

## CORPORATE GOVERNANCE REVIEW

### INTRODUCTION

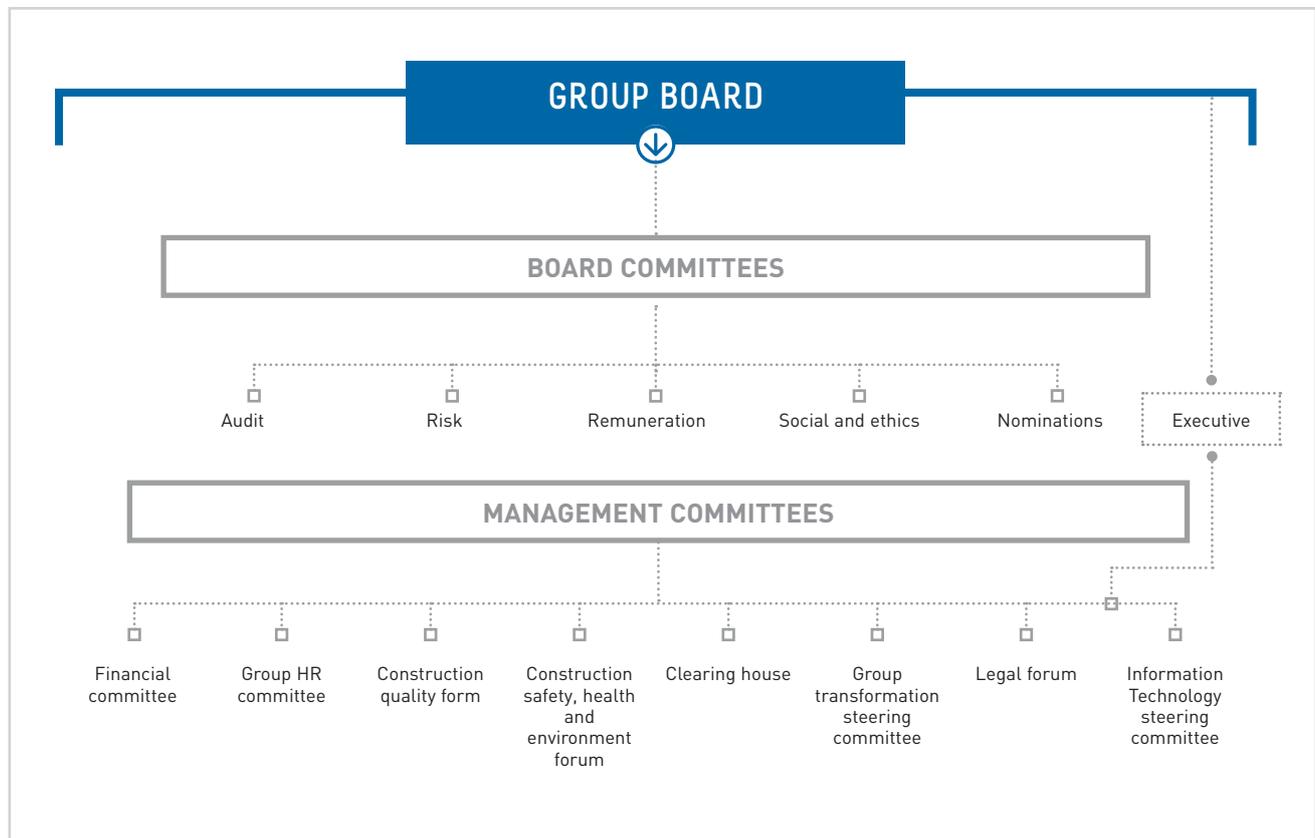
Group Five remains committed to maintaining sound governance processes and high ethical standards in managing the affairs of the company. The board is ultimately responsible for ensuring that risks are adequately identified, measured, managed and monitored and that good governance is maintained. This responsibility is discharged through policies and frameworks supported by board committees and the executive management.

Through various sub-committees, executive management maintains oversight of the business through a system of internal controls functioning throughout the group. This promotes an awareness of risk and good governance in every area of the business and instils a culture of compliance.

The board functions within the ambit of an annually reviewed charter through which it maintains oversight on the management and control structure of the group that directs and executes the delivery of the strategy. The governance framework is structured to ensure compliance with laws, regulations and codes of best practice applicable in all countries within which the group

operates, including the South African Companies Act 2008 (as amended), the JSE Listings Requirements and the requirements of King III. The board has identified the release of the draft King IV Report for public consultation and comment as a preliminary indicator of the scope of enhancements requiring attention.

### GOVERNANCE STRUCTURE





## 01 Improvements in organisational procedures

The board of directors, together with executive management, continues to strive for improvement of governance and operational processes, including the mandates of its governance forums. Examples of improvements during the year include:

- › Establishment of a group transformation steering committee to drive group strategy and formulate policies in this legislative discipline
- › The reconstitution of the quality and safety, health and environment (SHE) forums at the Construction cluster level to increase the focus on quality execution
- › Formulation and approval of a number of policies, including the group compliance policy, the competition legislation policy and the anti-money laundering and global sanctions compliance policy
- › A review of the prevention of bribes and the granting and receiving of gifts and hospitality policy to align with the renewed group code of conduct. This involved stricter levels of disclosure for acceptance of gifts, including a disposal framework for gifts valued in excess of the parameters stipulated by the policy
- › Review and approval of the group combined assurance model

## 02 Compliance with the Companies Act, No 71 of 2008 and Companies Regulations 2011 (the Companies Act)

Compliance to the Companies Act remained a key focus area. Other than the areas that required attention, as reported on in the prior year, there were no further concerns identified in the period under review. An update on the areas of non-compliance from the prior year is presented below.

SECTION REFERENCE	NEW COMPANIES ACT AMENDMENT	ACTIONS
<b>IN THE PROCESS OF ENSURING COMPLIANCE</b>		
<b>Section 45</b>	Approval by shareholders through a special resolution for the provision of loans and other financial assistance to directors, prescribed officers, related and/or inter-related companies. If the board adopts a resolution, it is required to advise shareholders and trade unions within ten days.	The group reaffirms that financial assistance is not provided to directors and prescribed officers. Financial assistance provided to related and inter-related companies is in full compliance with the provisions of section 45(2) of the Act.  A SENS announcement notifying shareholders and all stakeholders of a board resolution adopted in terms of section 45 is released in compliance with the provisions of the Act.
<b>Section 61(10)</b>	Every shareholders' meeting of a public company must be reasonably accessible within the Republic for electronic participation by shareholders in the manner contemplated in section 63(2), irrespective of whether the meeting is held in the Republic or elsewhere.	A conference call facility will be made available to shareholders at annual general meetings of the company. The process of electing to use the facility is set out in the notice of meeting. Shareholders opting to attend meetings through this facility will not be entitled to vote through that platform and will be required to adhere to the attendance by proxy requirements.



## 03 Application of King Report on Governance for South Africa 2009 (King III)

The table on pages 61 to 71 has been prepared to illustrate the application of the principles contained in the King Code of Governance for South Africa 2009 (King III) by the group. The information should be read in conjunction with the detailed narrative on the application of these principles, as contained in this review.

As the identified non-compliance gaps relating to the implementation of King III have been satisfactorily addressed, a key focus area will now be the monitoring and maintaining of standards of compliance, as well as implementing enhancements where possible.

## 04 Board processes

The board's mandate is premised on ensuring the long term sustainability and success of the group for the mutual benefit of all stakeholders. Its overall role is that of providing ethical and strategic leadership. This includes the setting, monitoring and review of strategic targets and objectives, the approval of capital expenditure, acquisition and disposals, as well as oversight of governance, internal controls and risk management.

### BOARD EVALUATION

Board evaluations are conducted every second year. As a number of changes were made to the board in F2014, the board deemed it appropriate to reassess the performance of the new board later in the 2015 calendar year. During the period under review, the board conducted an internal evaluation of its members and is satisfied that all non-executive directors are independent. Further processes have been put in place to ensure that no director has unfettered authority over the board.

### ASSESSMENT OF INDEPENDENCE

The independence of long-serving non-executive directors is reviewed annually by the nominations committee, as recommended by King III. Based on the outcome of this review, the board is satisfied that these directors exercise independent judgement and act in an independent manner. The nine non-executive directors, including the chairperson, all met the independence criteria for the 2015 financial year.

Directors who have been in office for more than nine years are subject to a rigorous evaluation in relation to performance and independence.

### CHIEF FINANCIAL OFFICER EVALUATION

The audit committee is satisfied that the expertise and experience of the chief financial officer, who is an executive director of the company, is appropriate to meet the responsibilities of the position.

## 05 Board appointments

Appointments to the board are on recommendation from the nominations committee and are considered by the board as a whole. A rigorous and transparent procedure is followed by the nominations committee in terms of the appointment of board and executive members. This process entails due consideration of several factors, such as prevailing legislative requirements, best practice recommendations, the qualifications and skills of the prospective candidates and required demographics. The recommendations of the nominations committee are presented to the board for consideration and approval. Newly appointed directors are subject to re-election by shareholders at the next annual general meeting (AGM) following their appointment. Directors do not have



fixed terms of appointment and non-executive directors are subject to retirement by rotation and re-election by shareholders. Non-executive directors derive no benefit from the group other than their fees and emoluments. The board presents the non-executive directors' fee structure to the shareholders for approval at each AGM.

