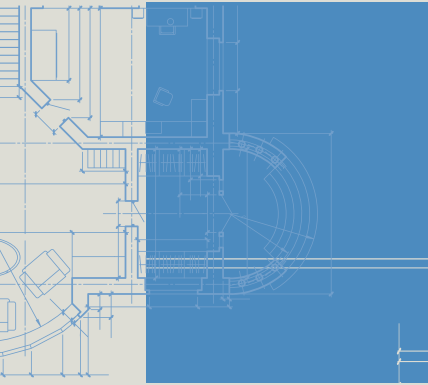




**SUPPLEMENTARY INFORMATION
TO THE 2011 INTEGRATED REPORT**



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OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER

The group risk officer’s function within Group Five encompasses the disciplines of safety, health, risk, environment, quality, commercial, legal and regulatory compliance and company secretarial.

This report addresses all the operational issues within these areas of responsibility.

Reviews from the group risk officer and the company secretary addressing the material issues in the year are contained on pages 101 to 103 and 115 to 118 in the printed section of the integrated report.

Introduction

The group has a total quality management system in place which underpins every aspect of its operations and reinforces the centrality of sustainability to the business. We aim to certify all business units in accordance with relevant standards of the International Standards Organisation (ISO), as well as other standards relevant to our businesses.

The relevant standards for each category are:

OHSAS 18001	ISO 31000	ISO 14001	ISO 9001
Safety and health	Risk management	Environment	Quality (Business management system)

During the year, the group combined the safety, health and environment functions with quality to ensure an integrated safety, health, environment and quality (SHEQ) function in line with leading global practice.



OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Safety

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Maintain our safety system.	Reduce DIFR to zero and prevent fatalities.	The group's internal and sub-contractor DIFR worsened and six people died within our sub-contractor base.
Implement a behaviour-based safety system.	Visible-felt leadership programme rolled out in all business units during F2011.	This was formally implemented within Civil Engineering to test the effectiveness of the software system before it is implemented in the rest of the group.
Roll out sub-contractor audits in terms of compliance to Group Five standards to further minimise the potential risk in terms of sub-contractors.	All sub-contractors to be exposed to a minimum requirement audit before commencing work with Group Five.	Full implementation is set for early in F2012. This is an urgent priority for the group.
Improve reporting on potential incidents. ("near miss incidents")	Improve by a further 20%.	Achieved a 25% improvement in reporting of potential incidents.
Ensure the closing out of at least 85% of matters relating to high-level incidents before due dates.	Maintain at 85%.	100% closed out before due dates.
Continued focus on certification.	All business units to be OHSAS 18001:2007 certified in the coming year.	All business units, with the exception of the Construction Materials cluster due to restructuring, were OHSAS 18001:2007 certified.
Hazard identification and risk assessment reviews to take place across the group, with a focus on catastrophic risk management and implementation of business continuity plans for all business units.	Successful roll out during F2011.	Rolled out in the group.
Increased focus on managing safety from the "top down", with dedicated line manager time on site and management site visits to create a culture of senior management commitment to safety.	Increased presence of senior management on site, with programme being visibly led by management.	Management actively participate in weekly site visits.
Weekly site meetings to determine and remove root causes of serious incidents. Follow up and close out of required actions to improve the prevention of repeat incidents.	Further decline in repeat incidents.	28% decline in incidents.

Key focus areas

The focus during the year remained on living our "zero harm" approach to safety. Our focus ensured that the number of lost time injuries and non-lost time injuries declined. However, we sadly and unacceptably had an increase in fatalities, with six fatalities within our sub-contractor base.

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Also very concerning for us, the internal disabling injury frequency rate (DIFR) weakened from 0.33 to 0.36 for Group Five employees and from 0.98 to 1.03 for sub-contractors. Although we have seen a deteriorating performance in our sub-contractor base, the increase in our group numbers is mainly as a result of lower man-hours worked.

A sub-contractor programme was approved to ensure improved safety performance, but the roll out will take longer than anticipated due to the diverse nature and requirements of business units. Full implementation is set for early in F2012. This is a high priority for the group and we will ensure this receives the urgent attention it requires.

DIFR – Employees and sub-contractors (rolling 12 months)

A disabling injury frequency rate (DIFR) represents the total number of fatalities and injuries resulting in lost time per 200 000 man-hours worked.

Measurement	F2011	F2010	F2009	F2008	F2007	F2006	F2005
DIFR (permanent employees)	0.36	0.33	0.39	0.50	0.64	0.85	0.89
DIFR (sub-contractors)	1.03	0.98	1.02	1.39	1.53	1.76	1.96
DIFR (combined)	0.54	0.43	0.55	0.92	1.34	1.57	1.62

We also focused on ensuring that “near misses” are increasingly reported to develop a track record to prevent repeats. During the year, we rolled out our behavioural leadership programmes to improve the manner in which our employees address safety.

Key achievements

Against an unacceptable increase in fatalities and a worsening DIFR, which we are committed to eradicate, the safety team was able to report some achievements. These include:

- Number of lost time injuries declined from 79 to 53
- Number of non-lost time injuries declined from 168 to 140
- Near miss reporting improved by 25%
- No fines or prosecutions were received
- All business units were certified in terms of OHSAS 18001:2007, with the exception of Construction Materials where business restructuring took place
- The behaviour-based safety programme was formally rolled out in Civil Engineering and standard assessments and incident management systems were implemented in all business units
- All catastrophic risk plans were reviewed and implemented

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

OHSAS 18001:2007 certification status

During the year, the group combined Oil and Gas, Energy and Design and Project Management into the business unit of Engineering and Construction (E+C). This reduced the number of business units. Together with the corporate office, this reduced the certifications to be reported on from 24 last year to 22 this year. A total of 73% OHSAS 18001:2007 certifications (16 business units) were achieved across the 22 group business units and the corporate office.

Corporate and Business Services	100% certified
Investments and Concessions	
Intertoll Africa	100% certified
Property Developments	100% certified
Manufacturing	
Fibre Cement	100% certified
Barnes Reinforcing	100% certified
Formwork	100% certified
Structural Steel	100% certified
Pipe	100% certified
Construction Materials	
Sky Sands	On hold*
Cosmos	On hold*
BGM	On hold*
Bernoberg	On hold*
Afrimix	On hold*
Quarry Cats	On hold*
Construction	
Building and Housing: Coastal	100% certified
Building and Housing: National and International	100% certified
Building and Housing: Housing	100% certified
Civil Engineering: Local and Africa	100% certified
Civil Engineering: Middle East	100% certified
Civil Engineering: Plant and Equipment	100% certified
Engineering: Engineering and Construction	100% certified
Engineering: Projects	100% certified

* Within the Construction Materials cluster, certification processes were placed on hold while restructuring took place. The business units continue to operate in a responsible manner, with adherence to relevant legislation and guidelines.

