed to be satisfied that the concerns raised by the auditor were not material issues. To provide a formal determination of the going concern assumption, KPMG was appointed to perform an independent review to validate the solvency and liquidity of the Group. On 22 September 2017 the Board reviewed the KPMG report and confirmed its comfort on the solvency and liquidity of the Group.

Statement of going concern: The directors have reviewed the Group's cash flow forecast for the year ended 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 continuously reviews 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 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.

Control framework continued

Ethical leadership and corporate citizenship

Ethics is a practical, indeed survival, matter in business. Clients, shareholders and stakeholders must have the assurance that they can depend on the character and integrity of Aveng. 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 continuously, 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 to fraud policy is employed within the Group.

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Statement of commitment to ethics management: 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.

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Board insight

The membership of the Board reflects the balance of skills and experience required to fulfil the objective of the Group. 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.

2017: Key governance initiatives in support of operations

The following initiatives supported communication between the Board and the Group's operating divisions:

- ▶ Board site visits are conducted twice a year in the week of the board meeting. In June 2017, the Board visited Kusile power station and Eskom balance of plant (BOP) sites. In November 2016, the Board visited the Mining Training Centre and Welding School at Jet Park.
- ▶ Aveng tender advisory committee supports the tender process. A complete tender review is performed weekly by management, who then recommend projects to go forward to the tender risk committee.
- ▶ Informal business update sessions are held in the months between board meetings to ensure board members are kept abreast of current issues in the Group.

- ▶ Key issue sessions are held at the chairman's request. Board members are invited to sessions for extended discussion on key topics. Most recently a risk committee working session looked at the group risk framework and another session discussed lessons learned on problematic projects.
- ▶ A finance and commercial committee (fincomm) was formalised to provide final approval for the recognition of uncertified revenue in any business unit of the Group and to request any adjustments it deems necessary. The fincomm provides appropriate oversight to ensure that projects are initiated promptly and comply with the operating group-specified controls during project mobilisation phase. Fincomm gives comfort that current and future contracts have been entered into on terms agreed to through the tender risk management process.
- ▶ A general concern raised by board members during the board evaluation interviews was that those members who are not directly involved in the risk and audit committees have little sight of many of the issues faced by the Group. All committee packs are therefore made available to all board members and all board members are welcome to attend any committee meeting for information purposes.

Key governance achievements, challenges and focus areas

Topic	Activities / discussion	Actions arising	Continued focus
Strategy	Two-day off-site meeting in December 2016 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 Company's capacity, competence and culture with a view to completing the turnaround and sustaining it in the current economic environment.	Management undertook a process to align operating group strategies and develop a clear articulation of the strategy to internal and external stakeholders. The strategic pillars initiative was recommended as a structure through which to implement and entrench the strategy.	On 2 December 2016, the Board confirmed a group business model with a strong corporate centre providing guidance and direction.
	Shift from recover and stabilise phase to position for growth 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 managed.	Management reviews legacy issues and action plans each month to maintain high-level focus on risk management and growth promotion.
Board evaluation	In August 2016 the chairman conducted one-on-one interviews with each of the board members.	A key matter that emerged was that some board members who are not members of all the board committees felt they did not have sufficient insight into the key critical issues. To resolve this we make all committee packs available to all board members and they are all invited to attend all committee meetings as observers. Site visits were arranged including an extensive visit for new board members.	The upcoming evaluation will be informal and will include a facilitated session. The chairman will have an informal discussion with each board member and then an external facilitator will have a session with each individual so that they can give their honest views on what is working and what needs to change. This will be followed by a two-day workshop in which the external facilitator will synthesise the feedback received and members will have an opportunity to agree on how matters raised should be addressed.
Leadership and employees	Significant senior leadership changes in McConnell Dowell.	An engagement survey.	Ongoing capability reviews of key and critical staff which includes project management capability.

