

This section gives an overview of the group's **sustainability performance**

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Independent assurance report to the directors of the Aveng Group for the period ended 30 June 2011

Scope of our engagement

We have completed our independent limited assurance engagement to enable us to express our limited assurance conclusions on whether anything has come to our attention that causes us to believe that the Aveng Group's Sustainability Overview 2011 (the report) for the period ended 30 June 2011, has not been prepared, in all material respects, in accordance with the principles and listing requirements of the Johannesburg Stock Exchange's Socially Responsible Investment (JSE SRI) for a High Impact business, and whether the following key performance indicators (specified KPIs) contained in the report have not been fairly stated:

- Recordable Injury Frequency Rate (RIFR) for the 12 months ended 30 June 2011 as disclosed on pages 10, 28, 45 and 49;
- Lost-time injury frequency rate (LTIFR) for the 12 months ended 30 June 2011 as disclosed on page 48;
- Carbon footprint (Scope 1 – diesel) for the 12 months ended 30 June 2011 as disclosed on page 54;
- CSI trust payments for the 12 months ended 30 June 2011 as disclosed on page 64;
- Number of employees who underwent HIV/Aids prevention training for the 12 months ended 30 June 2011 as disclosed on page 52; and
- Investment in training (Rand) for the 12 months ended 30 June 2011 as disclosed on page 10.

The specified KPIs noted above have been highlighted in purple in the report for identification purposes.

Our responsibility in performing our independent limited assurance engagement is to the Aveng Group only and in accordance with the terms of reference for this engagement (including the release letter dated 14 September 2011 as agreed with them. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Aveng Group for our work, for this report, or for the conclusions we have reached.

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

Directors' responsibility

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

Assurance provider's responsibility

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

Basis of work and limitations

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

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

Where a limited assurance conclusion is expressed, our evidence gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

Summary of work performed

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

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

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

Conclusion

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

- The report for the period ended 30 June 2011 has not been prepared, in all material respects, in accordance with the principles and listing requirements of the JSE SRI for a High Impact business; and
- The specified KPIs contained in the report have not been fairly stated.

Other matters

The maintenance and integrity of the Aveng Group's website is the responsibility of the Aveng Group's management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the Aveng Group's 2011 Sustainability report or our assurance report that may have occurred since the initial date of presentation on the Aveng Group's website.

Ernst & Young Inc.

Ernst & Young Inc

Director – Jeremy Grist

Registered Auditor

Chartered Accountant (SA)

52 Corlett Drive

Johannesburg

14 September 2011

Approach to sustainability

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

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

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

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

Sustainability is encouraged across all facets of the business

Participation at board level	Responsible use of natural resources	Ensuring long-term sustainability
<p>Directors, through their involvement on board committees, are accountable for group sustainability performance.</p> <p>Angus Band – investment committee, risk committee, tender risk committee, transformation committee (<i>economic sustainability</i>)</p> <p>Roger Jardine – risk committee, executive committee, safety, health and environmental committee, transformation committee (<i>economic and social sustainability</i>)</p> <p>Peter Erasmus – risk committee, tender risk committee (<i>economic sustainability</i>)</p> <p>May Hermanus – safety, health and environmental committee, (<i>environmental and social sustainability</i>)</p> <p>Rick Hogben – safety, health and environmental committee, audit committee (<i>environmental and social sustainability</i>)</p> <p>Thoko Mokgosi-Mwantembe – transformation committee, (<i>social sustainability</i>)</p> <p>Myles Ruck – investment committee, audit committee (<i>economic sustainability</i>)</p> <p>Keith Rumble – investment committee, tender risk committee, safety, health and environmental committee, risk committee (<i>economic, social and environmental sustainability</i>)</p> <p>Nkululeko Sowazi – transformation committee, investment committee (<i>social and economic sustainability</i>)</p> <p>Peter Ward – risk committee, audit committee, tender risk committee (<i>economic sustainability</i>)</p> <p>Juba Mashaba – executive committee (<i>social and economic sustainability</i>)</p> <p>Kobus Verster – tender risk committee, executive committee (<i>social and economic sustainability</i>)</p> <p>David Robinson – executive committee (<i>social and economic sustainability</i>)</p>	<p>The Aveng Group recognises its responsibility to society, economically, socially and environmentally. The group has committed to monitor its usage of natural resources, and limit its impact on the environment.</p> <p>A safety committee was established in 2009. The mandate was extended to include health and environmental issues in 2010 and a joint safety, health and environmental board committee was formed. This reflects the board's commitment to a holistic and responsible sustainability journey</p> <p>See environmental report on page 53</p>	<p>Long-term sustainability is critical to the Aveng Group's ability to deliver ongoing value to its shareholders. The group's focus on ensuring long-term sustainability centres around:</p> <p>Efficiency improvements and cost management For more on this, see Joint Chairman's/CEO's review and operational reports</p> <p>Growth – broadening the group's geographic and industry footprint, synergy optimisation across the group and customer optimisation</p> <p>Sustainability management Strong risk, safety, health wellness, environmental and human capital management at the highest level</p>

Sustainability journey

Key area	Our commitment to sustainable development	2010 Achievements	2011 Achievements	Future objectives	More info
Economic sustainability	To build and maintain a robust and enduring business for the benefit of all stakeholders	Revenue growth of 1% to R34,0 billion and total value added of R11,9 billion	Revenue of R34,3 billion, total value added of R11,3 billion	Continued focus on creating sustainable value for all stakeholders	Pages 28 to 39
Transformation	To achieve substantial transformation in the group's South African operations	Aveng (Africa) and Aveng Trident Steel rated as Level 4 and Level 6 B-BBEE contributors, respectively, in terms of the Construction Sector Charter	Aveng (Africa) and Aveng Trident Steel rated as Level 3 (138%) and Level 5 (80%) B-BBEE contributors respectively, in terms of the Construction Sector Charter	Minimum rating of Level 3 B-BBEE contributor in terms of the Construction Sector Charter	See transformation report on page 60

Sustainability journey

Key area	Our commitment to sustainable development	2010 Achievements	2011 Achievements	Future objectives	More info
Environmental management systems	To ensure group-wide adoption of environmental management systems that meet international best practice	Greater cognisance of the importance of environmental systems. One operating group achieved ISO 14001: 2004 certification.	Two additional operating groups achieved ISO 14001: 2004 certification	ISO 14001: 2004 certification across all operations	See environmental report as well as operational reports for progress on key environmental measures
Environmental impact	To accelerate the measurement of the group's carbon and general environmental footprint as it strives to reduce and mitigate its environmental impact	Introduced more robust reporting of key indicators including power, water and fuel utilisation	The group responded to the CDP, reduction of waste streams such as waste oils and scrap metal, and measurement of fuel consumption	Measure and manage the group's carbon and water footprints with plans to increase the measurement of Scope 1 and Scope 2 greenhouse gas emissions	See environmental report as well as operational reports for progress on key environmental measures
Employee satisfaction	To prioritise people and provide a great place to work for all	More than R40 million invested in training in South Africa alone	More than 30 000 people employed across globe. Over R40 million invested in training in SA	Raise the performance bar of talented employees, including emerging leadership talent	See HR report on page 56
Safety	To encourage behaviour and practices that entrench the Aveng Group's safety vision	41% decrease in Lost-Time Injury Frequency Rate to 0,26. 50% of the operating groups OHSAS 18001 certified	15% deterioration in Lost time injury frequency rate (0,3) but improvement in recordable injury frequency rate of 6% to 1,22. More than 95% of operations OHSAS 18001 certified	Achieve a world-class safety culture and behaviour across all operations with zero fatalities	See specific operational safety statistics on page 49 and pages 70 – 81
Corporate social investment	To make a positive and meaningful difference in the communities in which the group operates, with a specific focus on skills development	Total CSI spend of R20,8 million directed to 404 social initiatives primarily in skills development and social development projects	R22,7 million CSI spend Active staff volunteerism programmes Ongoing focus on skills development	Contribute to community and skills development to make a real contribution to socio-economic progress in the areas in which we operate	More on page 64