Key challenges

Fatal and serious accidents

The group has not been successful in eradicating risk-taking behaviour in the workplace. Although a decline in the number of injuries was noted, the severity of the injuries sustained is a concern. To address this, we will fast track the roll out of our behaviour-based safety programme.

Significant risks

The most significant risks to employees, as measured by the frequency of reported incidents during the year, remained physical injuries caused by:

	F2011	F2010
"Struck by/against" accidents	38%	40%
Slips and trips	18%	20%
Inappropriate handling of machinery	11%	12%
Variety of incidents, including falling from heights, motor vehicle accidents and minor injuries	33%	28%

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

CUMULATIVE SAFETY STANDARDS – PERMANENT EMPLOYEES											
Cumulative from July 2010 to June 2011											
Clusters/business units	Man-hours	First-aid	FAFR	Non-lost time injury	MFR	Lost time injury	Occ dis	Fatal	Curr DIFR	Env inc	Site insp
Corporate and Business Services	656 106	–	–	–	–	–	–	–	–	–	35
Cluster total	656 106	–	–	–	–	–	–	–	–	–	35
Investments and Concessions											
Intertoll Africa	1 490 475	6	0.80	7	0.93	6	–	–	0.81	–	79
Property Developments	11 550	–	–	–	–	–	–	–	–	6	126
Cluster total	1 502 025	6	0.79*	7	0.93	6	–	–	0.79**	6	205
Manufacturing											
Fibre Cement	1 587 052	15	1.89	4	0.50	9	2	–	1.13	–	4
Steel	707 251	39	11.1	14	3.9	5	–	–	1.40	3	36
Pipe	415 002	5	2.40	5	2.40	1	–	–	0.48	–	10
Cluster total	2 709 305	59	4.3*	23	1.69	15	2	–	1.10**	3	50
Construction Materials											
Construction Materials (all sites)	2 427 948	16	1.31	11	0.90	13	1	–	1.07	–	257
Cluster total	2 427 948	16	1.31*	11	0.90	13	1	–	1.07**	–	257
Construction											
Building and Housing											
Coastal	3 465 311	53	3.05	22	1.26	6	–	–	0.34	–	65
Building: National and International	1 120 998	29	5.17	3	0.53	1	–	–	0.17	–	152
Housing	576 598	9	3.21	6	2.14	2	–	–	0.69	–	25
Civil Engineering											
Local and Africa	6 572 400	39	1.19	12	0.37	5	–	–	0.15	37	68
Middle East	3 475 600	35	2.01	30	1.72	1	–	–	0.05	5	180
Plant and Equipment	633 888	38	11.9	8	2.5	1	–	–	0.31	–	12
Engineering											
Engineering and Construction	1 789 740	28	3.12	7	0.78	–	2	–	–	–	152
Projects	4 241 069	102	4.81	11	0.51	3	42	–	0.14	–	157
Cluster total	21 875 604	333	3.04*	99	0.90	19	44	–	0.17**	42	811
Group total	29 170 988	414	2.83	140	0.95	53	47	–	0.36	51	1 358

Abbreviations:

FAFR = First-aid frequency rate

MFR = Medical cases frequency rate

DIFR = Lost time/disabling injury frequency rate

Non-lost time injury = Medical treatment cases

Occ dis = Occupational diseases

Env inc = Significant environmental incident

Site insp = Site inspections

* Number of first-aid cases for cluster x 200 000/total hours for the cluster.

** Formula = total number of lost time injury cases for cluster x 200 000/total hours for the cluster.

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

During the year the group sadly and unacceptably suffered six fatalities, an increase from five last year. All the incidents occurred at the group's South African sites, with all fatalities within our sub-contractor base or third parties. These deaths are extremely distressing for the group, especially as they include two children from a neighbouring community who tragically drowned on one of our sites after members of the community removed barricades around our work area. Details of incidents are provided below.

Fatality incidents

Date of incident	Segment	Nature of incident	No of fatalities	Cause	Action to be taken
Group Five employees					
No of fatalities in the year					
Sub-contractors					
September 2010	Civil Engineering: NMPP pipeline	Children playing near the excavation on a flume pipe fell into the excavation and drowned.	2	Inadequate barricading of excavation.	All excavations to be inspected on a weekly basis. All excavations to be permanently barricaded and water to be pumped out.
December 2010	Building and Housing: New hospital in Ladybrand	Excavation collapsed.	1	Inadequate support for excavation.	The permit was reviewed and amended (workers are only allowed to work in excavation areas after inspections take place and a permit is issued). To prevent a repeat incident, the group will ensure that excavation supervisors sign the approval before work commences. Ongoing monitoring and investigations will take place on all excavations.
	Civil Engineering: NMPP pipeline	Vehicle rolled.	1	Vehicle slid backwards down a slippery incline after heavy rainfall.	Although this vehicle had a permit and the incident was due to the driver's inability to control the vehicle in the prevailing conditions, the group will continue to ensure that all vehicles have valid permits to operate on site and that all vehicles are in excellent condition. Drivers will also be assessed and further trained on effective driver techniques appropriate to site conditions. Only 4x4 vehicles will be allowed on site.
February 2011	Building and Housing: Coastal	While working at heights, a worker entered an unauthorised work area and fell through the roof.	1	Falling from heights. Inadequate working at heights permit.	Sub-contractor risk assessment and safe working procedures to be reviewed and amended. This will be followed up with daily risk monitoring. Safe access approvals will only be permitted by Group Five.
	Infrastructure Concessions: Intertoll N1 South toll road	Truck veered off road and collided with workers on the side of the road.	1	Road traffic accident – driver fatigue.	The police arrested the driver. Protection measures were improved for workers on the side of the road, including providing reflective vests, emergency lights and signs.

As outlined, to address the poor sub-contractor performance we are urgently implementing a much more rigorous process for sub-contractor management.