Following the retirement of Mr MR Upton as chief executive officer (CEO) last year, the board, on recommendation from the nominations committee, approved the appointment of Eric Vemer as CEO with effect from 1 December 2014. Two new executives, namely the executive member – Developments, Mr Themba Mosai, and executive member – Investments & Concessions, Mr Jon Hillary, were appointed to the executive committee. Changes were also made to a number of Group Five operational boards.

## 06 Dealing in securities

The group has a defined policy of conduct for directors and employees with regards to dealing in the company's securities. The policy was reviewed and approved by the board during the year under review. The company secretary informs the board and Group Five's employees of its closed and prohibited periods, during which trade in Group Five shares by directors, management, employees and restricted participants in the various share incentive schemes, is prohibited. Any period where the company is trading under a cautionary announcement is also classified as a closed and prohibited period. Directors and senior executives are further required to report any dealings in the company's securities by either themselves or their associates to the company secretary for public disclosure on the stock exchange news service, SENS.

## 07 Conflicts of interest

Directors are required to declare their interests annually and to disclose any conflicts of interest, if and when they arise, to determine whether there are any that conflict with their duties at Group Five. Once a conflict has been disclosed, it is managed by the board appropriately and in terms of a clearly defined policy. Executive management on the other hand, declare all interests that may relate to the group at monthly executive and operational board meetings.

The group maintains a register of the declarations of conflict and/or personal financial interest that all directors, prescribed officers and segment directors are required to present to the group, where applicable.

## 08 Tip-offs Anonymous line

Ethics continues to be a key business imperative for the group that entails the adherence to good business conduct aimed at maintaining a reputation of honesty, fairness and integrity with zero tolerance for illegal or unethical practices and conduct. Issues of fraud, bribery and corruption, conflicts of interest, gifts, hospitality and sponsorships, use of company assets, privacy and confidentiality, disclosures and insider trading are addressed in various board-approved group policies. Continuous training and employee awareness programmes are delivered to ensure employee understanding and adherence.



The group has a formal code of ethics and a Tip-offs Anonymous line. The number is:

0800 00 48 11

*It is an independently managed service to ensure confidentiality.*

## OPERATIONAL REVIEW

The continued transformation of the legislative, regulatory and best practice standards in the corporate governance environment in South Africa obliges companies to regularly review policies and procedures to ensure adherence. This section outlines the processes implemented by the group to respond to these changes.

### THE BOARD

Group Five is governed by a unitary board. Its composition promotes the balance of power and authority and precludes any director from domineering decision making. During the period under review, the board comprised the chief executive officer (CEO) and the chief financial officer (CFO), as well as nine independent non-executive directors. The overriding role of the board is to ensure the group's long term sustainability and success for the mutual benefit of all stakeholders. The duties, responsibilities and powers of the board, the delegation of authority and matters reserved for its authority are all set out in a written charter, which is available on the company's website. The board charter is subject to the provisions of the Companies Act, the JSE Listings Requirements, the company's Memorandum of Incorporation (Mol) and all other applicable legislation. The committees of the board also operate in accordance to written terms of reference, which are reviewed by the board annually.

The group's strategy is set by the board in conference with the executive committee (exco). At least two formal meetings are scheduled each year for the board with exco to deliberate upon and conclude the strategy of the group. The board is afforded the opportunity to formulate, review and agree on the group's strategic intent, as well as areas of focus and growth. The board has delegated the operational responsibility of the group to the executive which, under the stewardship of the CEO, is accountable for the ongoing management of the business.

### ROTATION AND ELECTION OF DIRECTORS

In accordance with the company's Mol and the provisions of the Companies Act, at least one third of directors has to retire from the board each year. They may, however, offer themselves for re-election at the appropriate annual general meeting (AGM). In this reporting period, PM Mthethwa (nee Buthelezi), SG Morris and NJ Chinyanta will retire and offer themselves for re-election by shareholders at the 2015 AGM on 3 November 2015.



### CHAIRPERSON

The chairperson leads the board and is responsible for ensuring its effectiveness in the discharge of its duties. The chairperson is reappointed annually in accordance with King III and the results of the performance evaluation guide this process. The board has continued to operate under the chairpersonship of Mrs Mthethwa in this reporting period. Mrs Mthethwa is an independent non-executive chairperson. The roles and responsibilities of Mrs Mthethwa are documented and approved by the board and are separate from those of the CEO. Mrs Mthethwa chairs the nominations committee, and is not a member of any other board committee. Through membership of the nominations committee, the chairperson is also responsible for the annual appraisal of the CEO's performance along with the lead independent non-executive director, as well as participating in the succession planning of executive directors.



### NON-EXECUTIVE DIRECTORS

The non-executive directors of the group are PM Mthethwa, NJ Chinyanta, JL Job, W Louw, SG Morris, KK Mpinga, B Ngonyama, VM Rague and MR Thompson. SG Morris remains the lead independent non-executive director. Both KK Mpinga and SG Morris have served on the board for a period in excess of nine years. An internal evaluation of their independence, character and judgement was performed and the assessment confirmed them to have remained unimpaired.

The group's non-executive directors are individuals of high calibre and credibility who make a significant contribution to the board's deliberations and decisions. The directors are diverse in their academic qualifications, industry knowledge and experience, race and gender. This diversity enables them to provide the board with the relevant judgement to work effectively when conducting and determining the business affairs of the company. Non-executive directors are required to devote sufficient time to the affairs of the group.

While no limitations are imposed by the board charter, or otherwise, on the number of other appointments directors may accept, approval from the chairperson must be obtained prior to acceptance of additional commitments which may affect the time directors can devote to the group.

### PAGE

CVs of the board members, detailing their value-add to the group, are provided on pages 12 to 15 of the printed section of the integrated annual report. For full CVs, refer to pages 74 to 76.



The board defines the group's levels of authority, reserving specific powers for the board, while delegating others to management. The group's CEO is responsible for the execution of the company's strategy and reports to the board. He chairs the executive committee that comprises eight members and is responsible for the daily management of the group's affairs. Mr Vemer is responsible for formulating and recommending strategies and policies to the board and plays a critical role in the operations and success of the company. The CEO is accountable to the board and consistently strives to achieve the group's goals within the framework of delegated authority. The nominations committee conducted the CEO's

performance appraisal and referred award considerations to the remuneration committee.



The company secretary is responsible for developing, implementing and maintaining effective processes and procedures to support the board and its committees in the discharge of their duties and responsibilities. The company secretary is available to the directors, at all times, to provide assistance, guidance or advice in line with King III and the JSE Listings Requirements. The company secretary is not a director of the company and has an arm's length relationship with the board. She is responsible for the

submission of the annual compliance certificate to the JSE Limited, the filing of statutory documents, as prescribed by legislation and for ensuring compliance with the Listings Requirements. She also administers the group's employee share schemes and is the secretary of all the board committees.

The performance of the company secretary, as well as her relationship with the board, is assessed on an annual basis. The board, with the assistance of the nominations committee, has considered the competencies, qualifications and experience of the company secretary and also whether she maintains an arm's length relationship with the board. The board is satisfied that she is suitably qualified to fulfil the role. Further details of her qualifications are on page 15 of the printed section of the integrated annual report.

## BOARD COMMITTEES

The board has five standing committees through which it operates. These are:



The board has delegated specific responsibilities to committees to facilitate the discharge of duties through focused oversight on the respective specialist areas. The composition of each committee is determined by the board. Each committee is chaired by an independent non-executive director and is governed by terms of reference which are annually reviewed by the board. The respective chairpersons of the committees report formally to the main board after each committee meeting on all matters within the scope of its responsibilities, including recommendations on required action items. The minutes of committee meetings are also made available to the board for noting.

The board is satisfied that the board committees are appropriately structured and competent to deal with both existing and emerging issues, and that they have effectively discharged their responsibilities during the year under review.