Key milestones in our sustainability journey

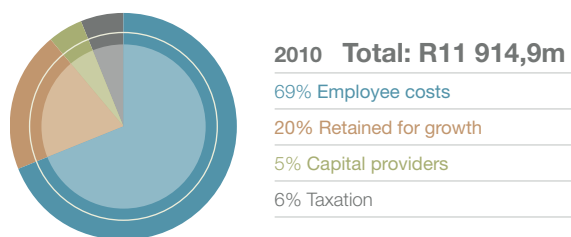
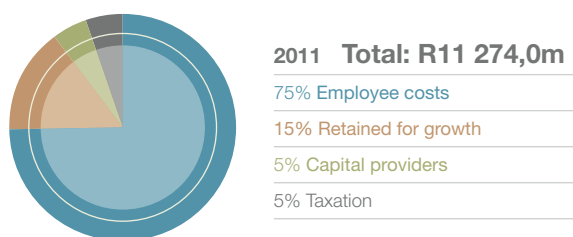
- › In 2007 the group embarked on its sustainability journey by working with the JSE on the JSE Sustainability Reporting Initiative (SRI). This initiative is conducted in conjunction with EIRIS in the United Kingdom.
- › In 2008 a process was put into place to measure various additional areas through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

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Economic sustainability

The Aveng Group has a heritage extending more than a century and the current board and leadership team are committed to ensuring that the Aveng Group remains the leader in infrastructure development in its target markets well into the future.

Total value applied by stakeholder group



Despite a difficult financial year, the Aveng Group continued to contribute positively to a sustainable economy, delivering a marginal increase in revenue to R34,3 billion in the year under review.

Total value added by the group's diverse activities to the cost of raw materials, products and services purchased amounted to R11,3 billion. The group's suppliers benefited from expenditure of R23,4 billion on products and services from suppliers.

The Aveng Group maintained its dividend at 145,0 cents per share for 2011 (2010: 145,0 cents).

The financial performance of the Aveng Group directly impacts on its capacity to act as a responsible corporate citizen in its pursuit of economic sustainability for all stakeholders. The

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

Wealth creation

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

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

Value added statement for the group at 30 June 2011

	2011 Rm	2010 Rm
Revenue	34 323,6	33 981,1
Net cost of products and services	23 396,5	22 537,8
Value added by operations	10 927,1	11 443,3
Income from investments and interest	346,9	471,6
Total value added	11 274,0	11 914,9
Applied as follows to:		
Employees as salaries, wages and other benefits	8 333,3	8 224,2
Providers of capital – financing costs	58,5	17,2
– dividends	565,1	579,4
The state as direct taxes	583,7	721,6
Total value distributed	9 540,7	9 542,4
Reinvested in the group – amortisation of depreciation	1 125,1	1 079,6
– reserves retained	608,3	1 292,9
Total value added	11 274,0	11 914,9

Indirect impacts

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

- Expenditure on products and services to suppliers amounted to R23,4 billion which, in turn, created opportunities for the group's suppliers to employ staff in order to keep pace with its demands;
- During the year R8,3 billion was paid as salaries, wages and other benefits to its 30 000 employees, supporting economic activity in their broader communities; and
- The group uses the products and services of a wide range of people and companies in many regions around the world. Through its supply chain, the group injects wealth into those communities from which it procures.

The Aveng Group also works extensively with contractors and subcontractors on projects across all operations. In this way it supports the growth and development of smaller businesses, injecting wealth into their communities.

- The group engages actively with small businesses in the role of mentor through its enterprise development programmes, offering assistance in growing and developing these businesses, thereby indirectly contributing to the socio-economic development of South Africa.

- The group often constructs infrastructure and other assets which are beneficial to the economy and the communities in which the projects are located, for example, the development of alternative, renewable energy sources, water treatment, the building of port infrastructure to increase import and export capabilities and the construction and maintenance of roads and airport runways to improve transportation services. Current and recently completed projects include the Medupi and Kusile power station projects for Eskom and the Gauteng Freeway Improvement Projects in South Africa, the Komo Airport in Papua New Guinea and the QCLNG pipeline and marine crossing in Queensland Australia. Operations also included the construction and operation of several desalination plants and other water infrastructure including the Trekkopje Desalination Plant, Namibia; the eMalahleni Water Treatment Plant in Mpumalanga and the Adelaide Desalination Plant in Australia.
- Innovations, research and development supported by the organisation are of economic benefit to the countries in which they are developed. The construction, mining and manufacturing industries continually seek innovative ways to enhance their products, services and work processes to ensure improved quality, cost-effectiveness, safety and speedier delivery while also minimising impacts on the environment and society. Research and development are conducted by several operations within the group to improve on and develop new products and processes and minimise any negative impacts of its current practices.

Safety report

Safety policy

The Aveng Group is committed to its responsibilities in every respect of safety, which are integral to the way it does business.

In building a legacy that every employee, their families and future generations can be fiercely proud of, the group develops, implements and maintains management systems for safety that are consistent with internationally recognised standards and:

- Entrench safety as a core value that is never compromised in the pursuit of any other objective;
- Identify, assess and manage risks to employees, contractors, service providers and communities;
- Strive towards a world-class safety culture; and
- Meet and, where appropriate, exceed applicable legal and other requirements.

In implementing this policy, the Aveng Group commits to open communication with employees, contractors, service providers and communities to encourage a culture that reflects the intent of this policy. The group is committed to continual improvement and will regularly review its performance and report on progress. The group will ensure that this policy remains relevant to the needs of all stakeholders.

Highlights

- All businesses, with the exception of REHM Grinaker and DFC, are now certified to the internationally recognised safety management standard OHSAS 18001.
- Conducted 63 safety culture maturity assessments at the group's operations.
- CEO safety workshop.
- More than 250 visible safety leadership visits by CEO, operating group MDs and their management teams.
- 43% increase in reporting of near-miss incidents to 120 390, indicating resilience in the near-miss reporting programme.
- 6% reduction in recordable injury frequency rate to 1,22.

Lowlights

- Eight fatalities at the group's operations.
- 15% deterioration in the lost-time injury free rate (LTIFR) to **0,30**.

In memoriam

The Aveng Group deeply regrets to report that eight people (four employees and four contractors) passed away from workplace accidents during the financial year. Each incident was subject to an indepth investigation including formal "root cause analysis" and a corporate review by the safety, health and environmental (SHE) committee of the board.

For the Aveng Group every fatality is serious and action is taken to avoid similar incidents. The group expresses its condolences to the families, friends and colleagues of those who passed away through work-related incidents.

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Responsibility and accountability

While the Aveng Group holds its leaders accountable for the safety of its people and expect its managers and supervisors to provide effective leadership in safety, the group equally expects all individuals to be responsible for their own health and safety and those around them commensurate with their level of authority and sphere of influence. The management of each operating group is responsible for the full implementation of safety management systems. This requires the allocation of appropriate resources and the provision of training, education, consultation, audits and monitoring to ensure legal compliance and the achievement of a world-class safety culture.

The Aveng Group's ongoing focus on improving safety at its operations not only safeguards its licence to operate, but also strengthens its position as a socially responsible employer and business partner.

The value the group places on the safety of employees, subcontractors, partners and any visitors to its sites is reflected in the safety vision, "**Home Without Harm Everyone Everyday**".

Key activities during the year

The group continued to focus on leadership, culture, management systems and management of high-consequence activities, which included:

- Obtaining OHSAS 18001 certification for Aveng Manufacturing, Aveng E*PC and the remaining business units within Aveng Grinaker-LTA.
- A group-wide framework for managing safety is now well established. Each operation continued to implement formal safety management systems to deal with hazards relevant to its business.