Looking forward

Key focus areas for F2012	Desired results
Ensure zero harm.	➔ Although a steep target from six fatalities, we are focused on eradicating fatalities as zero harm is the only acceptable goal
Maintain certification on OHSAS 18001:2007.	➔ No major findings in audits
Reduce the combined disabling injury frequency rate (DIFR).	➔ A DIFR of <0.30 from the current combined ratio of 0.54
Compliance against the standard SHEQ audit standards schedule.	➔ Full compliance

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Health

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Enhancement of the group’s occupational health programme. This will include incorporation of health risk assessments, hygiene measurements, risk rating of all job categories and medical surveillance.	Effective monitoring which allows trend analysis to direct focus areas for the next financial year.	Risk ratings were calculated and applied to all job profiles. High- and medium-risk category individuals were identified and sent for medical assessments in F2009 and F2010, with medicals for low-risk employees rolled out in F2011. An electronic process for booking medicals and capturing results was launched in March 2011, which will ensure improved efficiency and monitoring.
Data on executive medicals supporting disease profiling will be added to the group’s central human resources system.	Proactively manage executive health.	This is handled by our HR team. Refer to page 41.
Although we noted a decreasing trend in absenteeism, we will continue to focus on managing this risk.	As the main cause of absences were due to upper respiratory infections, we have implemented an annual flu vaccination campaign to further decrease absences.	Although we did not roll out this programme through the whole group, a number of business units adopted this policy. In the coming year, a formal group policy will be implemented.

Key focus areas

Due to legislative changes in the medical and economic climate in South Africa, the control of costs for occupational health programmes continued to be an area which required focus. To address this, the group negotiated with its external service provider to decrease the cost of medicals in the year without compromising quality. We will continue to focus on maintaining costs in F2012 without losing the integrity of services.

Changes in The Mine Health and Safety Act and The Occupational Health and Safety Act, as well as a dispute between the South African Society of Occupational Medicine (SASOM) and the Health Professions Council of South Africa (HPCSA), now require that an occupational medical practitioner and not only an occupational health nurse assesses employees in high-risk jobs. To ensure compliance, during the year Group Five’s occupational health coordinator screened service providers to ensure full compliance with all legal requirements.

We also focused on implementing and tracking uniform standards in medical assessments and investigated the accreditation of service providers to ensure continuity and quality across the group. Medicals for employees from medium-risk job profiles commenced from March 2010. Medicals for the low-risk job profiles were implemented from January 2011.

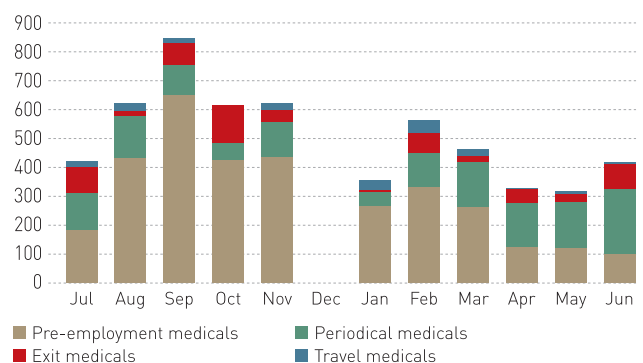
Occupational health assessments in F2011 concentrated on identifying early noise-induced hearing loss, early obstructive lung disease and work-related skin diseases as these were found to be particularly relevant occupational diseases in the group.

Medicals conducted highlighted the exposure of employees to noise from equipment used in construction, manufacturing and mining

operations in Construction Materials. Evaluations also indicated the poor management of sub-contractors with loss of hearing below the limit for registration for compensation. To address this, we will improve our sub-contractor monitoring programme.

Medicals conducted on employees in Construction Materials quarries and contract mining operations highlighted the risk of silicosis and pneumoconiosis due to exposure to high dust levels. It also highlighted the risk of exposure to hazardous chemicals, the use of dirty or wrong protective clothing and unhygienic conditions at shower facilities. This increases the risk of a number of diseases, such as carcinogenic diseases, allergic dermatitis and external ear canal infections. To address this, we are rolling out intensive health and hygiene and awareness training programmes.

Group Five medicals F2011



OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

In line with our strategy, the Group Five medicals indicate an increase in periodical medicals executed after baseline assessments were performed on high-risk job profiles in F2009. Exit medical assessments also indicate an increase following a more focused roll out of these evaluations.

Key achievements

During the year, the group successfully implemented a medical surveillance database to ensure legal compliance with The Mine Health and Safety Act and The Occupational Health and Safety Act. The database allows us to identify trends, which enables early investigation and compilation of corrective action plans to prevent reoccurrences and to treat current conditions.

An electronic process for booking appointments, capturing results and compiling attendance registers was launched in March 2011. This process aims to prevent misinformation on fitness certificates and incorrect medical fitness cards.

The group raised awareness on the importance of exit medicals at all sites to ensure we have health status records on exit. This will decrease the risk of claims against Group Five as possible instances for referral to specialists and registration with insurers can be identified early and managed before the employee leaves the group.

We are very pleased with the significant drop in reported malaria cases following a strong focus on ensuring that our employees take the appropriate medication and precautions to prevent the contracting of malaria when working in risk areas. Below are the statistics for the last few years:

	F2011	F2010	F2009	F2008	F2007
Number of malaria cases	32	50	125	86	38

Key challenges

The tracking of employees with changes in their health status during pre-employment and annual medicals was an area of concern during the year as the current medical surveillance database does not always flag concerns. Fitness certificates are also sometimes filed without areas of concern or referral letters being actioned. This results in the lack of management of employees or contractors with chronic diseases.

To address this, the occupational health nurse or medical practitioner will manually screen the central database until a system upgrade is finalised.

Employees not attending medical appointments can result in a lack of management of health changes. To address this, a penalty fee for non-attendance will be implemented and business unit managers will be asked to discipline employees.

During the year, an increase was noted in possible noise-induced hearing loss cases. A policy of early referral to specialists and possible registration with The Compensation Commissioner or insurers is being implemented.

Risk assessments of potential work-related illnesses in need of tracking and management, such as noise-induced hearing loss mentioned under focus areas, obstructive lung disease, skin disease, silicosis etc are also required. To address this, the group will repeat risk assessments every two years and monitor trends on information collected.

A formal procedure for the management of injury or illness which are not work related is also required to ensure employees are assisted in their return to work as soon as practical. This will be implemented in F2012.