BOARD MEETING ATTENDANCE

		P Mthethwa ↓	MR Upton ↓	ECJ Vemer ↓	CMF Teixeira ↓	NJ Chinyanta ↓	JL Job ↓
<b>Director</b>							
<b>Period of service (Date of appointment)</b>		8 years (04/07/07)	9 years, 1 months (17/11/06)	0 years, 8 months (01/10/14)	7 years, 1 month (01/06/08)	1 year, 3 months (01/04/14)	6 years, 8 months (01/11/08)
<b>Chairperson</b>		MB NC					REM
<b>Member</b>			MB RC SEC	MB RC SEC	MB SEC	MB REM RC	MB AC RC
<b>Attendee</b>		AC	AC REM	AC REM	AC RC		
<b>Meeting date</b>	<b>Meeting type</b>						
Jul 22, 2014	ACS						
Jul 31, 2014	SEC						
Aug 04, 2014	AC						
Aug 04, 2014	RC						
Aug 5, 2014	MB						
Aug 21, 2014	REM						
Sept 17, 2014	REM						
Nov 04, 2014	AGM						
Nov 04, 2014	REM						
Nov 05, 2014	RC						
Nov 05, 2014	AC						
Nov 05, 2014	SEC						
Nov 06, 2014	MBBM						
Nov 07, 2014	MB						

- AC – Audit committee
- ACS – Audit committee special meeting
- AGM – Annual general meeting
- MB – Main board
- NC – Nominations committee
- RC – Risk committee
- RCS – Risk committee special meeting
- REM – Remuneration committee
- SEC – Social and ethics committee
- MBBM – Main board breakaway meeting

- In attendance
- Not applicable
- A Absent
- VC Present via videoconferencing or teleconference



Director		W Louw	SG Morris	KK Mpinga	B Ngonyama	VM Rague	MR Thompson
<b>Period of service (Date of appointment)</b>		1 year, 3 months (01/04/14)	10 years (01/07/05)	15 years (01/07/02)	1 year, 3 months (01/04/14)	1 year, 3 months (01/04/14)	1 year, 3 months (01/04/14)
<b>Chairperson</b>			AC	RC	SEC		
<b>Member</b>		MB RC SEC	MB NC RC	MB AC NC	AC	AC RC	AC REM
<b>Attendee</b>							
<b>Meeting date</b>	<b>Meeting type</b>						
Jul 22, 2014	ACS			A	A	A	
Jul 31, 2014	SEC						
Aug 04, 2014	AC						
Aug 04, 2014	RC						
Aug 5, 2014	MB						
Aug 21, 2014	REM						
Sept 17, 2014	REM						
Nov 04, 2014	AGM			A	A	A	A
Nov 04, 2014	REM						
Nov 05, 2014	RC			VC			
Nov 05, 2014	AC			VC			
Nov 05, 2014	SEC						
Nov 06, 2014	MBBM			VC			
Nov 07, 2014	MB			VC			

		P Mthethwa ↓	MR Upton ↓	ECJ Vemer ↓	CMF Teixeira ↓	NJ Chinyanta ↓	JL Job ↓
<b>Director</b>							
<b>Period of service (Date of appointment)</b>		8 years (04/07/07)	9 years, 1 months (17/11/06)	0 years, 8 months (01/10/14)	7 years, 1 month (01/06/08)	1 year, 3 months (01/04/14)	6 years, 8 months (01/11/08)
<b>Chairperson</b>		MB NC					REM
<b>Member</b>			MB RC SEC	MB RC SEC	MB SEC	MB REM RC	MB AC RC
<b>Attendee</b>		AC	AC REM	AC REM	AC RC		
Meeting date	Meeting type						
Jan 20, 2015	RCS					A	
Jan 26, 2015	RCS					A	
Jan 26, 2015	ACS						
Feb 04, 2015	REM						
Feb 05, 2015	RC						
Feb 05, 2015	AC						
Feb 06, 2015	SEC						
Feb 06, 2015	MB						
Mar 09, 2015	RCS						VC
Mar 27, 2015	RCS	VC					VC
May 04, 2015	RCS					VC	VC
May 19, 2015	RC					A	
May 19, 2015	AC						
May 19, 2015	SEC						
May 20, 2015	MBBM					A	
May 21, 2015	MB					A	
Jun 08, 2015	RCS	VC				VC	VC

- AC – Audit committee
- ACS – Audit committee special meeting
- AGM – Annual general meeting
- MB – Main board
- NC – Nominations committee
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- REM – Remuneration committee
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- In attendance
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Director		W Louw	SG Morris	KK Mpinga	B Ngonyama	VM Rague	MR Thompson
Period of service (Date of appointment)		1 year, 3 months (01/04/14)	10 years (01/07/05)	15 years (01/07/02)	1 year, 3 months (01/04/14)	1 year, 3 months (01/04/14)	1 year, 3 months (01/04/14)
Chairperson			AC	RC	SEC		
Member		MB RC SEC	MB NC RC	MB AC NC	AC	AC RC	AC REM
Attendee							
Meeting date	Meeting type						
Jan 20, 2015	RCS			A		A	
Jan 26, 2015	RCS			A		A	
Jan 26, 2015	ACS			A		VC	
Feb 04, 2015	REM						
Feb 05, 2015	RC					A	
Feb 05, 2015	AC					A	
Feb 06, 2015	SEC						
Feb 06, 2015	MB					A	
Mar 09, 2015	RCS			A		VC	
Mar 27, 2015	RCS	A	A			VC	
May 04, 2015	RCS			VC		VC	
May 19, 2015	RC						
May 19, 2015	AC						A
May 19, 2015	SEC						
May 20, 2015	MBBM						A
May 21, 2015	MB						A
Jun 08, 2015	RCS		VC	A	VC	VC	



**AUDIT COMMITTEE**

**PURPOSE**

Acts in terms of board-approved terms of reference and is responsible for:

- › Reviewing the principles, policies and practices adopted in the preparation of the financial statements of the company and ensuring that the interim and annual financial statements of the group and any other formal announcements relating to the group’s financial performance comply with statutory and regulatory requirements
- › Maintaining oversight on stakeholders as they relate to the company’s accounting, auditing, internal control and financial reporting practices
- › Considering the continued independence of the current external auditor
- › Recommending the appointment of external auditors, determining their fees and overseeing the results of the external audit process
- › Setting principles for the use of the external auditors for non-audit services
- › Assessing the experience of the finance function and the chief financial officer
- › Going concern status
- › Combined assurance
- › Information Technology governance
- › Group finance function monitoring

**QUORUM**

A majority of members present in person or via videoconferencing, closed circuit television or any other telecommunication facilities.

**MEETING FREQUENCY AND REPORTING**

Meets at least four times a year.



**RISK COMMITTEE**

**PURPOSE**

Acts in terms of board-approved terms of reference to consider, evaluate and report on:

- › Technical, operational and contract risk management
- › Risk policy, framework and methodology
- › Health, safety and environment
- › Compliance

**QUORUM**

A majority of committee members, provided that at least two non-executive directors are present in person or via videoconferencing, closed circuit television or telecommunication facilities.

**MEETING FREQUENCY AND REPORTING**

Meets at least four times a year and as and when required to review major contracts.



## REMUNERATION COMMITTEE

### PURPOSE

Acts in terms of board-approved terms of reference to assist in the following:

- › Setting and oversight of the remuneration policy of the group
- › Annual review and approval of executive director remuneration packages, as well as determination and approval of annual bonuses, performance-based incentives and share incentive schemes
- › Reviewing the ongoing appropriateness and relevance of the executive remuneration policy and other executive benefit programmes
- › Approving management’s recommendations for the average annual increase of all employees
- › Making recommendations to the board on the remuneration of non-executive directors

### QUORUM

A majority of committee members, provided that at least two non-executive directors are present in person or via videoconferencing, closed circuit television or telecommunication facilities.

### MEETING FREQUENCY AND REPORTING

Meets at least four times a year and whenever it is necessary to make recommendations relating to the remuneration of executive managers, executive directors and non-executive fee structures.



## SOCIAL AND ETHICS COMMITTEE

### PURPOSE

Acts in terms of board-approved terms of reference to monitor the group’s activities on:

- › Social and economic development in terms of the Act
- › Integrated and sustainability reporting
- › Transformation
- › Labour and employment
- › Organisational integrity/ethics
- › Legal compliance
- › Corporate citizenship

### QUORUM

A majority of committee members, with at least two non-executive directors being present in person or through videoconferencing, closed circuit television or telecommunication facilities.

### MEETING FREQUENCY AND REPORTING

Meets at least four times a year.



## NOMINATIONS COMMITTEE

### PURPOSE

Acts in terms of board-approved terms of reference to:

- › Make recommendations on the composition of the board in general and any adjustments that are deemed necessary, including the balance between executive, non-executive and independent non-executive directors
- › Make recommendations on the skills required on the board
- › Ensure that the directors are appointed through a formal process and that the appointment is formalised through an agreement between the company and the director
- › Oversee the development of a formal induction programme for new directors
- › Be responsible for succession planning, in particular for the chairperson and executive directors and senior management appointments
- › Agree, and put in place, a performance contract with the chief executive officer
- › Formalise the annual performance reviews of the board as a whole, the respective board committees and individual board members
- › Address any other nominations committee matters that are formally delegated by the board to the committee from time to time

### QUORUM

A majority of committee members, with at least two non-executive directors being present in person or through videoconferencing, closed circuit television or telecommunication facilities.

### MEETING FREQUENCY AND REPORTING

Meets at least two times a year when required.



The group has applied all the required King III guidelines, as outlined in the table.