Frameworks for governance

A summary of board committee initiatives during the period under review

Abbreviations

Exco	Executive committee
Fincomm	Finance and commercial committee
GIA	Group internal audit
Remco	Remuneration and nomination committee
Risk	Risk committee
SET	Social, ethics and transformation committee
SHE	Safety, health and environmental committee
TRC	Tender risk committee

Key issues	Governance structure / process	Metrics and actions	Responsible 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.	SET / 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. This year they discussed human resource, remuneration and transformation issues.	Exco
	CEO roundtable	As part of the strategy to engage leadership across the Group, 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 transformation plan to ensure that Aveng remains competitive in the industry.	SET
	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.	SET
	Section 43 and ILO Protocol Compliance Evaluation	Biannually the remuneration and nomination committee reports to the social, ethics and transformation committee on the Group's compliance with labour and employment laws, such as the ILO Protocol on Decent Work.	Remco SET
	Transformation roadshows	Transformation roadshows are held across the Group with both suppliers and line management to enlighten, empower and enable them to achieve B-BBEE strategic imperatives.	
	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.	
Safety 	Safety, health and environment dashboard	A graphic dashboard represents progress made with initiatives and key indicator trends.	SHE

Frameworks for governance *continued*

Key issues	Governance structure / process	Metrics and actions	Responsible entity
Risk and opportunities			
Effective identification and assessment of material matters 	Risk register	Measures progress achieved on recorded risk mitigation actions.	Risk
	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.	Risk
	Control Self-Assessment (CSA)	Performed by management and reviewed by group internal audit. Holds staff accountable where controls have been certified as being performed.	Management GIA
Problematic contracts 	Project reviews	Project and risk reviews undertaken with feedback and actions developed in consultation with operating groups.	Risk
	Project dashboard	Dashboard of all projects being executed across the Group illustrating the coverage provided by group internal audit as well as other lines of defence. Aim is optimising and embedding a risk and controls culture.	GIA Risk
	Project assurance framework	A detailed framework defining the minimum governance requirements from a risk management perspective. Early warning protocols.	Risk
	Finance and commercial committee (fincomm)	Fincomm meets monthly to provide appropriate oversight and comfort that: (i) uncertified revenue is recognised in terms of the group policies on revenue recognition and is financially and commercially recoverable at initial recognition and future re-measurement dates; (ii) projects are initiated promptly and comply with the operating group-specified controls during project mobilisation; and (iii) all current and future contracts have been entered into on terms agreed to through the tender risk management process.	Fincomm
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 the Company can tolerate. This is not only a financial metric, but also considers the skills base and risk profile of the project.	TRC Investment committee
Strategic perspective 	Assessment of macro-economic and industry trends	Business units are analysed to assess their relative attractiveness and competitiveness.	Board Exco
Strategy and resource allocation			
	2017 strategic workshops	Assess operating groups' capacity, competence and culture to achieve and sustain a turnaround, and their ability to win and grow business in the current operating environments.	Board Exco

Frameworks for governance continued

Key issues	Governance structure / process	Metrics and actions	Responsible entity
Performance and outlook			
Strategic performance 	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 revised Aveng purpose, vision, mission and values.	Board, executive committees of operating groups
	Strategic pillars	The third phase of the current strategy is to realise growth and achieve industry leadership positions in all our business units by focusing on strategic pillars that address customer delivery, innovation, sustainability and financial performance, all underpinned and enabled through our people and our diverse and inclusive corporate culture. The Group is currently engaging in a strategic review. This is due to be completed by 30 November 2017. The outcome of this review will then be communicated.	Board
People performance 	Management capability review	Integral to the Company's talent and leadership capability process in terms of profit generation and management oversight roles. Psychometric tests, individual performance reviews, the entity's financial performance and analysis of project performance are considered.	Remco
Remuneration			
Remuneration policy 	Remuneration modelling exercises	Market benchmark, salary surveys. Review of incentives. Review of NED fees for approval by shareholders at AGM. Pay differential analysis in respect of HDI employees.	Remco
Succession plans 	Annual succession review	Review of quality of people, identification of succession gaps and creation of growth path for talent pipeline.	Remco
	Individual development plans (IDPs)	Good progress made on IDPs which are being monitored quarterly.	Remco
Industrial relations climate 	Employee and union engagement	Engagement with employees and organised labour aims to foster labour stability across the organisation.	Remco