Looking forward

Key focus areas for F2012	Desired results
Intensify and broaden the implementation of proactive health management programmes for the current and most relevant diseases.	➤ Early detection, referral and management
Enhance over-border health management programme to protect employees and to prevent the loss of productivity or the need for treatment of debilitating illnesses contracted during over-border work.	➤ Comprehensive health advice, screening and management to prepare employees for over-border travel and their subsequent return to South Africa
Enhance the group's central occupational health data programme to flag health changes during pre-employment and annual medical assessments.	➤ Until the group's medical system is updated, an additional occupational health nurse or medical practitioner will be appointed to manage central occupational health data for early identification, referral and management of changes in health status
Implement a more rigorous process to assess, report and track prevalence and incidence of community health hazards, such as HIV/ Aids and tuberculosis and malaria to prevent the spread to our employees.	➤ Early detection, referral and management in South Africa and over-border

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Risk management

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Enhanced version of the group's risk and opportunity management system (STARS).	Entrenchment of the system within each business unit and on construction contracts.	Achieved.
Risk reporting capabilities within the system.	Implement reporting tools within the system to enhance risk reporting.	Addressed, although this involves continuous development throughout the group.
Automation of the "lessons learnt" system.	Implement lessons learnt module within the STARS system.	Lesson learnt module was automated and is in the process of being implemented. Due to be completed by October 2011.
Ethics risk management.	Conduct investigations into allegations of unethical behaviour received through the group's tip-offs line or directly to the risk department.	Investigations were successfully conducted. This will be a continuous process.

Key focus areas

During the year, the need for effective risk management within the group became even more prevalent given the tough economic times. The group's risk processes and systems are evaluated on an annual basis. During the year, they were enhanced with the development of a risk tolerance framework.

The key focus area was managing the increase in fraudulent and unethical behaviour. Incidences mainly included fraud and theft, with a 48% increase in the number of tip-offs received through the group's tip-offs line and directly to the risk department. We believe the increase was attributable to the following:

- ➔ Increased financial pressure due to the economic downturn
- ➔ Increased awareness and training resulting in employees being more observant and willing to report incidents
- ➔ The Protection of Information Act and the group's whistleblower policy which may have reduced the fear of reporting wrong doing
- ➔ Management's swift action in response to unethical acts has communicated a clear message and potentially increased employee confidence in the process

The increase in fraud and theft required the risk department to not only improve awareness with regard to the group's stance on unethical behaviour, but to also conduct investigations into all allegations of such behaviour. Below is an outline of the number of investigations and nature of offences.

Nature of behaviours

	F2011	F2010
Abuse of company time	8	-
Bringing the company name into disrepute	-	3
Conflict of interest	1	1
Fraud, corruption and dishonest acts	27	21
Gross negligence	2	2
Governance	1	-
Misuse of company property	5	4
HR-related complaints	5	9
Industrial espionage	1	-
Non-compliance to policies and procedures	1	-
Providing false information	1	-
Sabotage	-	2
Security breach	1	-
Theft and break-ins	19	9
Total	72	51

Number of completed investigations per segment

	F2011	F2010
Investments and Concessions	12	-
Manufacturing	9	1
Construction Materials	10	20
Construction	41	11
Total	72	32

The 72 incidences exclude incidents of fraudulent orders sent to suppliers and changes in group banking details letters sent to our clients by syndicates external to the group. The group was able to address these. It also reported these incidents to the authorities.

Another key focus during the year was the identification and further development of a framework for determining risk tolerance levels, as required by the King Code of Governance Principles (King III). A model which is based on the risk appetite of the board and the risk-bearing capacity of the group was developed and approved by the board. Dashboards will be rolled out within the new financial year to monitor the key risks and the impact they have on the group's tolerance levels.

The group's risk and opportunity management system (STARS), which is used to identify and manage risks throughout the group, was upgraded during the year. The upgrade permits an increase in system performance and its enhanced functionality allows integration between the safety, health, environment and quality (SHEQ) and risk management reporting systems. This provides a holistic approach to risk management, monitoring and reporting.

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

During the year, the group also continued to focus on the effective management of our insurance. Below we provide an outline of the current position.

Insurance claims summary

R'000	F2011	F2010	F2009	F2008
Assets	2 729	414	2 301	2 498
Contract works	-	-	-	-
Contract works – group “blanket cover”	-	2 998	8 451	970
Fidelity guarantee	-	-	-	1 398
Group personal accident	2 000	7 500	2 936	1 124
Liabilities	5 200	1 138	6 992	114
Professional indemnity	-	-	-	-
Motor	2 118	3 130	5 626	2 880
Total	12 047	15 180	26 306	8 984

The majority of the claim value within the asset all risk cover was due to a fire which occurred at our Afrimix operation in Construction Materials in September 2010.

The personal accident claims were well below the premium paid, which is particularly pleasing as premiums for this class of insurance are exceptionally claim sensitive.

The majority of the total liability claims figure reported includes one intimated claim for which we believe no liability may be attached.

The Construction cluster performed well with no claims reflected under the professional indemnity cover at a time when insurers have advised us that they are considering numerous material claims presented by industry participants.

Whilst the motor claims history is improving, there was an increase in the number of theft claims and some over-border claims following an increase in the temporary and permanent export of plant into Africa.

Key achievements

The successful investigations into fraudulent actions conducted during the year resulted in appropriate management action against the perpetrators, with criminal cases opened where required. This firm action reiterated to employees that the group upholds its value of integrity and zero tolerance towards unethical behaviour.

An ethics risk awareness campaign was successfully rolled out in the group. Presentations were delivered to all business units and sites. The risk department, together with The Group Five Academy, hosted two ethics and anti-corruption workshops in partnership with Business Unity South Africa.

Several employees enhanced their knowledge of ethics and related policies and procedures by completing the group's newly-issued ethics e-learning training module. This module is an electronic training programme which facilitates employees' online learning regardless of where they are situated.

At a business unit level, the Projects and Oil and Gas businesses in Engineering achieved the highest rating available in a “risk

management process and system” evaluation during a supplier capability assessment performed by Eskom. They were commended for the manner in which risk management was entrenched within the contract lifecycle and the culture of the business units.

The group is also very pleased with the management of insurance costs, which were maintained at a competitive level due to the steadily improving claims history and associated discipline in managing claims.

Insurance costs compared to revenue

Year (R'000)	Premium	Revenue
2005	17 217	4 508 285
2006	16 114	5 864 721
2007	14 125	7 689 168
2008	14 704	8 899 578
2009	17 511	12 090 236
2010	16 108	11 337 588
2011	15 862	9 206 998

Key challenges

Different levels of risk maturity exist within the business units, which remains a challenge in terms of implementing enterprise risk management processes. We therefore continue to provide training through our risk awareness forum on specific risk areas.