APPLICATION OF KING REPORT ON GOVERNANCE FOR SOUTH AFRICA 2009 (KING III)	
KING III PRINCIPLE	COMMENTS
<b>1 ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP</b>	
<b>1.1 The board provides an effective leadership base on an ethical foundation.</b>	<p>The board charter is the overarching policy document that defines its powers and operational parameters. It also provides for delegation of operational responsibilities to management and the board committees. The board charter was comprehensively reviewed, updated and approved by the board in May 2012 to incorporate the provisions of King III and the Companies Act. An annual review of the board charter and the terms of reference of board committees is conducted.</p> <p>The board's directors, including its chairperson, were recently evaluated as part of an internal board review process. The board was found to be leading the group effectively. The group continues to enforce the significance of integrity within the organisation, especially in light of the past issues of anti-competitive behaviour within the sector.</p>
<b>1.2 The board ensures that the company is and is seen to be a responsible corporate citizen.</b>	<p>The board has mandated the social and ethics committee with the responsibility of carrying out the legislatively prescribed functions contemplated by Regulation 43(5) of the Companies Regulations 2011, which include, amongst other things, good corporate citizenship. The board has delegated the responsibility for proactive stakeholder engagement to management.</p> <p>Regular feedback is received from various stakeholders, including shareholders, clients, debt funders, media and employees. Refer to pages 28 to 29 of the printed section of the integrated annual report which discloses the group's focus on stakeholder engagement.</p> <p>Stakeholder engagement is a standing agenda item on the board's agenda.</p>
<b>1.3 The board ensures that the company ethics are managed effectively.</b>	<p>The group is committed to good governance and ethics. Integrity has been formally identified as one of the group's seven core values. The board approved a revised code of ethics that outlines the ethical values and the conduct expected of its employees in this regard.</p> <p>A compliance and ethics officer was appointed by the group towards the end of the previous year to monitor ethics management systems and to deliver ethics training programmes.</p> <p>Ethics training is part of employee training offered by the group's Academy to ensure that all employees are adequately informed of the group's policy on ethics.</p>
<b>2 BOARD OF DIRECTORS</b>	
<b>2.1 The board acts as the focal point for and custodian of corporate governance.</b>	<p>The board has a formal charter and has full and effective control of the group, with an exclusive mandate over all material resolutions that have to be approved by the board. The board meets as often as is required to fulfil its duties, but at least four times a year.</p>
<b>2.2 The boards appreciates that strategy, risk, performance and sustainability are inseparable.</b>	<p>The board and the executive committee formulate and direct group strategy. The group has over the last few years focused on ensuring the business operates on an integrated and sustainable basis.</p>
<b>2.3 The board should provide effective leadership based on an ethical foundation.</b>	<p>Refer to 1.1.</p>

APPLICATION OF KING REPORT ON GOVERNANCE FOR SOUTH AFRICA 2009 (KING III)

KING III PRINCIPLE	COMMENTS
<b>2 BOARD OF DIRECTORS CONTINUED</b>	
<b>2.4 The board should ensure that the company is and is seen to be a responsible corporate citizen.</b>	Refer to 1.2.
<b>2.5 The board should ensure that the company's ethics are managed effectively.</b>	Refer to 1.3.
<b>2.6 The board should ensure that the company has an effective and independent audit committee.</b>	The board has an audit committee in place. Its responsibilities are documented in written terms of reference. The audit committee is constituted fully by independent non-executive directors, the majority of which have a high standard of financial literacy. The audit committee also comprises of a good balance of economic, legal, corporate governance and technical expertise. The chairperson of the main board neither chairs nor is a member of the audit committee. However, a standard invitation is extended to the chairperson of the main board to attend meetings of the audit committee. A report on the activities, observations and recommendations of the audit committee is included in the integrated annual report. The chairperson attends the annual general meeting to respond to enquiries by the shareholders.
<b>2.7 The board should be responsible for the governance of risk.</b>	The board is ultimately responsible for the group's risk management process and system of internal control. The board has a risk committee in place. Its mandate includes monitoring the technical, operational and contract risk management process of the group.
<b>2.8 The board should be responsible for Information Technology (IT) governance.</b>	The board is ultimately responsible for the Information Technology (IT) governance processes. The board has delegated the responsibility of the group's IT governance processes to the audit committee. To assist it in the fulfilment of this mandate, the audit committee approved the establishment of an IT steering committee in F2012. IT is a standing audit committee agenda item.
<b>2.9 The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.</b>	<p>The board is ultimately responsible for the group's compliance to the legal and regulatory requirements. The board has delegated this responsibility to the social and ethics committee. The group monitors its compliance with prevailing legislation through its internal management system.</p> <p>A compliance and ethics officer was appointed towards the end of the previous year, to, inter alia, monitor compliance management systems.</p> <p>Each discipline head is responsible for compliance with the laws and regulations applicable to their area of responsibility. The CFO, group risk officer and HR director are responsible for reporting to the audit and the risk committee and ultimately to the board on the status of compliance with financial, safety, health, risk, environment and quality and human resources legislation.</p>
<b>2.10 The board should ensure that there is an effective risk-based internal audit.</b>	Through the audit committee, the board promotes the standing and value of the group's internal audit department, assesses the adequacy of its resources and the effectiveness of its work and engages with management to ensure audit plans are risk-based.

## APPLICATION OF KING REPORT ON GOVERNANCE FOR SOUTH AFRICA 2009 (KING III)

KING III PRINCIPLE	COMMENTS
<b>2</b> BOARD OF DIRECTORS CONTINUED	
<b>2.11 The board should appreciate that stakeholders' perceptions affect the company's reputation.</b>	The board has delegated the responsibility of dealing with stakeholder relationships in a proactive and constructive manner to management, with a standing agenda point requiring feedback from the CEO and CFO on a quarterly basis.
<b>2.12 The board should ensure the integrity of the company's integrated annual report.</b>	The board has delegated the responsibility of ensuring the integrity of the group's integrated annual report to the audit committee. The adequacy of the CFO, the financial team and the integrated annual report is assessed and formally recorded at the August audit committee meeting.
<b>2.13 The board should report on the effectiveness of the company's system of internal controls.</b>	<p>The board has delegated the responsibility of reporting on the effectiveness of the company's system of internal control to the audit committee. The audit committee relies on representation from management and feedback from the internal audit and the external auditors.</p> <p>The risk committee is responsible for the implementation of the combined assurance plan and provides the audit committee with regular updates on status and findings.</p>
<b>2.14 The board and its directors should act in the best interests of the company.</b>	<p>The standard of conduct required of directors is confirmed by the board charter. In line with this, the board is required to act in the best interest of the company by ensuring that individual directors:</p> <ul style="list-style-type: none"> <li>› adhere to legal standards of conduct</li> <li>› are permitted to take independent professional advice at the group's expense in connection with their duties following an agreed procedure</li> <li>› disclose real or perceived conflicts to the board and deal with them accordingly</li> <li>› deal in securities only in accordance with the policy adopted by the board</li> </ul>
<b>2.15 The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed, as defined in the Act.</b>	The board continuously monitors the solvency and liquidity of the group and considers its going concern status. The board is satisfied that it is astutely cognisant of the market conditions within which it operates and would, therefore, be readily able to apply business rescue procedures, should the group become financially distressed.
<b>2.16 The board should elect a chairperson of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairperson of the board.</b>	An independent non-executive director is elected as the chairperson of the board on an annual basis. The CEO does not fulfil the role of chairperson.
<b>2.17 The board should appoint the chief executive officer and establish a framework for the delegation of authority.</b>	<p>The appointment of the CEO is a matter for consideration by the board as a whole. The board defines the group's levels of authority, reserving specific powers for the board, while delegating others to management.</p> <p>The collective responsibility of the executive management of the company's operations vests with the CEO, who regularly reports to the board on the group's objectives and strategy.</p>

APPLICATION OF KING REPORT ON GOVERNANCE FOR SOUTH AFRICA 2009 (KING III)

KING III PRINCIPLE	COMMENTS
<b>2 BOARD OF DIRECTORS CONTINUED</b>	
<b>2.18 The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.</b>	The size of the board is dictated by the MoI, which permits a maximum of 15 directors and prescribes a minimum of four directors. The board comprises a balance of executive and non-executive directors, with all non-executive directors independent. Each director has one vote on a matter before the board. A majority of the votes cast on a resolution is sufficient to approve that resolution. The chairperson may not have a deciding vote in addition to any deliberative vote.
<b>2.19 Directors should be appointed through a formal process.</b>	The appointment of directors is a matter for consideration by the board as a whole on the recommendation of a formal recruitment process executed by the nominations committee. The appointment of the new CEO in the year under review was on the basis of this process.
<b>2.20 The induction of and ongoing training and development of directors should be conducted through formal processes.</b>	The group has a formal induction programme in place. The induction programme was further augmented by engagements with select members of the executive team.
<b>2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary.</b>	The company secretary is a legally qualified individual who is not a director of the board. The board assessed the competence of the company secretary and is satisfied with her performance at a functional level.
<b>2.22 The evaluation of the board, its committees and the individual directors should be performed every year.</b>	The board charter requires the board to conduct annual evaluations of its performance in terms of its roles and responsibilities, as well as that of individual directors. Each committee evaluates its own performance and reports the results to the board. The board is conscious of the fact that it has two non-executive directors who have served on the board for longer than nine years. An evaluation of their independence, character and judgement was performed and the assessment confirmed their independence.
<b>2.23 The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.</b>	The board and committees operate under formal terms of reference, which are reviewed on an annual basis to ensure efficiencies within each committee. The chairperson of each committee reports back to the board at each board meeting and the minutes of all committee meetings are circulated to the board. The composition of each committee, as well as a description of its terms of reference, is disclosed in the integrated annual report.
<b>2.24 A governance framework should be agreed between the group and its subsidiary boards.</b>	The board has formalised the respective responsibilities of the board and its subsidiaries with certain governance structures, such as the audit, remuneration and the social and ethics committees.
<b>2.25 Companies should remunerate directors and executives fairly and responsibly.</b>	The board believes that the group's remuneration policy and strategy are designed to ensure that executives are appropriately remunerated with an acceptable balance between guaranteed and performance-based elements, as well as between short and long term incentives. In the fulfilment of its mandate, the remuneration committee ensures that reward levels benchmark fairly against sector norms.