- Continued training in incident investigation and root cause analysis that incorporates several techniques for causal analysis, including “TapRoot” and ICAM.
- Strong, accountable and visible leadership. The group is adopting a range of safety leadership and behavioural change initiatives to encourage a positive safety culture. More than 250 site visits were undertaken by the most senior executives (CEO, MDs and their management teams), demonstrating management’s commitment to safety, leadership and a willingness to engage with employees.
- The group conducted 63 “safety culture maturity assessments” across its operations to determine what needs to be done to improve each operation’s safety culture.
- Continued analysis of internal safety data to assess safety performance and identify opportunities for improvement.
- Each operating group is continually reviewing and updating its high-consequence activities and sharing best practices to reduce and eliminate injuries that may arise from work activities.

Safety performance

Criteria	Target	2011	2010	Performance against target
Number of fatalities	0	8	5	worse than target
Fatality frequency rate per 200 000 hours worked	0	0,012	0,007	worse than target
LTIFR per 200 000 hours worked	0,33	0,3	0,26	better than target
Near miss/all injury ratio	25	33	23	better than target
Executive safety leadership (score out of 50)	>35	36	32	better than target
% of group’s operations OHSAS 18001 certified	83	>95	50	better than target

Group safety performance

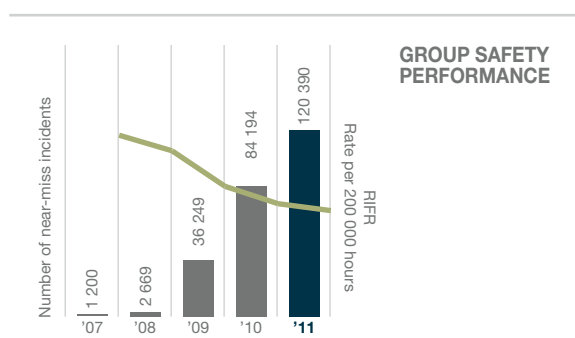
Some fatalities were recorded at operations with the lowest LTIFR in the group. This dichotomy in performance indicates that reducing LTIFR is not a guarantee for preventing fatalities. The Aveng Group believes that strong and accountable leadership sets the tone for the mature safety culture needed to achieve a quantum change in reducing injuries and eliminating fatalities.

The group will in future focus on a broader injury rate called the recordable injury frequency rate (RIFR). The historical performance of the RIFR is shown in the table below.

The group continues to encourage the reporting of near misses. By analysing the near-miss data, it can identify “free lessons” and communicate these to personnel to reduce workplace injuries.

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

	2011	2010	% Variance
Aveng Grinaker-LTA	1,06	1,01	(5)
McConnell Dowell	1,24	1,71	28
Aveng Moolmans	0,95	0,97	2
Aveng Manufacturing	1,81	1,51	(20)
Aveng Trident Steel	3,17	3,95	20
Aveng E+PC	0,65	0,94	31
Aveng Group	1,22	1,30	6



RIFR is the number of fatalities, lost-time injuries, restricted work cases and medical treatments for every 200 000 hours worked at the group’s operations by employees, subcontractors and service providers. Recordable cases in some joint ventures are reported proportionally to the group’s shareholding.

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Safety report continued

The Aveng Group recorded a 6% improvement in RIFR. While this improvement is praiseworthy, it nonetheless means that 837 people experienced injuries ranging from fatalities, lost-time injuries and restricted work cases to medical treatment

injuries. Any injury remains unacceptable and the group has set stringent targets for the 2011/12 financial year to ensure zero harm to all on its sites.

Key objectives for the year ahead

Strategic objectives	Desired results
To build a positive safety culture around well-developed safety management systems, through consistent demonstration of leadership and employee engagement that changes fundamental attitudes and behaviour.	Improving the safety culture maturity level across the group's operations.
Improving executive safety leadership levels.	Visible and demonstrable safety leadership.
Measurement of control effectiveness for high-consequence activities.	Reduction in incidents arising out of high-consequence activities.
Eliminating workplace fatalities and injuries.	Zero fatalities and reduce injury rates.
To improve the safety management approach for subcontractors.	Elimination of fatalities and reduction of injuries involving subcontractors. Stringent safety prequalification and competence assessments. Development of an integrated approach with major subcontractors.
To become a learning organisation and continually embed lessons learnt from significant incidents.	Elimination of fatalities and injuries. Avoidance of repeat or similar incidents.

Key challenges

- Elimination of fatalities across the group.
- Managing subcontractors.
- Improving safety culture.
- Control of lifting operations and materials handling.
- Control effectiveness of high-consequence activities.

Key achievements

- OHSAS 18001 certification achieved for all operations within Aveng Manufacturing and Aveng E+PC, resulting in more than 95% of the group's operations having OHSAS 18001 certification.
- The C916 Station at the Beauty World and Tunnels project in Singapore was awarded first prize in the Land Transport Authority's annual safety award convention for impressive safety management.
- The Maseru Referral Hospital site achieved four million LTI-free hours.



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



Safety under ground



Safety on the surface



Safety above ground

Health and wellness report

The Aveng Group's vision for the health and wellness of its employees is **"Home Without Harm Everyone Everyday"**. This vision is becoming more entrenched through continually raising awareness on health and wellness practices so that it becomes a way of life.

The strategic pillars of the Aveng Group's health and wellness framework, are **occupational health management, HIV/Aids and TB management, and wellness initiatives**. These are founded on:

- Compliance with legislation;
- Collaboration with partners and stakeholders, both internal and external;
- Research, monitoring, evaluating, communicating and reporting on health and wellness initiatives;
- The Aveng Group's core values of safety, honesty and accountability;
- The highest degree of professional ethics and confidentiality; and
- Visible leadership by the Aveng Group's executive management.

The group's health and wellness framework is the foundation upon which operating groups build their health and wellness interactions and agreements with clients, suppliers, service providers and partners.

The table outlines the key strategic initiatives based on this framework.

Health and wellness strategic initiatives

Strategic initiative	Description	Status
Group Health and Wellness Manager	Development of strategic capacity within the group.	Appointed in August 2010.
Health and wellness framework	Development of framework, strategic pillars, objectives and foundation principles.	In progress.
Health and wellness policy	Policy commitment to the Aveng Group values, legal compliance, ethical and confidential service provision in terms of the strategic pillars.	In progress.
HIV/Aids and TB management	Recognising that HIV/Aids and TB deeply impacts the lives of employees, the Aveng Group supports focused interventions to combat the spread of these infections while managing impacted employees. The group actively engages in prevention, treatment, care and support measures to assist employees.	Ongoing HIV/Aids counselling and testing opportunities, awareness raising and peer education.
Occupational health management	The Aveng Group endorses its legislated requirements to provide and maintain, as far as reasonably practicable, a working environment that is safe and without risk to employee health. Hazard identification and risk assessments (HIRAs) are conducted that comprise baseline, issue based and continual HIRAs on employees and the occupational environment.	Ongoing
Wellness initiatives	The high incidence of communicable diseases (such as HIV/Aids, TB and malaria) and chronic lifestyle conditions (such as diabetes, hypertension and hypercholesterolaemia) is a concern for the Aveng Group, its employees and the communities in which it operates. To holistically manage this impact, the group commits to providing opportunities for employees to participate in wellness events.	Wellness events are organised that include wellness days, 'flu vaccinations, stress management and blood donation drives, among others.
Review of existing health and wellness policies	Existing policies such as the HIV/Aids policy, substance abuse and smoking policies are being reviewed.	In progress.
Health and wellness reporting template	Key financial and strategic indicators have been aligned to the strategic pillars and objectives.	In progress.
Health and wellness management information system	System identification and customisation to provide a platform for collating data against the strategic pillars; monitoring trends and evaluating interventions.	In progress.

Highlights, lowlights and key challenges

Current initiatives in terms of highlights, lowlights and key challenges are outlined in the table below:

Highlights	Lowlights and key challenges
The group's top 10 health and wellness risks have been identified.	Insufficient data on health and wellness.
Situational analysis, including HIV/Aids impact analysis, to establish current health care provisions and their current and projected costs.	Multiple service providers for health and wellness aspects.
Employee demographic mapping.	
Selection of group service provider for employee assistance programme (EAP)	
Identification of health and wellness pockets of excellence in the group.	
Extensive stakeholder and partner engagements, both internally and externally.	