Enhanced risk mitigation on certain contracts has tangibly demonstrated the value add that our risk management system is able to deliver. This, together with the risks avoided from the group's lessons learnt module, provides testimony to the effectiveness of the system and is proving to be a significant change management tool.

Organised crime perpetrated by syndicates is a huge challenge not only for the group, but also for suppliers and business partners in the industry. Group Five is cooperating with the authorities and continues to inform and educate suppliers about these syndicates.

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

The table outlines the full order book by type and geography. The majority of the current order book is currently in southern Africa. This includes a Zimbabwean roads contract, the pumping and storage facilities for the New Multi-Products Pipeline (NMPP) for Transnet, Eskom’s Kusile power station, a large dam and several other contracts for housing, buildings, roads and mining.

The group’s contract risk profile remains conservative, with the majority of the contracts being re-measurable, except the NMPP pipeline contract, which was contracted on a cost plus basis. Looking forward, we are expecting to continue to see a high proportion of re-measurable contracts with an increase in design and build and engineer, procure and construct (EPC) contracts. Although these have higher returns, they also have a higher risk profile due to the greater complexity and increased responsibility for delivery of the contract.

Full order book by contract type and geography:

Region (R'million)	Cost plus	Design and build	EPC	Labour only	Lump sum	Re-measurable	Total
Central Africa	71	-	-	-	69	107	247
East Africa	-	-	-	-	-	30	30
Middle East	-	-	-	-	30	139	169
Southern Africa	2 486	-	44	91	483	4 484	7 588
West Africa	-	-	23	-	690	65	778
Total	2 557	-	67	91	1 272	4 825	8 812

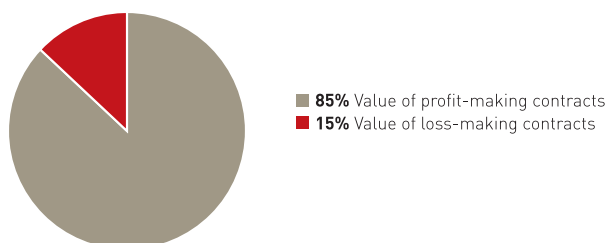
The loss-maker ratio is a key measure the group has adopted to monitor its progress towards continuous improvement in contract execution. It is a ratio of loss-making versus profit-making active contracts with a profit or loss greater than R100 000 for the year. Having achieved progressive improvements in performance over the last few years, the group’s loss-maker ratio for the year under review was affected by the costs incurred in the rectification of one pipeline contract in Jordan in the Middle East. Corrective action was successful.

The profit and loss ratio was also independently assured by PricewaterhouseCoopers Inc.



Refer to page 52 in the integrated report for PricewaterhouseCoopers’ opinion.

Profit- versus loss-making contracts



Looking forward

Key focus areas for F2012	Desired results
Implement risk tolerance levels for the group based on the board’s risk appetite and the group’s risk-bearing capacity.	⇒ Key risk indicators and dashboards to monitor actual risks against tolerance levels set by the board
Risk management and internal audit integration.	⇒ Further integrate audit findings within the risk management process
Ethics risk management.	⇒ Report on ethics in line with the social and ethics requirements as per the new Companies Act. Continue to drive zero tolerance to a lack of ethical behaviour
Risk management processes for non-construction business units.	⇒ Contract risk lifecycles in place for non-construction business units
Enhanced commercial and legal acumen and risk mitigation to ensure effective risk management around engineer, procure and construct (EPC) and design-build contracting models.	⇒ A suite of risk assessment and contracting standards through which the group will be able to operate within acceptable risks and rewards

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Environment

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Continue to focus on certification.	Ensure that all business units achieve ISO 14001:2004 certification in F2011.	77% of business units are certified.
Implement a reduction in diesel project.	Around 3% reduction in diesel consumption, as this is the largest overall carbon footprint contributor in the group.	A voluntary research project was conducted with a fuel enhancer on certain of Group Five's equipment and fleet. An average fuel consumption improvement of 4% was seen in initial testing. The product is set to be rolled out in the group in the new year following approval by exco.
Apply for carbon credit certification.	Develop and implement carbon emission reduction targets.	Individual projects that may qualify for carbon credits have been investigated. This includes a project for a fuel switch from coal to biomass in the Everite boilers with an eligibility study finalised. We are currently reviewing the availability of adequate biomass. The switch can only be made once this has been confirmed.
Actively pursue opportunities in the renewable energy sector in southern Africa.	Register Clean Development Mechanisms (CDM) projects in South Africa, which will result in carbon credits.	Projects are still in the development phase, but all Clean Development Mechanisms (CDM) requirements are in place.
Manage regulatory risks and opportunities that include potential carbon taxes on diesel and electricity in certain regions where we operate.	Detailed plans to minimise the risk to Group Five.	The group constantly improves its systems to measure its carbon footprint. This enables us to identify which areas will be taxable if the tax is implemented. In the meantime, a number of initiatives are being driven to further reduce the carbon footprint.
Manage the impact of a potential fossil fuel tax of R100 per tonne CO ₂ by the end of calendar 2012 in South Africa.	Effective mitigation through including costs of carbon tax into our pricing models once the tax becomes effective. In the meantime, implementing projects to reduce the group's carbon footprint.	A voluntary research project was conducted with a fuel enhancer on certain of Group Five's equipment and fleet. An average fuel consumption improvement of 4% was seen in initial testing. The product is set to be rolled out in the group in the new year following approval by exco.
Continue improvement through: <ul style="list-style-type: none"> – Full compliance to environmental legislation and other applicable requirements – Ensuring approval for environmental management plans and reports which are still pending for the group's mining-focused operations – Ensuring that performance assessments and audits for mining operations are completed every two years and that specific risks inherent in the mining industry are addressed 	No fines or prosecutions and adhering to required legislation.	No fines or prosecutions received. Some corrective action is taking place in Construction Materials.
Record of decisions for construction contracts.	Action plans developed and in place for all contracts. Regular inspections and audits. Prevent non-compliance notices.	Action plans, inspections and audits in place. No non-compliance notices received.
Manage environmental non-conformances.	No fines or prosecutions.	Corrective and preventive action reports in place and no fines or prosecutions during the year.