## APPLICATION OF KING REPORT ON GOVERNANCE FOR SOUTH AFRICA 2009 (KING III)

KING III PRINCIPLE	COMMENTS
<b>2 BOARD OF DIRECTORS CONTINUED</b>	
<b>2.26 Companies should disclose the remuneration of each individual director and certain senior executives.</b>	<p>The company discloses the remuneration of directors and prescribed officers in accordance with the requirements of the Companies Act (No 71 of 2008, as amended) and the JSE Listings Requirements in its integrated annual report.</p> <p>In addition, it supplements this disclosure with information on remuneration for senior management who are not prescribed officers.</p>
<b>2.27 Shareholders should approve the company's remuneration policy.</b>	<p>The group's remuneration policy is set out in the remuneration report included in the printed section of the integrated annual report. The group's remuneration policy is tabled at each annual general meeting by way of a non-binding advisory vote.</p>
<b>3 AUDIT COMMITTEE</b>	
<b>3.1 The board should ensure that the company has an effective and independent audit committee.</b>	<p>The company's audit committee operates in terms of a written charter, performs the duties prescribed by the Companies Act (No 71 of 2008, as amended), meets quarterly, considers detailed reports from management and reports and makes recommendations in writing to the board. The audit committee chairperson regularly reviews the adequacy of the content of the committee agenda and work plan against developing trends in the market to ensure alignment with best practice.</p>
<b>3.2 Audit committee members should be suitably skilled and experienced independent non-executive directors.</b>	<p>The audit committee constitutes independent non-executive directors, the majority of which have a high standard of financial literacy. The audit committee also comprises a good balance of economic, legal, corporate governance and technical expertise. The chairperson of the main board neither chairs nor is a member of the audit committee. However, a standard invitation is extended to the chairperson of the main board to attend meetings of the audit committee.</p>
<b>3.3 The audit committee should be chaired by an independent non-executive director.</b>	<p>The audit committee is chaired by the lead independent director who is a non-executive director of the board. The chairperson of the main board neither chairs nor is a member of the audit committee.</p>
<b>3.4 The audit committee should oversee integrated reporting.</b>	<p>The audit committee is responsible for considering and making recommendations to the board relating to the group's integrated annual report, the financial statements and any other reports (with reference to the financial affairs of the group) for external distribution or publication, including those required by any regulatory or statutory authority.</p>
<b>3.5 The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.</b>	<p>The audit committee ensures that it obtains regular and comprehensive assurance from the risk committee, external auditor, the internal audit department and/or management in relation to matters such as financial reporting, adequacy of internal controls and veracity of risk management processes.</p> <p>The group's audit committee is responsible for ensuring that a combined assurance model has been applied within the group which provides a co-ordinated approach to all assurance activities. The group risk officer provides the audit committee with annual feedback on the group's approach and plan with regard to combined assurance.</p>

APPLICATION OF KING REPORT ON GOVERNANCE FOR SOUTH AFRICA 2009 (KING III)

KING III PRINCIPLE	COMMENTS
<b>3</b> AUDIT COMMITTEE CONTINUED	
<b>3.6 The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.</b>	The audit committee performs an annual review of the CFO and the group's finance function. Based on the review conducted during the year under review, the committee satisfied itself that the CFO has appropriate expertise, resources and experience and that the group's finance function is effective.
<b>3.7 The audit committee should be responsible for overseeing of internal audit.</b>	The audit committee's mandate imposes an oversight role with regard to internal audit. The committee monitors internal audit resources, activities, findings and coverage plans through the comprehensive reports submitted by internal audit management at each committee meeting.
<b>3.8 The audit committee should be an integral component of the risk management process.</b>	The board re-arranged the meeting schedule of its committees to enhance the flow of information between forums from an administrative perspective. Accordingly, meetings of the audit committee is preceded by those of the risk committee, with representations made by the group risk officer and the chairperson of the risk committee to the audit committee, which in turn considers the effectiveness of the risk management process on the group's financial reporting. The chairperson of the audit committee is a member of the risk committee. The risk committee has oversight responsibility for the group's risk management programme.
<b>3.9 The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.</b>	In terms of the audit committee's terms of reference, the audit committee is responsible for recommending the appointment of the external auditor to shareholders, overseeing the external audit process, including concluding on the terms of engagement and audit fees. The audit committee is also responsible for formulating the policy for non-audit services, reportable irregularities and the quality and effectiveness of the external auditor. It monitors the level of non-audit fees on a quarterly basis and formally reviews, evaluates and approves the audit fees each year.
<b>3.10 The audit committee should report to the board and shareholders on how it discharged its duties.</b>	The audit committee provides feedback to the board at each board meeting. Reporting to shareholders occurs through the audit committee report in the integrated annual report. The chairperson of the audit committee also attends annual general meetings to report on the statutory duties, as required.
<b>4</b> THE GOVERNANCE OF RISK	
<b>4.1 The board should be responsible for the governance of risk.</b>	The board is ultimately accountable for the group's risk management process and system of internal control. The board has a risk committee in place. Its mandate includes monitoring the technical, operational and contract risk management process of the group.
<b>4.2 The board should determine the levels of risk tolerance.</b>	The board has adopted the levels of risk tolerance utilised by the risk committee and management in determining the group's risk management framework, its risk-bearing capacity and the methodology for rating risks in the group's risk registers.
<b>4.3 The risk committee or audit committee should assist the board in carrying out its risk responsibilities.</b>	The charters of both the risk and audit committees require these forums to assist the board in carrying out its risk governance responsibilities. They provide this assistance by monitoring the group's risk management activities. Both the CFO and the group risk officer provide detailed accounts of the risks identified in the business to the risk and audit committees.

## APPLICATION OF KING REPORT ON GOVERNANCE FOR SOUTH AFRICA 2009 (KING III)

KING III PRINCIPLE	COMMENTS
<b>4 THE GOVERNANCE OF RISK CONTINUED</b>	
<b>4.4 The board should delegate to management the responsibility to design, implement and monitor the risk management plan.</b>	<p>The objective of risk management in the group is to establish an integrated and effective risk management framework where material risks are identified, quantified and managed to achieve an optimal risk/reward profile.</p> <p>An integrated approach ensures that risk management is incorporated into the day-to-day operational management processes. During the year under review, the risk committee endorsed and recommended a risk management plan and a revised combined assurance model.</p>
<b>4.5 The board should ensure that risk assessments are performed on a continual basis.</b>	<p>The board ensures that effective and ongoing risk assessments are performed. A systematic, documented, formal risk assessment is conducted at least once a year.</p> <p>Risks are prioritised and ranked to focus on responses and interventions. A top-down approach is adopted in risk assessments without being limited to strategic and high-end risks only. The board regularly receives and reviews a register of the company's key risks.</p> <p>The risk assessment process involves the risks affecting the various income streams of the company, the critical dependencies of the business, its sustainability and the legitimate interests and expectations of stakeholders.</p> <p>In addition, a defined risk management process is in place, which is utilised on a daily basis to assess all risks on a contract through its lifecycle, which commences at pre-bid stage.</p>
<b>4.6 The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.</b>	<p>This remains a focus area of the board and management. The management team continues to implement enhancements to the risk management process by, for example, standardising risk management processes and by implementing improvement and assurance controls at an earlier stage of contract assessments.</p>
<b>4.7 The board should ensure that management consider and implement appropriate risk responses.</b>	<p>The management team identifies and notes the risk responses in the risk register. Risk registers are maintained at a contract and segment level.</p>
<b>4.8 The board should ensure continual risk monitoring by management.</b>	<p>The management team identifies and notes the risk responses in the risk register. The board receives assurance from the risk committee and the group risk officer that the management team appropriately identifies, manages, transfers and mitigates risks facing the group.</p>
<b>4.9 The board should receive assurance regarding the effectiveness of the risk management process.</b>	<p>The board receives assurance from the risk committee that it and management continually monitor risks facing the group.</p>
<b>4.10 The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and assessable risk disclosure to stakeholders.</b>	<p>All requested disclosures by the non-executive directors were made available by management.</p> <p>The board ensures that the integrated annual report, as well as its public announcements, where necessary, appropriately discloses risk-related information of importance to stakeholders.</p> <p>The release of the group's integrated annual report within two months of the group's financial year end ensures that the information remains timely and relevant.</p>

APPLICATION OF KING REPORT ON GOVERNANCE FOR SOUTH AFRICA 2009 (KING III)