Key achievements

SABCOHA membership

In December 2010, the Aveng Group joined the South African Business Coalition on HIV/Aids (SABCOHA), which allowed the group the opportunity to leverage workplace best practices and partner with experts to combat HIV/Aids among the group's employees and their families. By also establishing links with the Pan African Business Coalition, this commitment is extended to African operations.

International SOS membership

International SOS (ISOS) provides integrated medical, clinical, and security services to organisations with international operations. The Aveng Group's ISOS membership covers employees for emergencies and evacuations in the line of duty, as well as serving as a critical travel advisory and support unit. The ISOS roll out within the group has been intensified and will continue in the 2011/12 financial year through educational road shows and information-sharing sessions.

Joint SHE/HR Indaba

Human Resources (HR) has a critical role to play in health and wellness delivery, leading to Indabas in April and July 2011 between HR leadership from across the group and the group's safety, health and environmental (SHE) functional areas. Establishing an ongoing dialogue on common issues and reporting will feature strongly in 2012.

HIV/Aids partnership with LifeLine Southern Africa

Aveng Manufacturing introduced a comprehensive HIV/Aids programme in partnership with LifeLine Southern Africa

Employee assistance programme roll out

An employee assistance programme (EAP) will provide employees with responsive and proactive services to assist them to be the best they can be at work and at home, in all spheres of their lives (physical, spiritual, mental, psychological and financial). This integrated EAP will help mitigate the risks associated with employee health and behaviour to enhance workplace wellness and productivity.

**assured*

(LifeLine). A unique HIV and Aids in the Workplace Programme has been developed based on international best practice and implements behaviour change communication through LifeLine's unique Know-Test-Live Behaviour Change Model. This programme focuses on both the employer and employee and aims to create an atmosphere of acceptance, non-discrimination and co-operation in the workplace by addressing the devastating impact of the HIV and Aids epidemic on the workplace, the community and the country.

The programme has already trained 94 out of a planned 120 peer educators at its factories. Peer educators are drawn from all occupational levels and from trade union shop stewards. To date 27 managers have undergone programme training in dedicated workshops.

The next step is to train factory-level "Champions" and members of the company's HIV/Aids steering committee.

Annual peer educator conferences are held at which peer educators can share their experiences and learn from the variety of local and international experts that address these challenges.

In September/October 2010 Aveng Manufacturing's HIV/Aids steering committee convened a strategic planning workshop on updating the Aveng Manufacturing workplace programme.

It is envisaged that such leading practices within Aveng Manufacturing will be adopted at other operating groups in 2012. HIV counselling and voluntary testing will continue to be a key initiative in all operating groups.

Key objective for the year ahead

Health and wellness performance indicators and targets

- As the health and wellness framework rolls out, the group will commence reporting on health and wellness key financial and strategic performance indicators.

Environmental report

Strategy

The Aveng Group's corporate environmental office is mandated to develop a comprehensive, group-wide environmental strategy that will fully align it with the practices of socially responsible and sustainable business.

Key focus areas and strategic initiatives

Item	Status
Environmental policy	Draft policy developed. The policy is currently going through the approval process and is anticipated to be rolled out from January 2012
Group environmental framework	Draft environmental framework is developed with the aim of completing it by the end of the first quarter of the 2012 financial year. The new environmental framework is scheduled to be rolled out to the operating groups from January 2012.
Develop framework pillars on water, carbon, energy, waste management, material usage and pollution	Development and implementation of the framework pillars commences in the 2012 financial year
Promote green building initiatives and practices in the infrastructure development value chain	This process has already started, with several buildings commissioned in South Africa and abroad being constructed to a 4 to 5 star green building ratings
Continue the process of having all seven operating groups ISO 14001 certified	Three operating groups have ISO 14001 certification
To develop and roll out environmental data recording, reporting and monitoring protocols to guide the operating groups	The environmental reporting protocols have been developed and distributed. The operating groups have commenced recording monthly environmental data
Train the Aveng Group's leaders in environmental sustainability	Incorporated environmental training into the Aveng leadership training matrix. Commenced training



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

The Aveng Group's environmental strategy is based on its safety vision of **"Home Without Harm Everyone Everyday"** and is aligned with its safety, health and wellness programmes. The group's environmental journey is intended to deliver the following:

- Supportive values, principles and business conduct
- Necessary policies
- Legal compliance (licence to operate)
- Visible leadership
- Formulating carbon, energy and water management programmes.
- Establishment and maintenance of ISO 14001 certified environmental management systems.

Current initiatives

2011 highlights, lowlights and key challenges

Highlights	Lowlights and key challenges
For the first time, the Aveng Group publicly disclosed its climate change risk and opportunity management results through the Carbon Disclosure Project (CDP)	Data sourcing and recording remains a challenge to the operating groups given the complexities encountered within the construction environment
The Aveng Group's top five environmental impacts have been identified and controls developed to address these impacts	The operating groups must comply with differing sets of environmental legislation around the world. A focus will be for management teams to be briefed on applicable legislation and compliance in their fields of operations.
Green building practices have been introduced, with some new buildings in South Africa and elsewhere achieving between 4 and 5 star green building ratings.	Presence of asbestos identified at Kuilsriver premises. Asbestos management plans, risk assessments targeting employees and communities, training and dust monitoring are being implemented.
Initiated energy efficiency audits at fixed facilities	
Rolled out environmental reporting templates to the operating groups which are now reporting their environmental indicators consistently	
Environmental sustainability modules have been built into the Aveng Group's leadership training matrix and are being implemented	

Key achievements

The Aveng Group publicly responded to the CDP in the 2011 reporting year using data from six operating groups covering the period July 2010 to 30 April 2011.

Several energy saving initiatives in this financial year for group and client operations are listed below:

- Aveng introduced efficiencies in building, design and operations throughout. A particular example is the Aveng Grinaker-LTA built Nedbank Office Block in Umhlanga (KwaZulu-Natal north coast), which achieved 5-star Green Building status. This six-storey, R90 million project was completed in about 10 months.
- Introducing environmentally friendly products such as Eco-shield and mine-shaft insulation.
- Reducing waste streams such as waste oils and scrap metal. Aveng Grinaker-LTA recycled certain waste materials into input raw materials.
- Measuring and monitoring fuel consumption through fleet management instruments.
- McConnell Dowell in Australia constructed an energy efficient building featuring a reduced energy rating and low

energy air-conditioning units. All McConnell Dowell projects are currently designed for reduced energy demand, with clients benefiting from the savings.

- Aveng Manufacturing is now conducting Ambient Dust Fallout Monitoring and will be implementing mitigation measures in the 2012 financial year.

Although emission reduction activities take place throughout the Aveng Group, until now these weren't measured against a formal emission reduction plan to determine savings. Once the Aveng Group has measured its carbon footprint, it can implement formal energy reduction plans across its operating groups.

Environmental performance

Carbon emissions

For the first time the Aveng Group measured Scope 1 and 2 carbon emissions (CE) for the reporting period, as shown in the table below. This year's measurements do not include Scope 3 emissions, which will be reported in future reports. The accuracy of these CE figures will improve as the group drives a culture of emission data recording in the 2012 financial year.

2011 Scope 1 and 2 carbon emissions

Emissions scope	Emission factor	Unit	The Aveng Group's total tonnes CO ₂ e
Scope 1 – Diesel	2,67	metric tonnes CO ₂ e per litre	439285
Scope 2 – Purchased electricity	1,03	metric tonnes CO ₂ e	48010
	Eskom, 2010 (South Africa)	per kWh	
Total Scope 1 and 2	0,87	metric tonnes CO ₂ e	487 295
	Australia: National GHG, 2008	per kWh	

The Aveng Group's total tonnes CO₂e = 487 295 (t CO₂e)

Water

Overall annual water consumption

Water consumed	Aveng Group's total water usage
Water (kilo litres)	1 334 244

Assessing the Aveng's Group's water quality and footprint is a key focus area for the 2012 financial year. Once the water footprint is established, water optimisation programmes can be implemented.