Frameworks for governance continued

Key issues	Governance structure / process	Metrics and actions	Responsible entity
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.	The 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 SET Exco
	Biannual compliance evaluations	Compliance evaluations are undertaken and reported to social, ethics and transformation committee in April and August.	Remco SET
	Environmental legal audits	Ensure that sites comply with safety regulatory requirements.	SHE
	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 and company secretary
	Delegation of authority framework	Includes established benchmarks and performance indicators to hold management accountable for decisions and actions.	Board
Leadership			
Assessments 	Annual assessment of the Board and committees	Assessments are done annually, alternatively by internal questionnaire interviews and external evaluations. In August 2016, the chairperson of the Board conducted one-on-one interviews with each board member.	Chairman of the Board and committees and company secretary
Transformation 	Board race and gender diversity policy	The policy and plan address the targets set by the Board and a plan to reach these targets within a set timeframe.	Remco

Board committees and attendance

Audit committee	Remuneration and nomination committee	Social ethics and transformation committee
7 meetings	5 meetings	4 meetings
Independent non-executive directors		
P Hourquebie (7/7) KW Mzondeki (7/7) EK Diack (7/7) MI Seedat (7/7) ²	TM Mokgosi-Mwantembe (chair) (5/5) AWB Band (1/1) ¹ MI Seedat (5/5) P Hourquebie (3/3)	MI Seedat (chair) (4/4) AWB Band (1/1) ¹ TM Mokgosi-Mwantembe (4/4) KW Mzondeki (4/4) P Hourquebie (3/3)
Management and other		
Chairman of the Board Chief executive officer ² Finance director ² Head of internal audit ² External audit representative	Chief executive officer ² Group executive director ² Group rewards and benefits executive ³	Chief executive officer ² Group executive director ² Group transformation and procurement executive ³
Responsibilities		
Assess financial sustainability Financial and Integrated reporting Internal controls Combined risk management assurance Oversee IT governance	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	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
Statements of compliance		
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	Based on the work plan, the committee is satisfied that it has complied with its responsibilities under the charter	The committee is satisfied that it has complied with its responsibilities under the charter

¹ Resigned August 2016

² Standing invitation

³ By invitation

Board statement: 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 under review, 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.

Board committees and attendance continued

Safety, health and environmental committee	Investment committee	Risk committee	Tender risk committee
4 meetings	4 meetings	4 meetings	Weekly
MA Hermanus (chair) (4/4) MJ Kilbride (4/4) MI Seedat (4/4)	EK Diack (chair) (4/4) AWB Band (1/1) ¹ PA Hourquebie (4/4) MJ Kilbride (4/4) MI Seedat (4/4) SJ Flanagan (4/4)	PJ Erasmus (chair) (4/4) AWB Band (1/1) ¹ PA Hourquebie (4/4) EK Diack (4/4) MJ Kilbride (4/4) MI Seedat (4/4) SJ Flanagan (3/3)	PJ Erasmus (chair) AWB Band ¹ EK Diack SJ Flanagan MI Seedat
Chief executive officer Group executive director Group safety health and environment executive ³	Chief executive officer ² Finance director ² Group strategy executive ³	Chief executive officer ² Finance director ² Group commercial executive	Chief executive officer (chair) Finance director ² Group commercial executive ³
Ensure that the Aveng 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 recommendation to the Board	Ensures 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
The committee is satisfied that it has complied with its responsibilities under the charter	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	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	The committee is satisfied that it has complied with its responsibilities under the charter

¹ Resigned August 2016

² Standing invitation

³ By invitation

Board statement: The Board acknowledges its accountability for safety, health and environment and upholds the philosophy of “Home Without Harm Everyone Everyday”, which applies to all employees and subcontractors of the Aveng Group.



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