KING III PRINCIPLE	COMMENTS
<b>5 THE GOVERNANCE OF INFORMATION TECHNOLOGY</b>	
<b>5.1 The board should be responsible for Information Technology (IT) governance.</b>	The board is ultimately responsible for the Information Technology (IT) governance processes. The board has delegated the responsibility of the group's IT governance processes to the audit committee. To assist the board in the fulfilment of this mandate, the audit committee approved the establishment of an IT steering committee in F2012. IT is a standing audit committee agenda item.
<b>5.2 IT should be aligned with the performance and sustainability objectives of the company.</b>	The group's IT strategy is designed to support the group's business strategy, with the aim of ensuring that the group will operate effectively and remain sustainable.
<b>5.3 The board should delegate to management the responsibility for the implementation of an IT governance framework.</b>	The board is ultimately responsible for the IT governance processes. The board has delegated the responsibility of the group's IT governance processes to the audit committee.  To assist it in the fulfilment of this mandate, the audit committee approved the establishment of an IT steering committee in F2012. IT is a standing audit committee agenda item.
<b>5.4 The board should monitor and evaluate significant IT investments and expenditure.</b>	The board monitors material IT investments through its consideration of the group's capital expenditure budget, and evaluates the return on investment through reports made by management to the audit committee.  Good governance principles apply to all parties in the supply chain for the acquisition and disposal of IT goods or services.  All capital expenditure requires prior approval from the CFO and investments or development costs must be evaluated against actual performance.
<b>5.5 IT should form an integral part of the company's risk management.</b>	IT risks form an integral part of the company's risk management activities.  The management team regularly demonstrates to the board that the company has adequate business resilience arrangements in place for disaster recovery. The board ensures that the company complies with IT laws and that IT-related rules, codes and standards are considered.
<b>5.6 The board should ensure that information assets are managed effectively.</b>	The board ensures all personal information is treated by the company as an important business asset. The board ensured that an information security management system was developed, implemented and recorded to ensure security (confidentiality, integrity and availability of information).
<b>5.7 A risk committee and audit committee should assist the board in carrying out its IT responsibilities.</b>	The risk committee assists the board in carrying out its IT governance responsibilities by ensuring that IT risks are adequately addressed through its risk management and monitoring processes.  The audit committee assists the board in carrying out its IT governance responsibilities. The IT report forms part of the standing agenda items of the risk and audit committees, which results in the board being made aware of potential risks.

KING III PRINCIPLE	COMMENTS
<b>6 COMPLIANCE WITH LAWS, CODES RULES AND STANDARDS</b>	
<b>6.1 The board should ensure that the company complies with applicable laws and consider adherence to non-binding rules, codes and standards.</b>	<p>The board is ultimately responsible for the group’s compliance with the legal and regulatory requirements. The board has delegated this responsibility to the social and ethics committee. The group monitors its compliance to prevailing legislation through its internal management system.</p> <p>A compliance and ethics officer was appointed towards the end of the previous year. His duties include monitoring compliance management systems.</p> <p>Each discipline head is responsible for compliance with the laws and regulations applicable to their area of responsibility. The CFO, group risk officer and HR director is responsible for reporting to the audit committee and the risk committee and ultimately to the board on the status of compliance with financial, safety, health, risk, environment and quality and human resources legislation.</p>
<b>6.2 The board and each individual director should have a working understanding of the effect of the applicable laws, rules and standards on the company and its business.</b>	<p>The induction or ongoing training programmes of directors incorporate an overview of and changes to applicable laws, rules, codes and standards.</p>
<b>6.3 Compliance risk should form an integral part of the company’s risk management process.</b>	<p>The risk of non-compliance is identified, assessed and responded to through the risk management processes.</p> <p>Each discipline head is responsible for compliance with the laws and regulations applicable to their area of responsibility. The CFO, group risk officer and HR director are responsible for reporting to the audit committee and the risk committee and then ultimately to the board on the status of compliance to financial, safety, health, risk, environment and quality and human resources legislation.</p>
<b>6.4 The board should delegate to management the implementation of an effective compliance framework and processes.</b>	<p>The board ensures that a legal compliance policy, approved by the board, has been implemented by management. The board receives assurance on the effectiveness of the controls around compliance with laws, rules, codes and standards. Compliance with laws, rules, codes and standards is incorporated in the code of conduct of the company.</p> <p>A compliance and ethics officer was appointed to monitor and drive compliance in the group.</p> <p>Material (or immaterial, but often repeated) regulatory penalties, sanctions or fines for contraventions or non-compliance with statutory obligations that were imposed on the company or any of its directors or officers or a statement that no such events took place are disclosed.</p> <p>Each discipline head is responsible for compliance with the laws and regulations applicable to their area of responsibility. The CFO, group risk officer and HR director are responsible for reporting to the audit committee and the risk committee and ultimately to the board on the status of compliance to financial, safety, health, risk, environment and quality and human resources legislation.</p>

APPLICATION OF KING REPORT ON GOVERNANCE FOR SOUTH AFRICA 2009 (KING III)

KING III PRINCIPLE	COMMENTS
<b>7 INTERNAL AUDIT</b>	
<p><b>7.1 The board should ensure that there is an effective risk-based internal audit.</b></p>	<p>The company has established an internal audit function. This function evaluates the company's governance processes and performs an objective assessment of the effectiveness of risk management and the internal control framework. The internal audit function systematically analyses and evaluates business processes and associated controls.</p> <p>The internal audit function adheres to the Institute of Internal Auditors' Standards and code of ethics. The internal audit function provides a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.</p>
<p><b>7.2 Internal audit should follow a risk-based approach to its plan.</b></p>	<p>The internal audit plan and approach are informed by the strategy and risks of the company. This is a risk-based programme.</p>
<p><b>7.3 Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.</b></p>	<p>Internal audit provides a written assessment of the system of internal control and risk management to the board.</p> <p>This is provided on a quarterly basis with the submission of the report to the audit committee.</p>
<p><b>7.4 The audit committee should be responsible for overseeing internal audit.</b></p>	<p>The internal audit department reports on its work, findings and recommendations at each meeting of the audit committee and presents its coverage plan annually to the audit committee for approval. The head of internal audit periodically meets with the chairperson of the audit committee.</p>
<p><b>7.5 Internal audit should be strategically positioned to achieve its objectives.</b></p>	<p>The internal audit function is independent and objective and reports functionally to the audit committee. The committee reviews the resources and skills of the function on an annual basis to ensure it is adequate to address risk and assurance requirements.</p>
<b>8 GOVERNING STAKEHOLDER RELATIONSHIPS</b>	
<p><b>8.1 The board should appreciate that stakeholders' perceptions affect a company's reputation.</b></p>	<p>The gap between stakeholder perceptions and the performance of the company is managed and measured to enhance or protect the company's reputation.</p> <p>The process for identification and taking into account the legitimate interests and expectations of stakeholders is reviewed at least once a year.</p> <p>The company's reputation and its linkage with stakeholder relationships is a regular board agenda item.</p> <p>Stakeholders which could materially affect the operations of the company are identified, assessed and dealt with as part of the risk management process.</p>
<p><b>8.2 The board should delegate to management to proactively deal with stakeholder relationships.</b></p>	<p>The management team develops a strategy and formulates policies for the management of relationships with each stakeholder grouping.</p> <p>The board oversees the establishment of mechanisms and processes that support stakeholders in constructive engagement with the company. The board encourages shareholders to attend the AGM. Categories of stakeholders are allocated to members of the executive committee who are responsible for ensuring effective engagement.</p>

## APPLICATION OF KING REPORT ON GOVERNANCE FOR SOUTH AFRICA 2009 (KING III)

KING III PRINCIPLE	COMMENTS
<b>8 GOVERNING STAKEHOLDER RELATIONSHIPS CONTINUED</b>	
<b>8.3 The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.</b>	<p>The board takes into account the legitimate interests and expectations of its stakeholders in its decision-making in the best interests of the company.</p> <p>The group logs queries and concerns from stakeholders and ensures that the material matters are addressed.</p>
<b>8.4 Companies should ensure the equitable treatment of shareholders.</b>	<p>There is equitable treatment of all holders of the same class of shares. The board ensures that minority shareholders are protected.</p>
<b>8.5 Transparent and effective communication to stakeholders is essential for building and maintaining their trust and confidence.</b>	<p>The board has adopted communications guidelines that support a responsible communications programme.</p> <p>Complete, timely, relevant, accurate, honest and accessible information is provided by the company to its stakeholders, whilst having regard for legal and strategic considerations.</p> <p>The group issues its full integrated annual report, including audited financial statements, on the same day as it releases its year-end results.</p> <p>In addition, the group won the Award for Best Reporting and Communication in the industrial sector from the Investment Analysts Society, which represents shareholders and financial analysts, seven times.</p> <p>No requests for information in terms of the Promotion of Access to Information Act, 2000 have been lodged with the group in the period under review.</p>
<b>8.6 The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.</b>	<p>The board has adopted formal dispute resolution processes for internal and external disputes.</p>
<b>9 INTEGRATED REPORTING AND DISCLOSURE</b>	
<b>9.1 The board should ensure the integrity of the company's integrated annual report.</b>	<p>The integrated annual report includes, amongst other matters, the performance and value creation through the value-added statement and other financial and non-financial performance indicators.</p> <p>Sufficient commentary on the financial performance is provided in the integrated annual report. The going concern status is also confirmed in the annual financial statements.</p>
<b>9.2 Sustainability reporting and disclosure should be integrated with the company's financial reporting.</b>	<p>The board includes commentary on the company's financial results in the integrated annual report.</p> <p>The board discloses the group's going concern status.</p> <p>The board ensures that the integrated annual report portrays a balanced view of both the positive and negative impacts of the company's operations and future plans.</p> <p>The integrated annual report discloses the nature of the company's dealings with stakeholders and the outcomes of these dealings.</p>
<b>9.3 Sustainability reporting and disclosure should be independently assured.</b>	<p>Independent external assurance is obtained.</p>