*assured

ISO 14001:2004

McConnell Dowell, Aveng Trident Steel, and Aveng Grinaker-LTA are ISO 14001 certified, gaining their certification in May/August 2010 and March 2011, respectively.

Progress on ISO 14001

A key component of the environmental journey is achieving ISO 14001 certification for all operating groups by 2012.

Operating group	ISO 14001 certification status
Aveng Grinaker-LTA	Five business units certified, except REHM Grinaker
McConnell Dowell	The final business unit achieved certification in August 2010
Aveng Manufacturing	Certification process scheduled to commence in the 2012 financial year
Aveng Moolmans	Scheduled to achieve certification in the 2012 financial year
Aveng Trident Steel	Achieved certification May 2010
Aveng E*PC	Scheduled to achieve certification in the 2012 financial year
Aveng Water	Scheduled to achieve certification in the 2012 financial year

Looking forward

Strategic objectives	Desired results
Measure the Aveng Group carbon footprint	Baseline carbon footprint for group
Assess energy efficiency measures	Increase energy efficiency intensity for the group
Measure the group's water footprint	Baseline water footprint for the group
Roll out group environmental framework	Guide the group's journey towards environmental stewardship.
Promote and support green building practices	Environmentally responsible and resource efficiency throughout buildings' lifecycle
Set and implement measures to promote efficient use of materials	Continually improve the environmental performance standards
Pollution prevention and mitigation measures	Will commence within ISO 14001 standards, including business units not yet certified
Undertake maturity level assessment	Enable broader understanding and identification of most pertinent environmental matters
Train the Aveng Group's leadership in environmental sustainability	Training matrix has been developed. Heightened environmental sustainability awareness



Innovative green building technology developed



Water reclamation at eMalaheni



Alternative energy source

Human resources report

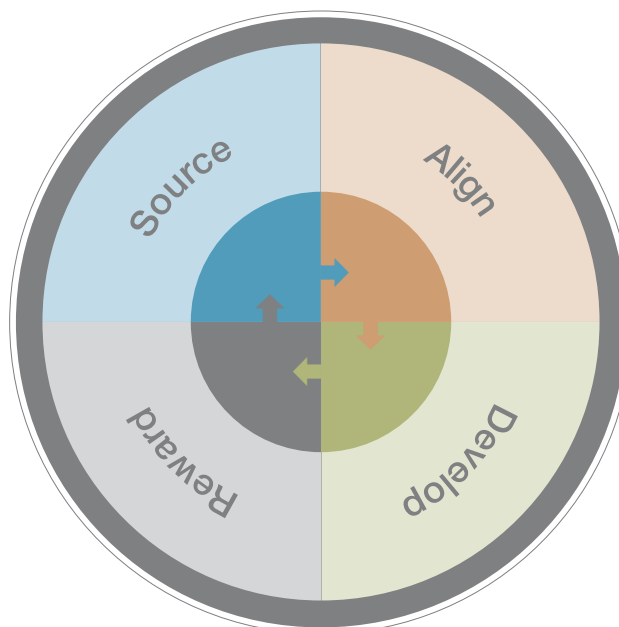
The strategic focus of Human Resources (HR) in the Aveng Group is to prioritise the attraction, development and retention of human capital to deliver sustained performance.

The Human Resources function in the Aveng Group strives to:

- Be an enabler to sustained high organisational performance;
- Be dependable business partners to line management, by providing effective people management and development capabilities that they require to achieve their business objectives; and
- Identify and develop capable leaders across the various business disciplines to ensure the sustainable growth of existing businesses, as well as exploit growth opportunities both geographically and in new products or service offerings.

The foundational pillars of the Human Resources framework are Cultural Alignment and Leadership Engagement. Although the group comprises different operating groups in various industrial sectors within the infrastructure value chain, it strives to embed a set of common, integrated, cultural and behavioural values and norms as defined in the Aveng DNA (more on the integrated DNA on page 59).

The Aveng Group HR Framework



Challenges	Responses
The individual businesses have previously operated in silos	The Aveng DNA has been designed to develop common cultural alignment and behaviour standards across the group
Implementation of performance management not optimal	Strong performance management link to pay being implemented. Performance is now key differentiator for rewards
Identifying and developing talent	Group-wide succession planning process implemented. Emerging talent and successors for critical positions identified
Ongoing shortage of business development, commercial and project management skills	A programme has been initiated at the Aveng Group to address the recruitment and development of Project Managers and Commercial Managers with a strong emphasis on skill transfer initiatives

Talent management

Performance management

Driving a high performance culture across the group is a business priority. The effectiveness of the implementation of the performance management process is constantly reviewed and monitored across the group. Formal reports are presented to the remuneration and nomination committee of the board on a quarterly basis. It is imperative that key individual performance outputs are aligned to the business strategy and the balanced scorecard has become a critical instrument in ensuring this alignment.

The performance management programme has been rolled out over the past three years and now covers all middle- and senior management levels. This process was further enhanced in this financial year with the introduction of the balanced scorecard tool and process to align the performance of all senior executives to the business' objectives.

Over the past year, monetary rewards have been linked to performance for all salaried staff, including the annual salary increase as well as all performance incentives. Performance is also taken into account in determining readiness for upward promotions in the succession planning process.

Job management

Job management is a process that consolidates numerous roles into manageable "job families", determines the technical and behavioural competencies of every role; as well as the academic qualifications and experience requirements for each position.

The job management process ensures a level of standardisation and consistency across the group while maintaining appropriate quality standards in the definitions of job descriptions.

This process enables the development of well-defined, clearly articulated performance and qualification requirements as well as career paths per functional area. It facilitates talent management, development, retention and the development of a high performance culture by ensuring a credible basis for the appointment and development of relevant talent.

Succession management

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

Over the past year, a succession management toolkit for managers was developed which includes:

- The succession model and a step-by-step process guide;
- Templates to capture the readiness organisation charts and individual development plans;
- Guidelines on how to carry out succession engagement discussions; and
- Tools to identify high potential employees.

The succession management programme has been rolled-out over the past two years at the senior leadership levels across the group. This programme is now being cascaded to key and critical positions in job families that are vital to delivering the Aveng strategy. A critical aspect of the succession planning process is the focus on the development and rollout of individual development plans of the identified talent.

The group-wide succession review process was undertaken.

This entailed:

- Reviewing all senior managerial positions, plus other critical roles across the group;
- Determining all roles that are critical to the delivery of the group's business strategy and reviewing the bench strength;
- Sourcing and developing talent to address deficiencies identified; and
- Ensuring that the group's transformation imperatives of addressing the under-representation of black and female leaders is addressed.

Learning and development strategy

All learning and development activities are directed at meeting the strategic aims of the Aveng Group. These are to be achieved through a well-trained and motivated workforce, with the necessary and critical skills to deliver sustained performance.

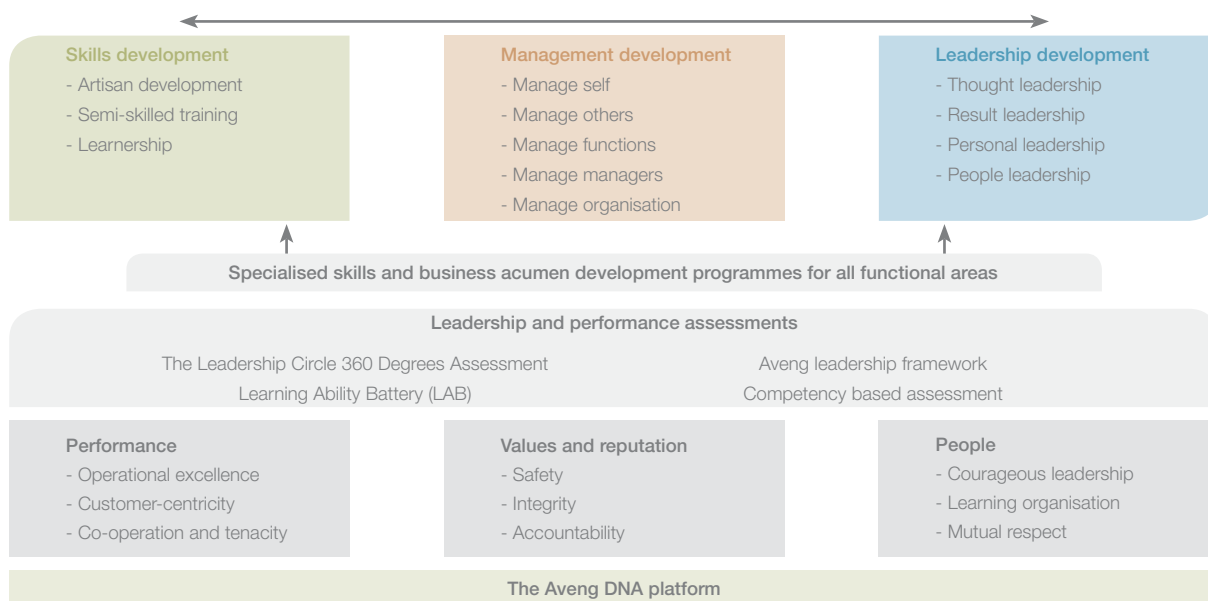
The group's delivery of training and learning is guided by the following objectives:

- Learning and development must directly contribute to business priorities and objectives;
- Learning must directly address operational needs;
- Learning has to be cost effective and meet accredited standards; and
- Learning must be delivered just in time and on-site, wherever possible.

Learning and development compliance

This year a process was initiated whereby all operating groups and business units had to align their workplace skills plans to the Aveng Group's strategic themes and in particular to the transformation imperatives of employment equity and skills development. The plans had to be presented to the corporate office before submission was made to the related Sector Education and Training Authorities (SETAs) to ensure accuracy of submission and compliance. Workplace Skills Plans and Annual Training Reports in future will no longer be submitted to the various regulatory and statutory bodies without a similar review.

Aveng integrated learning and development framework



Bursars

During the year, the Aveng Group supported 218 students with bursaries in various engineering-related disciplines and 209 employees benefited from the group's study aid. The make-up of our bursar population is:

	African		Coloured		Indian		White		Total		
	M	F	M	F	M	F	M	F	M	F	Total
University students	31	17	5	0	5	3	56	19	97	39	136
University of technology	27	22	9	5	1	0	18	0	55	27	82
Total	58	39	14	5	6	3	74	19	152	66	218

Mentoring and coaching

A Knowledge Transfer Framework has been implemented across the business. The purpose of the Knowledge Transfer Framework is to provide a structured programme for enhancing knowledge transfer from experienced to less experienced employees and, in the process, establish a continual learning culture.

Executive coaching

The executive coaching process is designed to create opportunity for leadership talent to learn and share experiences with seasoned business leaders or professionals, to stimulate their personal growth and effectiveness. The executive coaching programme is goal orientated, dynamic and designed to enable each participant to reach their full potential. The feedback process and reporting structure is agreed to upfront between the coach and individual.

Skills training and development

Artisan training

It is widely accepted that South Africa's artisan shortage is a chronic problem and that various training initiatives to build a new cadre of artisans have begun to address the backlog, with artisan development a key priority for the Aveng Group.



Artisan skills development is a key focus within the CSI programme. See page 64



See joint Chairman's and CEO's review page 34

The Phandimfundo Training Centre has extended its scope of accreditation to include the following qualifications:

NQF aligned	Designated trades
<ul style="list-style-type: none"> National Certificate: Construction Crane Operation NQF level 3 National Certificate: Steelwork NQF level 3 National Certificate: Roadworks NQF level 3 	<ul style="list-style-type: none"> Plumber Painter and decorator Plasterer and tiler Roofer

Construction training

The Aveng Group had 348 apprentices training in various engineering disciplines during this financial year, including 193 employees following the learnership route in construction-related qualifications. The table below shows a breakdown of these learners and apprentices.

Apprentices	African		Coloured		Indian		White		Total		Total
	M	F	M	F	M	F	M	F	M	F	
Apprentices	172	30	15	0	1	0	127	3	315	33	348
Learnerships	92	19	7	0	0	0	75	0	174	19	193
Total	264	49	22	0	1	0	202	3	489	52	541

Training Centre

The Aveng Grinaker-LTA Civil Engineering Training Centre continues to provide construction-related skills development to apprentices and employees from across the group.



More on the Training Centre go to www.aveng.co.za

Culture alignment – The Aveng Group DNA

Having historically been a loose grouping of diverse, semi-autonomous businesses, the Aveng Group has experienced silo tendencies which have contributed to the unintended consequences of duplication of effort, inability to leverage scale, supplier arrangements, costs and capability. Therefore the need for a more synergistic, “Unity in Diversity” approach to leverage the untapped group synergies, scale and capabilities has been obvious and is being addressed via a number of group initiatives, including the development and embedding of the Aveng DNA. Building a high performance culture is key to both

reducing costs in the business and delivering revenue growth. Both cost reduction and revenue growth are to be underpinned by a culture of learning and continuous innovation. The Aveng Group DNA is the glue that permeates throughout the HR Framework and is premised on the themes of People, Values and Performance. A representative group of employees across various operations and levels has helped determine the top line and bottom line themes that make up the Aveng Group DNA.

The Aveng Group's success formula (DNA) identifies:

- The key positive cultural attributes which will enable the group to achieve its business strategy in a sustainable manner; and
- The key cultural impediments that will limit its ability to realise its business strategy.

The Aveng Group DNA is in the process of being officially launched across the group.

Key objectives for the year ahead

- Align organisation and work culture – launch and embed the Aveng Group DNA.
- Improve calibre of employee output – drive a high performance culture through performance management.
- Address capability and capacity constraints – source and develop strong talent pipeline with particular focus on project management, commercial and business development competencies.
- Deliver artisans for the group – optimise artisan training.

Transformation report

Transformation, as a business and cultural imperative, continues to be driven rigorously at all levels across the Aveng Group. In December 2009, a dedicated group transformation manager was appointed to steer the group's transformation initiatives and ensure consistent implementation across all operations. During the past two years, the group's transformation processes have been formalised with a strong emphasis on educating internal and external stakeholders around transformation. The group embarked on a journey to promote and create capability for embracing and managing diversity across all of its South African operations.

Enhancing diversity and transformation

- A series of diversity management workshops was initiated at the Aveng Group executive committee level and are being rolled out across the operations.
- The development of the Aveng DNA (see page 59) will be used to further entrench diversity interventions in the group.

Key priorities

- Improve the group's performance in terms of employment equity, skills development and enterprise development.
- Significantly develop and increase representation of black professionals and leaders across the business .
- Increase procurement spend among black and women-owned enterprise.
- Contribute to enterprise development and community development through direct engagement in social upliftment programmes, in education and training in particular.

Key highlights for the year

- B-BBEE rating is on par with the group's competitors. The Aveng Group leads the market on B-BBEE ownership
- Significant progress has been made with appointments at senior management levels including the Managing Director of Aveng Water, Managing Director of Aveng Manufacturing Steeledale, Human Resource executives and Business Development executives.
- Development of an employment equity planning tool which translates annual targets into specific black/ female appointments to be made by level per annum.
- Transformation goals have been built into the people management processes such as performance management, succession management, training and development, bursary programmes and the recruitment process.
- Implementation of various tools and dashboards to monitor progress across the group.
- Developed capability to drive the construction charter requirements.
- Development and roll out of a programme on diversity management.