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Key focus areas

During the year, the group further refined its environmental risk identification and assessment programmes. Actual and potential risks were and continue to be assessed and managed. Legal compliance was also a focus area, especially in the Construction Materials and Manufacturing clusters where most of the risks are experienced due to the nature of operations.

The group's internal environmental committee, the "Green Committee" has been actively pursuing specific opportunities to reduce the group's direct carbon footprint and raise internal awareness regarding the importance of sustainable business operations.

Key focus areas included:

- ISO 14001:2004 certification in outstanding business units, as well as maintenance of certifications in certified business units
- The reduction of the group's carbon footprint. At this stage, the key focus to ensure this is through increased energy efficiency. The planned roll out of a fuel enhancer product should limit diesel consumption in the group. Another project is also currently underway to investigate potential oil saving initiatives
- The identification of individual projects which may qualify for carbon credits, such as the evaluation of a fuel switch from coal to biomass in the Everite boilers
- Proactive communication of its commitment to building a greener future while driving business flow for its Construction cluster. The group has a leading position in green construction
- The monitoring of dust and surface water in our mining operations to comply with the commitments of environmental management programmes in our Construction Materials cluster
- Becoming a developer and EPC contractor of choice for renewable energy projects

ISO 14001:2004 certification status

During the year, the group combined Oil and Gas, Energy and Design and Project management into the business unit of Engineering and Construction (E+C). Together with the corporate office, this reduced the certifications to be reported on from 24 last year to 22 this year. A total of 77% ISO 14001:2004 certifications (17 business units) were achieved across the 22 group business units and the corporate office.

Corporate and Business Services	100% certified
Investments and Concessions	
Intertoll Africa	100% certified
Property Developments	100% certified
Manufacturing	
Fibre Cement	100% certified
Barnes Reinforcing	100% certified
Formwork	100% certified
Structural Steel	100% certified
Pipe	100% certified
Construction Materials	
Sky Sands	On hold*
Cosmos	On hold*
BGM	On hold*
Bernoberg	On hold*
Afrimix	100% certified
Quarry Cats	On hold*
Construction	
Building and Housing: Coastal	100% certified
Building and Housing: National and International	100% certified
Building and Housing: Housing	100% certified
Civil Engineering: Local and Africa	100% certified
Civil Engineering: Middle East	100% certified
Civil Engineering: Plant and Equipment	100% certified
Engineering: Engineering and Construction	100% certified
Engineering: Projects	100% certified

* Within the Construction Materials cluster, certification processes were placed on hold while restructuring took place. The business units continue to operate in a responsible manner, with adherence to relevant legislation and guidelines.

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Key achievements

During the year, we identified existing risks associated with standard measuring equipment which uses radioactive sources. These are used on contract sites and in the group's plant yards. All devices were documented and their use and condition are being managed to ensure no risk to the environment and compliance to all legal requirements.

Another key achievement was significantly improving the accuracy and reliability of our submission of data for the Carbon Disclosure Project (CDP). We achieved this through a focus on enhanced data collection processes and achieving more buy-in from roleplayers.

Overall carbon footprint



A full copy of the group's Carbon Disclosure Project (CDP) report can be found on the CD.

The carbon footprint data reported is for the year ended 30 June 2010. This information is collated for purposes of the annual Carbon Disclosure Project (CDP) report, which was submitted on 31 May 2011. The F2011 information is therefore not available yet.

	F2010 (t CO ₂ e)	F2009 (t CO ₂ e)	Emission factor	% of total F2010
Scope 1 – Diesel, petrol, coal, LPG etc	69 463 (t CO ₂ e)	58 115 (t CO ₂ e)	2.71 kg/litre	1
Scope 2 – Purchased electricity	84 484 (t CO ₂ e)	64 696 (t CO ₂ e)	1.03 kg CO ₂ /kWh	1
Scope 3 – Business travel, deliveries	7 891 458 (t CO ₂ e)	13 600 (t CO ₂ e)		98
Total	8 045 405 (t CO ₂ e)	136 410 (t CO ₂ e)		100

- Scope 1 emissions are direct Group Five emissions only.
- Scope 2 emissions are indirect emissions from the generation of purchased electricity.
- Scope 3 emissions are other indirect emissions as a consequence of the activities of the group, but occur from sources not owned or controlled by the group, eg commuting, air travel for business activities, production and transportation of purchased goods, outsourced activities and contractor-owned vehicles.
- When the F2010 greenhouse gas (GHG) footprint was compared with the F2009 GHG footprint, data inaccuracies were detected in F2009 which required a restatement of the F2009 GHG emissions.
- Scope 3 GHG emissions for F2010 are drastically larger than F2009. This can mainly be attributed to the first-time inclusion of downstream emission from vehicles using the toll roads controlled by Group Five (5,4 million tonnes CO₂e), and all the upstream lifecycle emissions of the most significant building materials used in construction contracts (1,1 million tonnes CO₂e).

Group Five continuously improves the standard of calculating and reporting greenhouse gas (GHG) emissions. Although there was an increase in both the actual emissions and the emission intensity in F2010, the F2010 footprint results are not directly comparable to the F2009 results. This is due to more complete and accurate data being reported in F2010. The Scope 3 GHG emissions for F2010 are also larger than that of F2009 due to the increased international best practice following a product lifecycle approach. The GHG Protocol guidance "Corporate Value Chain (Scope 3) Accounting and Reporting Standard (November 2010)" was followed this year, broadening the extent of associated emissions upstream from raw materials, such as steel and cement and downstream use of products.