APPLICATION OF JSE CORPORATE GOVERNANCE LISTINGS REQUIREMENTS

LEGISLATION	COMMENTS
The chairperson is an independent non-executive director or a lead independent director has been appointed.	The chairperson is an independent non-executive director and a lead independent director has been appointed.
The board appoints the CEO.	The CEO is appointed by the board.
The audit committee approves both the external auditor's terms of engagement and remuneration.	The audit committee approves the external auditors' terms of reference, their remuneration and the fees spent on non-audit functions.
There is a board committee (either a risk committee or the audit committee) that assists the board in carrying out its risk responsibilities.	There is a risk committee.
There is a board remuneration committee.	There is a remuneration committee.
The nominations committee's terms of reference have been approved by the board and are reviewed every year.	These are approved and reviewed annually.
The company has an audit committee.	There is an audit committee.
There is a nominations committee consisting of board members.	There is a nominations committee consisting of board members.
The company secretary is empowered by the board to effectively perform his or her duties.	The company secretary is empowered to perform her duties.
<p>Procedures for appointments to the board are all of the following:</p> <ul style="list-style-type: none"> <li>➤ formally set out in a policy</li> <li>➤ a matter for the board as a whole (although the board may be assisted by the nominations committee)</li> </ul>	These are formally set out and were applied in the appointment of all directors. The recent appointment of the CEO was effected on this basis.
The chairperson has not been the CEO of the company in the last three years.	The chairperson has not been the CEO and the CEO has not been the chairperson.
The board is entitled to both appoint and remove the company secretary.	The board may do so.
The company complies with the provisions of the Companies Act, 2008 in relation to the appointment and removal, and the duties allocated, to the company secretary.	The company complies.
The audit committee monitors and reports on the external auditor's independence.	The committee assesses the independence of the external auditors on an annual basis. As the forum responsible for approving external audit fees, the committee further ensures that the extent of non-audit fees earned as a percentage of the total budget is reasonable.

## LEGISLATION

The role and function of the company secretary are clearly formulated in writing.

The audit committee has defined a policy for non-audit services provided by the external auditor.

A brief CV of each director standing for election or re-election at the annual general meeting (AGM) accompanies the notice of the AGM.

There is a policy addressing division of responsibilities at board level to ensure a balance of power and authority and that no individual has unfettered powers of decision-making.

The integrated annual report classifies directors as executive, non-executive or independent and provides information about individual directors that shareholders may need to make their own assessments in regard to all of the following:

- › independence
- › education
- › qualification and experience
- › length of service and age
- › significant other directorships
- › political connections
- › other relevant information

The nominations committee comprises the board chairperson and non-executive directors.

The audit committee does both of the following:

- › considers and satisfies itself of the suitability of the expertise and experience of the financial director every year
- › reviews the finance function every year

Both of the following are disclosed in the integrated annual report regarding each board committee:

- › composition
- › role and mandate

The company discloses the number of meetings held each year by the board and:

- › each board committee and
- › which meetings each director attended (as applicable)

The audit committee recommends to shareholders the appointment, re-appointment and removal of the external auditor.

## COMMENTS

Her role and function are clearly formulated.

The committee evaluates the extent of non-audit fees earned as a percentage of total audit budget quarterly to ensure reasonableness and independence.

Refer to pages 74 to 76 of this section of the integrated annual report.

The board has a charter that clearly sets out its role and responsibilities, as well as the requirements for its composition and meeting procedures. In terms of this governance charter, each director has one vote on a matter before the board. A majority of the votes cast on a resolution is sufficient to approve that resolution.

Refer to pages 12 to 15 of the printed section of the integrated annual report and pages 74 to 76 of this section of the integrated annual report.

Refer to pages 54 to 57 and 60 of this section of the integrated annual report.

Refer to pages 54 to 57 and 58 of this section of the integrated annual report.

Refer to pages 54 to 60 of this section of the integrated annual report.

Refer to pages 54 to 57 of this section of the integrated annual report.

Refer to page 58 of this section of the integrated annual report.

BOARD OF DIRECTORS

**P (Philisiwe) Mthethwa (51)**

INDEPENDENT CHAIRPERSON OF MAIN BOARD AND NOMINATIONS COMMITTEE

BA Economics, MSC in Economics (University of Paris, Sorbonne), MBA (UK)

Philisiwe was appointed CEO of the National Empowerment Fund (NEF) in July 2005.

Prior to joining the NEF, Philisiwe worked for a French investment bank in London, was responsible for risk management control at the South African Reserve Bank and worked in the Treasury division at Standard Corporate and Merchant Bank. She was employed by the dti to promote European investment in South Africa.

In 2002, she returned to South Africa to become the Chief Director of the black economic empowerment unit of the dti, which developed the government's broad-based black economic empowerment strategy, the BBBEE Act and the Codes of Good Practice. Philisiwe also serves on the boards of SANLAM Limited and SANLAM Life Insurance Corporation.

Amongst her recent accolades are: The Business Women Association's Corporate Business Woman: Year Award 2011, Africa's Business Woman of the Year 2011 by Africa Investor and being appointed "Chevalier de la Legion d'Honneur" (Knight of the National Order of Merit) by the President of France, Nicolas Sarkozy, in recognition of her distinguished achievements.

**ECJ (Eric) Vemer (50)**

CHIEF EXECUTIVE OFFICER

Executive committee member, member of risk committee, member of social and ethics committee

BSc Eng (Civil) (Hons), MBA

Eric has more than 25 years' experience in business, spanning the financial, manufacturing, infrastructure and construction markets. He has a rare mix of experience covering mega projects, project financing and corporate mergers and acquisitions.

This, combined with solid operational and financial experience, brings a unique value offering to the group.

Eric is a strong team player who takes a hands-on approach in decisively dealing with matters.

Since joining the group in 2005, Eric has proven his capability through the improvement, leadership and performance of the Investments & Concessions cluster, and through his contributions as an executive committee member, particularly covering strategy, transformation, financial partner relationships and mega-project development.

**CM (Cristina) Freitas Teixeira (42)**

EXECUTIVE DIRECTOR

Executive committee member, member of social and ethics committee

BCom, BCompt (Hons), CA(SA)

Cristina joined Group Five in 2002.

She was appointed to the board and as CFO in 2008.

She was at PricewaterhouseCoopers until 2002 where she was a senior audit manager in the energy and mining group.

At Group Five she has filled a number of positions in the group.

She achieved the position of CFO within six years of joining the group after clearly demonstrating her ability to operate at a very senior level and to effectively manage numerous complicated business and financial issues.

Cristina was awarded the Business Women Association's Corporate Business Woman: Year Award 2013.

She is a non-executive director of digitalME (Pty) Limited.

**NJ (Justin) Chinyanta (55) (Zambian)**

INDEPENDENT NON-EXECUTIVE DIRECTOR

Member of risk committee, member of remuneration committee

Bachelor of Law Degree (Zambia), Fellow: Weatherhead Center for International Affairs (Harvard), Master of Law (Private International Law), Specialisation in International Business Transactions and Financial Law (Fletcher School, Tufts University)

Justin is the founder and chairperson of the Loita Group (Loita Holdings Corporation Africa), a pan-African investment banking and ICT firm based in Mauritius. A lawyer by profession, Justin is a specialist in the financial markets of sub-Saharan Africa with extensive experience in the commercial and investment banking industries in Africa.

Justin was appointed as an independent non-executive director who brings strong commercial and project finance experience to the board and extensive pan-African business networks. Justin is a non-executive board member of Ecobank Malawi (chairperson of risk and credit committee) and chairs the boards of AAR Credit Kenya and Uganda. He is the non-executive vice chairperson of the Zambia Bond and Derivatives Exchange (BADEX), and vice president (Southern Africa) for the Africa Business Roundtable.

He is a pioneer member of General Colin Powell and Ms Madeleine Albright's Initiative for Global Development Frontier 100 CEOs.

In April 2013, he was appointed to the Duke of Edinburgh's Commonwealth Study Conference Leaders Forum. Prior to co-founding the Loita Group, Justin was a senior officer at Citibank and HSBC's Africa region offices.