Broad-based black economic empowerment scorecard

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

	Aveng (Africa)*	Aveng Trident Steel
	2010	2010
Ownership	24	24
Control	7,96	5,05
Employment equity	3,50	2,91
Skills development	11,63	12,07
Procurement	17,32	3,85
Enterprise development	15	2,15
Socio-economic development	5	5
Total	84,4	55,04
Rating	3	5

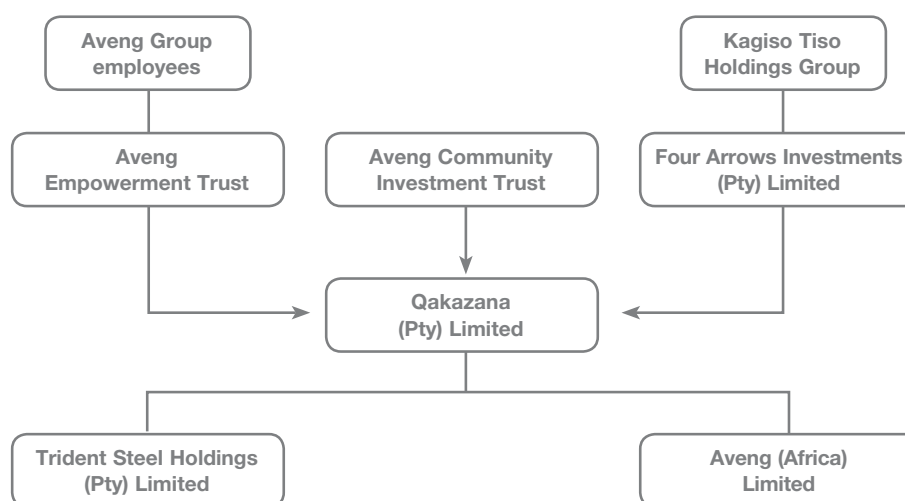
*Aveng Africa consists of Aveng Grinaker-LTA, Aveng Moolmans, Aveng Water, Aveng E*PC and Aveng Manufacturing.

This represents the business in the best possible manner.

Ownership

- The black economic ownership in the Aveng Group is substantial. The Aveng Group was the first group to conclude a high-level black economic empowerment transaction in February 2005. The Qakazana Consortium, a broad-based consortium led by Kagiso Tiso Holdings Group, holds a 25% interest in Aveng (Africa) Limited (comprising Aveng Grinaker-LTA, Aveng E+PC, Aveng Moolmans and Aveng Manufacturing) and a 25% interest in Aveng Trident Steel Holdings (Pty) Limited.
- The nature of the relationship with Aveng and the transaction gives Kagiso Tiso Holdings Group both the incentive and the opportunity to contribute strategically and operationally to the business.
- In 2007 the group's B-BBEE effective ownership credentials were strengthened by its support of a substantial B-BBEE transaction through the sale of its 46% stake in Holcim (Africa) (now named Afrisam). As a result, the Aveng Group has already exceeded the targets for ownership set in the Construction Charter of 27,5% for Aveng (Africa) and 30% for Aveng Trident Steel, after four and seven years, respectively.

The members of the Qakazana Consortium as at 30 June 2011 are:



Members of the BEE consortium

The Qakazana consortium is broad-based and includes Aveng Group employees, a community trust and a business trust, with more than 60% of the profits of the deal accruing to broad-based community groups.

The group regards this contribution to broad-based groups as an important component of the transaction.

Kagiso Tiso Holdings Group: Kagiso Tiso Holdings Group focuses on investing in businesses that produce sustainable and strong cash flows and deliver consistent growth in capital value and dividends to shareholders.

Aveng Community Investment Trust: The trust is overseen by a board of trustees, and is registered as a public benefit organisation.

Aveng Empowerment Trust: The Aveng Empowerment Trust reserves 100% of its equity for permanent employees of Aveng (Africa) including Aveng Grinaker-LTA, Aveng E+PC, Aveng Manufacturing, Aveng Trident Steel and Aveng Moolmans. The annual allocations of empowerment units are made to each employee in Aveng (Africa) and Aveng Trident Steel for the duration of the scheme. Allocations are of equal size for all employees, irrespective of seniority. However, selected senior black employees are also eligible for additional units at the discretion of the trustees. To date 6 521 100 units have been issued by the trust to the employees.

Management control

The percentage of black directors on the two boards is:

Aveng (Africa)	79,59% using the Construction Charter calculation tool allowing for ARG
Aveng Trident Steel	50,52% using the Construction Charter calculation tool allowing for ARG

Employment equity

Employment equity remains the biggest industry-wide transformation challenge in the construction sector. The group has identified seven categories of key skills where employment equity initiatives need to be concentrated. These are all in the engineering disciplines, project management, a number of artisan disciplines, finance, quantity surveying, business development, and general management. Rigid annual targets have been set for each operation across the business and progress towards achieving these goals is monitored. Progress towards these goals is reported quarterly by the respective managing directors at their operational board meetings as well as to the transformation committee of the Aveng board.

Talent management and transformation

The group talent development function is responsible for ensuring the group has the required processes, systems and applications to support the transformation of the workforce. The upward mobility of black employees has been accelerated over the past two years. The group's participation in the Youth in Construction project and its strong bursary programme are geared towards attracting and developing young black professionals. There has been a realisation that the senior leadership of the group must itself be transformed to give impetus to organisational transformation. This has been a primary focus over the past two years and is evident from a review of the trend at top management where black representation has improved from 13% in 2009 to 29% this year.

The emphasis on sourcing and developing of black women over the past three years also shows good growth. This growth, however, remains concentrated in non-technical support areas.



For more information on talent management go to www.aveng.co.za

Skills development

A sustainable talent development model has been developed for the Aveng Group to identify, source and develop talented black individuals.

- Apprenticeship programme – The total number of apprentices in the system for 2011 is 338 (63% black

apprentices). These apprentices are being trained as earthmoving plant mechanics, millwrights, riggers, electricians, boilermakers and auto-electricians.

- Learnerships in construction supervision, masonry, carpentry and learner miners (71% black learners) also provide another source.



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

In the past two years the skills development spend reported by our B-BBEE rating agency, EmpowerLogic, against the Construction Charter rules has seen the group investing a total of R159 million in training and development initiatives, with 65% of this being spent on black employees.

Enterprise development

The group is committed to developing the capacity of black communities to participate in the mainstream economy by providing innovative, commercially competitive solutions for:

- skills transfer through training and work experience;
- job creation among the unemployed in the selected communities in which we operate; and
- enhancing both financial and operational capacity to established SMMEs and EMEs.

Support for women is a major focus and will be a priority in the group's future projects and development plans.

The Aveng Group wants to create enterprises that have a direct impact in some way or another on the Aveng Group's value chain.

Progress over the past year

- Improved structures in place to manage and support small and micro-enterprises
- Management support for the need to develop emerging and, in particular, women-owned businesses
- Considerable effort made across the business in terms of short-term payment periods to black suppliers to facilitate their cash flow
- The average value of enterprise development contribution over the past two years was over R60 million
- Six enterprise development programmes have been initiated across the group with various black suppliers. The primary focus is on development of managerial and technical skills through training

Examples of current enterprise development programmes

Type of business	Enterprise development support provided
Plant hire	Plant hire administration. Management skills. Sold mixer trucks to beneficiary at a discount. Donated batch plant to beneficiary.
Building works	Assistance with tender proposals. Establishment of management and cost control systems. Assistance with B-BBEE and Construction Industry Development Board (CIDB) certification. Early payments.
Steel fixing	Assistance with tender proposals. Establishment of management and cost control systems. Assistance with B-BBEE and CIDB certification. Early payments.
Abrasives and allied tools	Establishment of administration systems. Introduction to new product ranges. Assistance with B-BBEE certification. Assistance with business plan, tenders and proposals. Early payments. Assistance with cost modelling.
Personal Protective Equipment, safety equipment	Introduction to new product ranges. Assistance with B-BBEE certification. Assistance with tenders and proposals. Early payments.
Steel fabrication and erection (cast in items, handrails, gratings, etc.)	Assistance with quality assurance and quality control requirements and procedures. Assistance with B-BBEE certification. Administrative and technical skills transfer.
Small tools, mining and construction consumables	Introduction to new products supply. In process of donating containers for the establishment of site accommodation. (Containers will be converted into kitchen/ablution blocks and hired out by the beneficiary.)