Footprint per scope

Scope 1 – Diesel, petrol, coal, LPG, etc emissions – group

Fuels (MWh)	F2010	F2009
Gas/diesel oil	158 594	103 096
Motor gasoline	9 527	2 013
Bituminous coal	58 957	86 000
Liquefied petroleum gas (LPG)	250	73
Total	227 328	191 182

Scope 1 diesel, petrol, coal, LPG etc emissions – per cluster and contracts

Cluster	F2010		F2009	
	Carbon footprint (t CO ₂ e)	% of total	Carbon footprint (t CO ₂ e)	% of total
Investments and Concessions	4 474	6	520	1
Manufacturing	21 264	31	30 299	52
Construction Materials	18 218	26	10 249	18
Construction	25 507	37	17 047	29
– Construction offices	1 269	2	124	–
– Construction sites	24 238	35	16 923	29
Total	69 463	100	58 115	100

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Scope 2 purchased electricity emissions – per cluster and contracts

Cluster	F2010		F2009	
	Carbon footprint (t CO ₂ e)	% of total	Carbon footprint (t CO ₂ e)	% of total
Investments and Concessions	20 265	24	8 495	13
Manufacturing	41 901	50	42 977	66
Construction Materials	11 520	13	12 752	20
Construction	10 798	13	472	1
– Construction offices	3 185	4	29	–
– Construction sites	7 613	9	443	1
Total	84 484	100	64 696	100

Scope 3 indirect emissions – per cluster and contracts

Cluster	F2010		F2009	
	Carbon footprint (t CO ₂ e)	% of total	Carbon footprint (t CO ₂ e)	% of total
Investments and Concessions	5 381 355	68	271	2
Manufacturing	67 916	1	3 550	26
Construction Materials	131 916	2	2 214	16
Construction	2 310 271	29	7 565	56
– Construction offices	852	–	3 974	29
– Construction sites	2 309 419	29	3 591	27
Total	7 891 458	100	13 600	100

The current carbon footprint results have created a deeper understanding of the actual emissions of Group Five and emissions associated with Group Five's raw materials and products. This will assist in setting a sound base for future carbon footprints to be compared to and to identify possible reduction opportunities.

Key challenges

One of the key challenges remains rapidly changing legislative requirements. To address this, we engaged the services of specialists to conduct due diligence assessments and to develop, implement and monitor progress on the identified and documented actions in consultation with relevant regulatory authorities. We also adopted an online software compliance system to more effectively track the group's compliance to relevant legislation and legal updates.

There are currently significant bureaucratic processes and delays from authorities which make compliance to legislative requirements very cumbersome, particularly in respect of our Construction Materials cluster. In response to this we have introduced a special task team from the compliance and SHEQ departments to identify key issues and threats which need to be resolved.

In the renewable energy sphere, regulatory uncertainty on renewable and co-generation tariffs and the procurement process remains a concern. Against this, we are proactively building our business in the wind and solar technology area as the use of renewable energy is embedded in the government's energy policy. The Department of Energy, together with the National Energy Regulator (NERSA), is working to establish the industry regulatory base, as well as to facilitate the development of renewable energy projects.

Group Five is now well positioned to perform a number of roles for renewable energy contracts, from concept development through to engineering, construction, operation and ownership. To this extent, Group Five is leading a multi-disciplinary process to develop the feasibility and bankability case for the construction of a solar thermal energy contract in the Northern Cape, South Africa.

Looking forward

Key focus areas for F2012	Desired results
Control and management of radioactive devices used for density and moisture assessment.	⇒ Full control and management of radioactive nuclear gauges used for density and moisture assessment to ensure compliance with radiation legislation
Ongoing environmental legal compliance at all construction sites as well as fixed operations.	⇒ All actual and potential risks identified, investigated and managed
Register Clean Development Mechanisms (CDM) projects qualifying for carbon credits.	⇒ Reduce the group's carbon footprint
Ensure continued adherence to all legislation to prevent fines and prosecutions.	⇒ No fines or prosecutions
Progress on developing renewable energy projects.	⇒ Registration of Clean Development Mechanisms (CDM) projects in South Africa, which will result in carbon credits. This in turn has a financial gain for the group
Finalise group-wide implementation of the fuel enhancer.	⇒ Realisation of at least 3% saving in group-wide diesel consumption

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Quality (business management system)

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Fast-track internal audit programme.	ISO 9001:2008 certification in all business units.	All business units with the exception of the Construction Materials cluster are ISO 9001:2008 certified.
Complete the integration of our SHEQ management system with quality.	Proactive addressing of non-conformances to our quality standards. Enhanced management ability to consistently deliver at pre-determined standards and improved understanding of the specific factors which inhibit consistent delivery.	An integrated SHEQ management system was implemented. An incident management system was updated in line with each business unit's requirements and was tested and implemented throughout Group Five.
Implementation of a new SHEQ structure which will drive one system, managed per cluster.	Full implementation during F2011.	Cluster heads were appointed and are driving the integrated system within each cluster.

The key focus continued to be the progression from ISO 9001:2000 to ISO 9001:2008 across the group. During the year, the group combined Oil and Gas, Energy and Design and Project management into the business unit of Engineering and Construction (E+C). Together with the corporate office, this reduced the certifications to be reported on from 24 last year to 22 this year. A total of 73% ISO 9001:2008 certifications (16 business units) were achieved across the 22 group business units and the corporate office.

ISO 9001:2008 certification status

Corporate and Business Services	100% certified
Investments and Concessions	
Intertoll Africa	100% certified
Property Developments	100% certified
Manufacturing	
Fibre Cement	100% certified
Barnes Reinforcing	100% certified
Formwork	100% certified
Structural Steel	100% certified
Pipe	100% certified
Construction Materials	
Sky Sands	On hold*
Cosmos	On hold*
BGM	On hold*
Bernoberg	On hold*
Afrimix	On hold*
Quarry Cats	On hold*
Construction	
Building and Housing: Coastal	100% certified
Building and Housing: National and International	100% certified
Building and Housing: Housing	100% certified
Civil Engineering: Local and Africa	100% certified
Civil Engineering: Middle East	100% certified
Civil Engineering: Plant and Equipment	100% certified
Engineering: Engineering and Construction	100% certified
Engineering: Projects	100% certified

* Within the Construction Materials cluster, certification processes were placed on hold while the restructuring took place. The business units continue to operate in a responsible manner, with adherence to relevant legislation and guidelines.

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Key focus areas

During the year, we focused on conducting internal integrated management audits of the certified business units. The Group Five management methodology consists of 15 standards which form the basis of the safety, health, environment and quality (SHEQ) systems and cover the entire lifecycle of operations from planning through to operation and closure. By year end, we had assessed eight business units. Each of these business units was trained on the available auditing toolkit which will now be utilised in self-assessments.

We continued to focus on integrated certification for ISO 9001:2008, ISO14001:2004 and OHSAS 18001:2007 within a single system. During the year, E+C within Engineering and the Middle East business within Civil Engineering achieved integrated certification.

Key achievements

Certification achievements include Group Five Manufacturing where four business units achieved ISO 9001:2008 certification.

We were also awarded the "International Quality Crown Award" from Business Initiative Directions (BID), an international body founded in 1975 which incorporates 173 countries from across the world. Eligibility for consideration for the IQC awards is dependent on the establishment of a Total Quality Management (TQM) model and measures areas such as system efficiency and technical improvements.

