

Appendix 1 – Comp. Commission update – introduction

Background

- Refer to Appendix 2 for
 - a recording of managements commitment to ethical business;
 - the group's compliance initiatives in 2008
 - The group's history with regards to the Commission's* investigation into the construction sector and the group's approach to the Commission during 2009 with information regarding past collusive behaviour in the construction industry
- Refer to Appendix 3 for
 - the group's reported position at H1 F2013 and F2013

* *Competition Commission of South Africa*

Appendix 1 – Comp. Commission update – introduction

Background

- In late June 2013, the probability of an administrative penalty on four contracts materialised. There may be a misconception that the group refused to settle with the Commission
 - this is not correct
 - group still in discussions with the Commission
 - evidentiary and legal queries raised in respect of four contracts
 - irresponsible to accede to the penalties & chose not to settle hastily
 - ongoing engagement and negotiation with the Commission
- Provision for Commission administrative fine
 - supported by its internal risk assessment and legal opinion, the group quantified its potential exposure and made provision for a fine
 - due to the sensitivity of negotiations, the fine quantum was not disclosed

Appendix 1 – Comp. Commission update – status update

- The evidentiary and technical issues remain
- The group is not unwilling to settle provided the terms are reasonable
- On-going engagement and negotiation with the Commission
- Provision for Commission administrative fine
 - the fine quantum has not been disclosed due to the sensitivity of negotiations
 - the group is not aware of any additional information or change in circumstances or events which necessitates an increase to this provision
- We have received limited enquiries from clients and these relate to specific projects that have been mentioned in the public domain*
 - These enquiries have been addressed and responses have been provided

* referred to in the consent agreements concluded with other construction entities

Appendix 2 – management’s commitment to ethical business

Management and the Board of Group Five wish to reinforce the statements we have made over the last four years, consistently expressing our deep regret at historic and unauthorised anti-competitive behaviour that we found to have been present in our business and in the wider industry

- We offer our unreserved apology and we understand that the country demands an ethical, competitive and transformed construction industry
- As the whistle blower, and the sector’s most empowered listed company, the group has been a catalyst for change towards these goals
- Management’s commitment in pursuit of a transformed industry is to:
 - continue to drive the group’s ethics and compliance programmes
 - continuously cycle induction and training for all employees
 - ensure adherence to the group’s enhanced risk review processes, including:
 - Pre-bid review on contracts with respect to compliance with competition legislation
 - CEO’s approval on the establishment of all joint venture arrangements
 - Work with & through industry bodies, government & our peer group to create conditions allowing for wider & equal participation in the industry from aspirant black construction entrepreneurs

Appendix 2 – management’s commitment to ethical business

- Support the national infrastructure agenda
- There has been substantial reputational damage to the sector;
 - management is committed to engaging with stakeholders to assist the industry to regain the trust required to deliver much needed infrastructure
- We highlight below the group’s four year history of proactivity in support of a transformed industry

2008 - 2009

- Group Five conducted in-house compliance and Competition Law awareness programmes which revealed incidents of anti-competitive behaviour.
- Competition Commission South Africa (CCSA) announces investigation into construction industry
- An invasive & exhaustive internal investigation was undertaken
- Staff provided full detailed disclosures to protect the group’s position and leniency applications were timeously submitted to CCSA
- Group Five was the first major construction company to apply for leniency on construction projects

Appendix 2 – management’s commitment to ethical business

2010 - 2012

- Group Five was the 1st applicant in all matters we reported, resulting in conditional leniency being granted, pending conclusion of the full industry investigation
- CCSA launched its “fast track” process in 2011, supported by the group’s substantial earlier disclosures

2013

- CCSA announced its “fast track” findings; levied R1,46 billion penalties on 15 companies
- Group Five’s support featured strongly in the CCSA findings
- Group Five was granted leniency on 25 projects
- Despite its co-operation over four years, Group Five was not immune from findings against it, which were not detected in its internal investigations
- In late June 2013 it came to the group’s attention, based on evidence intimated by the CCSA and their actions taken, that the CCSA is seeking a proposed administrative penalty on 4 projects, in which the group was implicated and for which no leniency was granted
- There were evidentiary and legal queries regarding the 4 projects and the group could not responsibly consent to the conduct and penalties. The group chose not to settle hastily

Appendix 3 - group's reported position at H1 F2013 & F2013

Group reported in H1 F2013

- No guarantee of zero fines
- No provision raised due to:
 - Position as leniency applicant
 - No evidence of any material matter which indicated either a probable or a measurable liability

H2 F2013 developments

- CCSA announced "fast track" findings; levied R1,46 bn penalties on 15 co.'s
 - Group Five's support featured strongly in CCSA findings
- June 2013: CCSA communicated intent to fine the group for 4 incidences
 - Group had evidentiary and legal queries
 - The group could thus not consent to the conduct and accede to the penalties and chose not to settle hastily
 - Currently engaged with CCSA
 - Conscious of responsibility to consider all stakeholders
 - Raised provision in case of penalty
- Risk of civil claims exists; continually monitored.

We once again express deep regret at the behaviour found in our business & in the industry