Procurement

Over the past two years the group made significant progress in procuring from black businesses. This included the utilisation of products and services offered by black suppliers and subcontractors. Employees attended workshops to ensure their understanding of relevant criteria to use when evaluating potential suppliers. The development of a database of all suppliers' B-BBEE certificates across the group has, for the first time, enabled the group to conduct a comprehensive review of the B-BBEE credentials of all suppliers. This review has also contributed to more effective and accurate reporting of group spend on black suppliers, while also compelling those who were not compliant to either change their empowerment status or lose their supplier status with the group. It played an important role in managing over 410 relationships with black-owned businesses, with an aggregate value exceeding R3,0 billion.

The table below shows 12 months of procurement spend from black suppliers.

Weighted B-BBEE procurement expenditure – All suppliers	R4,6 billion
Weighted B-BBEE procurement expenditure – QSE and Micro Enterprises	R900 million
Procurement expenditure – Suppliers that are > 50% black owned	R1,1 billion
Procurement expenditure – Suppliers that are > 50% black owned	R200 million

Challenge	How the challenge will be addressed
Employment equity	Employment equity a key performance area (KPA) of the human resource executives and managing directors of the operating groups, quarterly board reports, monitored by board transformation committee
Driving sustainable enterprise development programmes	Corporate centre to provide more direction and capability to assist the operating groups
Transformation in the bursary and graduate pipeline programmes	Managed from the corporate centre which should result in an increase over the next two years
Accurate reporting challenging, due to previously non-integrated systems	Reports being developed through the business intelligence department by collating data from the different systems

Key objectives for the year ahead

- Sustainable enterprise programmes for the group to be enhanced.
- Much higher levels of transformation on the “people” elements of employment equity and skills development, including a demographic change in technical skill levels.
- A noticeable change in the group culture to embrace transformation further.
- Continued leadership in socio-economic development.

Corporate Social Investment report

Group philosophy

Consistent with its intention to leave a lasting legacy, the Aveng Group is committed to making deep and lasting impacts in the communities in which it operates. Initiatives aimed at addressing social challenges not only authenticate the group's corporate citizenship; they also underpin a strong business case. South Africa in particular, faces overwhelming skills shortages, especially in expertise relating to construction, engineering and manufacturing. By investing corporate social investment (CSI) funds in sound educational and skills training initiatives, the Aveng Group is working to break the cycle of poverty by developing a generation of skilled individuals who can be gainfully employed in infrastructure development.

CSI is integral to the organisation's sustainability and is driven by these key principles

Social leadership	As the headline sponsor of the 2011 Triologue CSI conference, the Aveng Group is promoting innovative and deep-impact CSI initiatives aligned to the business that unlocks creative solutions to social challenges
Lasting relationships	Contrary to once-off grant-making, the group develops long-term partnerships with projects addressing social challenges – particularly those in maths, science and skills training for the unemployed
Collaboration and partnerships	Adopting a holistic, respectful and humble approach to all initiatives by encouraging participation from communities, government, specialist service providers, corporate donors and other key stakeholders
Employee participation	An active and vibrant volunteering programme involving employees across the group. These include Mandela Day activities, and a wide range of volunteer projects
Measuring the difference	Including regular project visits, project reporting and impact assessments

Management

The Aveng Community Investment Trust (the Trust) was established in 2005 following the group's black economic empowerment transaction. The primary objective of the Trust is to make funding available to projects and organisations, which are aimed at improving the lives of the underprivileged. The Aveng Group has committed to investing 1% of headline earnings into CSI activities. Of this funding, 75% is allocated to the Trust and the remaining 25% apportioned to the operating groups.

Where possible, CSI spend is closely aligned with the operating group's business models and the communities where they operate.

Focusing CSI efforts on skills development and education contributes to key national developmental imperatives. These include overcoming the lack of skilled workers and the scourge of unemployment, while also encouraging income inflow into disadvantaged communities.

**assured*

Total social investment for 2010/11

Operating group	Donations Cash
Aveng Community Investment Trust	R9 002 480
Aveng E+PC	R230 297
Aveng Manufacturing	R3 810 778
Aveng Trident Steel	R424 550
Aveng Moolmans	R696 020
Aveng Grinaker-LTA	R3 434 153
McConnell Dowell	R5 059 833
Total	R22 658 111

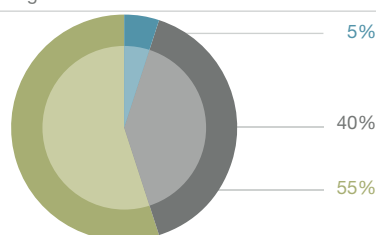
The Aveng Community Investment Trust contributions make up 40% of the total, with a clear focus on skills training, and maths and science education.

The Aveng Community Investment Trust – Breakdown by development sector

● Social development

● Education

● Skills training



Group CSI activities

The Aveng Community Building Project

In 2009, in partnership with the David Rattray Foundation, the Aveng Group invested in an innovative pilot study that encourages skills development. This involved the development of indigenous design and environmentally friendly building concepts to provide quality and aesthetically pleasing schools in rural areas.

Unemployed volunteers from a local community in rural Randfontein participated in the project that is now providing accredited training and skills transfer. Trainees constructed the administration block for Mablomong Primary School using the "rammed earth construction" green building technique. In the process, they freed classroom space for the primary school learners, while also creating a new building where adult learners could gain rammed-earth construction skills.

Subsequently, the project has been rolled out to other provinces, with new classroom facilities built at three schools in the Rorke's Drift area of KwaZulu-Natal – the primary area of interest for the David Rattray Foundation. This financial year, the Aveng Group formed a new partnership with the National Association of Child Care Workers to examine providing similar green building facilities for rural service centres catering for vulnerable children.

The project has demonstrated scalability and a cost-effective method of construction. Not only does it demonstrate broad impact, but it falls within the Aveng Group's CSI strategy to focus on skills development.



Unemployed artisan in accredited training

Take Action Campaign

On 18 July, people around the world celebrate Nelson Mandela's birthday by volunteering their time to make their communities a better place. In the financial year under review, in line with the Aveng Group's mission to build a proud and lasting legacy, it launched the *67 Years Days Ways* campaign, to encourage employees to come up with ideas on how they could make a difference. Over 300 ideas were received, employees doing extraordinary things were recognised, and 1 515 employee hours were spent on supporting social initiatives as part of the campaign, which laid the foundation for a company-wide social conscience and spirit of "giving back".

This year, the campaign was relaunched as *Take Action 2011*, with the focus on safety in preschools. Aligned to the Aveng Group's safety vision "**Home Without Harm Everyone Everyday**" employee volunteers across the group taught preschoolers about safety in a fun but meaningful way and in the process contributed to fostering a safety culture for future generations.

The Aveng Group will continue with the journey, building a culture that cares about its work and legacy.

Challenges

- Records of in-time and in-kind CSI activities – especially applicable to operating groups
- Improved impact measurement
- Focus on broad, as opposed to, deep impact. Within the operating groups the tendency has been to focus on support for a wide range of projects with smaller grants – making impact and impact measurement a challenge

Opportunities

- A CSI forum was established comprising representatives from each operating group. This presents greater opportunities for collaboration in the form of co-funding and knowledge-sharing
- The CSI forum was presented with standardised templates and training on CSI reporting requirements. Further opportunities for training are available
- This year an impact assessment was conducted on the Community Building Skills Development project. Further monitoring and evaluation tools are to be investigated for application
- Training on best-practice CSI has been presented to the CSI Forum. Further training is required

Total social investment for 2010/11

Recorded employee volunteering time for 2011	Recorded value of volunteering time for 2011
2 237	R1 318 883



Skills development, specifically in construction sector

Group synergies

A concerted effort has been made to align CSI efforts across the group to maximise impact and delivery. This has largely been achieved through the group-wide-based *Make A Difference* campaigns, which have been embraced by staff over the past few years. Through a group-wide CSI forum, greater synergy and co-operation is being developed on CSI practices, philosophies and procedures.

Key objectives for 2012

- Cultivate improved relationships and partnerships with all stakeholders i.e. projects, CSI representatives in the operating groups, service providers.
- Encourage collaborations across the group to leverage funding and impact for beneficiaries.
- Improved recording of CSI contributions.
- Improved monitoring and evaluation of key projects.
- Continue to seek out and support innovation and sustainability in all projects.