**Dr JL (John) Job (70)****INDEPENDENT NON-EXECUTIVE DIRECTOR**

Chairperson of remuneration committee, member of audit committee, member of risk committee

BSc (Hons), PhD in Physical Chemistry

John was appointed in November 2008 as a non-executive director. John has significant experience in large capital projects and business strategy. He was the CEO of Sentrachem Limited from 1991 to 1998 and an executive director of Sappi Limited until his retirement in 2005. After that he served as a non-executive director on Sappi's board until 2006 and was chairperson of Global Forest Products from 2005 to 2007. He has served on a number of boards, including Telkom Limited, Armscor and Denel. He is a director of a number of unlisted private companies.

**W (Willem) Louw (61)****INDEPENDENT NON-EXECUTIVE DIRECTOR**

Member of risk committee, member of social and ethics committee

B Engineering (Civil) and M Engineering (Civil/Construction Management) (University of Stellenbosch), Graduate Development Programme (Project Management) (University of South Africa), Fellow of the South African Academy of Engineering (SAAE)

Willem is a civil engineer with extensive project and technical and technology management (capital projects) skills, as well as new business development and integration management experience in the energy and chemical industry, both locally and over-border.

Willem currently serves as a director of the Centre for Business Management of Projects with the University of Stellenbosch's Business School, the Executive Development (USB-ED) company. Willem was appointed as an independent non-executive director who brings relevant industrial and engineering and project management experience to the board.

**SG (Stuart) Morris (69)****LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR**

Chairperson of audit committee, member of nominations committee, member of risk committee

BCom, CA(SA)

Stuart was appointed in July 2005 as a non-executive director. Stuart practised at KPMG South Africa for over 30 years, ultimately as CEO. After KPMG, he became group financial director of Nedbank Group.

Stuart's other non-executive directorships include City Lodge Holdings where he is chairperson of the audit committee and a member of the risk committee, Hudaco Industries where he is chairperson of the audit, risk and remuneration committees and a member of the nominations committees, Rolex Watch Company (South Africa) where he is the local director, Sasol Pension Fund where he is chairperson of the board and of the audit and risk and operations committees, Wits Donald Gordon Medical Centre where he is chairperson of the board, audit committee and of exco, and Zurich Insurance Company (South Africa) where he is chairperson of the audit and risk and remuneration committees.

**KK (Kalaa) Mpinga (54) (Congolese)****INDEPENDENT NON-EXECUTIVE DIRECTOR**

Chairperson of risk committee, member of audit committee, member of nominations committee

BSc Agricultural Economics, MSc International Agricultural Development

Kalaa was appointed in July 2002 as a non-executive director. Kalaa worked at Bechtel Corporation in San Francisco before joining the LTA Group, a subsidiary of Anglo American Corporation in 1991. In 1995, he joined the new mining business of Anglo American where he was responsible for exploration and the acquisition of resources in Africa. He was appointed as an alternate director of Anglo American Corporation of South Africa in 1997. He left Anglo American in December 2001 and established Mwana Africa Holdings (Mwana) in 2003. The company has since listed on AIM. Kalaa is a director of Global Multi Trade and Mwana, a non-executive director of Freda Rebecca Gold Mine and chairperson of Bindura Nickel, both situated in Zimbabwe.

**B (Babalwa) Ngonyama (40)****INDEPENDENT NON-EXECUTIVE DIRECTOR**

Chairperson of social and ethics committee, member of audit committee

BCom, CA(SA)

Babalwa is a chartered accountant with extensive experience in the auditing, finance and mining industries. She is the CEO of the Black Business Council.

Babalwa also has several business interests and actively participates in numerous national forums on economic growth and development.

She currently serves as a member of the boards and audit committees of Impala Platinum Holdings Limited and Barloworld Limited. Babalwa was appointed as an independent non-executive director and brings auditing and financial experience to the board.

**VM (Vincent) Rague (62) (Kenyan)****INDEPENDENT NON-EXECUTIVE DIRECTOR**

Member of audit committee, member of risk committee

BA (Hons) Economics and Stats, MBA (Darden) and EDP Harvard

Vincent is the co-founder and director of Catalyst Principal Partners, a private equity group based in Nairobi, Kenya.

His extensive experience in advisory services, investments, project and corporate finance, as well as banking, spans Latin America, Europe, Africa and Asia.

He currently serves as an independent non-executive director of Kenya Airways, chairman of Financial Sector Deepening Africa (FSDA), and independent Trustee of the Pan Africa Infrastructure Development Fund (PAIDF).

Vincent was appointed as an independent non-executive director who brings investment, project and corporate finance experience to the board.

**MR (Mark) Thompson (62)**

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Member of audit committee, member of remuneration committee

BCom, BAcc, LLB, CA(SA)

Mark is both a qualified lawyer and chartered accountant, with extensive international finance and general business experience amassed during his tenure as chief financial officer with Sappi Limited and prior career appointments and from his current other non-executive positions. Mark also serves as a non-executive member of Rand Merchant Bank's audit committee, the FirstRand Banking Group's corporate and investment banking credit committee and the board of the First Rand group's insurance services subsidiary where he is the chairman of the audit, risk and compliance committee. He also serves on the board of a large manufacturing company controlled by a Private Equity Fund and as a trustee and member of the Investment Committee of a substantial medical research foundation. Mark was appointed as an independent non-executive director and brings legal, accounting and corporate financial management experience to the board.

**EXECUTIVE MANAGEMENT**

**WI (Willie) Zeelie (53)**

**EXECUTIVE COMMITTEE MEMBER – ENGINEERING & CONSTRUCTION (E+C)**

Member of risk committee

Higher National Diploma Electrical Engineering, Pr Tech Eng, MSAIEE

Willie joined Group Five in 2003 and was appointed to exco in 2008.

Before joining Group Five, Willie spent 20 years in executive roles in the power industry with groups such as Alstom, Eskom, Reyrolle and ABB.

He established Power Systems in 2005 and Group Five Energy in January 2007.

He established Engineering & Construction Services in 2010 with a focus on the energy, power, oil & gas and water sectors. He assumed the role of Executive: Engineering & Construction during F2012.

**JW (Jon) Hillary (42)**

**EXECUTIVE COMMITTEE MEMBER – INVESTMENTS & CONCESSIONS**

BCompt Hons, CA(SA)

Jon was appointed to exco during the financial year.

Prior to this, Jon ran the successful business of Intertoll, comprising Eastern Europe and Africa for a number of years.

Jon joined the group in 2004 as financial director of the Investments & Concessions cluster, before being appointed as the managing director of the Group Five properties business in 2009.

Jon possesses a broad range of internationally-based finance and commercial experience. His focus on execution and delivery bodes well for the cluster going forward. Jon has a clear mandate to deliver on growth over the short to medium term.

**JA (John) Wallace (57)**

**EXECUTIVE COMMITTEE MEMBER – MANUFACTURING**

BCom, Hons Programme in Advanced Marketing and Executive Management Programme

John joined Group Five in 2002 and was appointed to exco in 2004.

He led the turnaround of Everite in the group.

Prior to joining Group Five, he was managing director of several organisations involved with plastic packaging, chemicals and related fields where he repositioned and turned around poorly-performing entities.

John has 20 years' experience in strategy and the restructuring of businesses.

**ST (Themba) Mosai (39)**

**EXECUTIVE COMMITTEE MEMBER – DEVELOPMENTS**

BSc Electrical Engineering, MBA (Cum Laude)

Themba was appointed to exco during the financial year to lead the developments team.

Prior to joining exco, Themba was the Managing Director of Intertoll Africa, successfully having led the company for the previous seven years. During his time at Intertoll Africa, Themba was very successful in driving growth into new markets in Africa, including Zimbabwe.

Themba is a strong relationship builder, and has a good ability to match client aspirations to the realities of developing, financing, constructing and operating infrastructure assets across Africa.

Themba is technical and practical, supported by his Electrical Engineering qualification, as well as tactical, business-minded and strategic, supported by his MBA degree. Since taking on his new role he has already made great strides in further enhancing our position across target African geographies and our profile with both public sector and private sector clients, as well as securing new work and resolving legacy matters in key markets.

**GD (Guy) Mottram (49)**

**EXECUTIVE COMMITTEE  
MEMBER – RISK**

Member of risk committee, member of social and ethics committee

BCom, LLB

Guy joined Group Five in 2001 and was appointed to exco in 2005. His focus area is group risk management. He is also responsible for group quality, risk, safety, health, environment and commercial, legal and regulatory compliance. Guy has more than ten years' experience in his field.

**J (Jesse) Doorasamy (44)**

**EXECUTIVE COMMITTEE MEMBER –  
HUMAN RESOURCES**

Member of social and ethics committee

BSoc Sci, BCom (Hons), PG DIP IR

Jesse has eight years of in-depth experience in the group from both an operational and strategic perspective and held the role of Human Resources Director: Construction before his appointment as HR executive and a member of the executive committee.

Prior to that, Jesse was the HR director of the Projects segment within Construction. Jesse's experience in the group allows him to bring strong operational knowledge to the group level.

As he worked in the group's most internationally-focused division, he has a strong track record in managing human capital issues in the rest of Africa, something that is crucial to the group's continued expansion strategy.