Key challenges

During the year, our challenges included the roll out of business-specific contract lifecycles across diverse business units. To address this, we further refined our integrated management system to drive uniform certification processes.

Within the Construction Materials cluster, certification processes were placed on hold while the business restructuring took place. This delayed the cluster certification process.

Looking forward

Key focus areas for F2012	Desired results
Implement standard audits towards integrated management systems.	➤ Conduct standard internal audits in each certified business unit not yet audited
Roll out a new SHEQ incident management system across all business units.	➤ System implemented, with training on the use of the system to take place in F2012
Analysis of the results of management standards across the group and identification of areas for improvement.	➤ Continuous improvement



OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Commercial

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Increased focus on both basic and specialist commercial training.	Continued improvement around commercial decision making.	Basic training well established, with two courses presented during the year. Specialised training finalised for a number of different contracts.
Alignment of best practice commercial terms to the group's standard agreements.	Ensure best practice on the group's internal systems.	Critical policies and procedures were established. Continuous development takes place on supplementary processes.
Measurement, during contract execution, of adherence to risk processes and decisions made at contract inception. This process is currently monitored manually. Going forward, this will be automated.	Contract execution in line with commercial terms and conditions, as approved at initial risk review meetings. Automated tracking of necessary changes in commercial decisions during negotiation phase and following contract approval dates.	Outcome of initial risk review meetings now tracked and recorded electronically. Audits to be carried out to ensure final contracts are signed and executed in line with approved conditions at initial review stage.

Key focus areas

The commercial function's key focus was maintaining alignment and consistency in the negotiation of the group's preferred commercial terms when concluding contracts under tougher market conditions.

This was addressed through working closely with the group's finance department to ensure that, where concessions to group policy were made, that these were executed only with senior approval and only where risks could be mitigated. The group remained committed to adhering to its stated policy of cash and margin preservation.

With tougher trading conditions and with certain businesses experiencing operational difficulties, the commercial department was required to assist with not only specialist commercial support, but also with increased day-to-day support to enhance efficiencies.

Key achievements

Increased input in risk reviews

With tougher market conditions and the associated increase in risk transfer from client to contractor, the commercial department played an active role in assisting the risk department. The commercial team is standing members on the risk review committee to ensure a coordinated approach.

Key areas of involvement during the year included maintaining acceptable levels of risk by identifying solutions with lower risk profiles or, where higher risks were unavoidable, finding alternative solutions. These ranged from transfer to sub-contractors, insuring against potential losses and including the risk exposure within tendered contract prices.

Alignment between group commercial and finance

The continued close alignment between the group commercial and group finance teams enabled the commercial team to provide the business with alternative approaches to secure work in tougher markets, whilst maintaining preferred cash positions.

Successful negotiations

The group commercial team assisted the Construction Materials cluster with the successful negotiation on specific contracts.

Key challenges

Tough market conditions

The tougher market place resulted in an imbalance of risk in favour of clients. This required a disciplined and mature approach to addressing contract risks through smarter contracting conditions or the transfer of risk onto third parties.

Increased demand for specialist commercial support

The department was over-extended with an increase in demand for specialist commercial support across business units, coupled with the more stringent approach to risk profiles at bidding stage. To address this, the department recently recruited an additional specialist.

Looking forward

Key focus areas for F2012	Desired results
Improve sub-contractor management by ensuring main contract risk transfer and evaluation of sub-contractor risk capacity.	➤ Ensure alignment of preferred forms of sub-contractor agreements for the key conditions of contracts
Continued alignment of best practice commercial terms to the group's standard agreements.	➤ Augment best practice available on the group's internal systems with identified priorities, such as sub-contractors
Measurement during contract execution of adherence to risk processes and decisions made at contract inception.	➤ Conduct audit of signed contracts to ensure compliance with outcomes of risk processes

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Legal and regulatory compliance

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Legal		
Spearheading the drawing up of formal group engineer, procure and construct (EPC) contract parameters for consideration and approval by the board.	Enable the board to formally determine the group's risk appetite and risk tolerance in respect of EPC contracts, having given due consideration to the group's risk-bearing capacity.	<p>The group delivered EPC parameters which were included in a modified contract lifecycle. This caters for the complexities of EPC contracting and was implemented by the risk team in Engineering and Construction.</p> <p>In addition, in support of the group's strategic objective to participate in more contracts on an EPC basis, the legal department, in conjunction with The Group Five Academy, rolled out a number of seminars raising awareness of the increased risks associated with EPC contracts.</p>
Regulatory compliance		
An anti-corruption drive to support the group's over-border activities in Africa.	<p>Identify and raise awareness of the corruption risks facing the group.</p> <p>Develop comprehensive policies and procedures to manage corruption risk.</p>	<p>Awareness seminars were held during the year to ensure employees are informed of legislation surrounding matters of corruption, both locally and abroad.</p> <p>The new Companies Act requires the establishment of a social and ethics committee. One of the key functions of this committee is to monitor the company's efforts towards the reduction of corruption. Refer to page 117 in the printed section of the integrated report for more information on this committee.</p>
Focus on proactive involvement with both government and non-governmental anti-corruption agencies, both locally and over-border.	Proactively contribute towards the eradication of corruption in the countries in which the group operates.	<p>The Organisation for Economic Cooperation and Development (OECD) included recommendations made by Group Five in their Phase 2 report which was released in July 2010.</p> <p>In the year under review, the group legal and compliance director represented the group on the task team which was established by the Engineering and Construction Risk Institute (ECRI) charged with preparing a best practice note on corporate corruption.</p>
A focus over the next three years will be the installation of compliance logging and monitoring software (Exclaim) and the training of employees to utilise the software.	The board receives quarterly compliance reports. These are currently compiled manually. The group's new compliance software will enable the creation of online management dashboards and reports, as well as providing employees with online access to relevant statutes to drive compliance throughout the group.	The implementation of the compliance software was achieved in the areas of HR, safety and health and environment in all business units other than Construction Materials due to its intensive restructuring.
Close out non-compliances with King III.	The group is striving to achieve compliance with King III.	<p>Numerous non-compliances with King III which were previously identified were closed out during the year.</p> <p>For a table assessing the group's compliance to King III requirements, refer to page 119 in the printed section of the integrated report.</p>

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Key focus areas

The group legal and regulatory compliance function's key focus areas continued to be:

- The provision of legal advice to the board, executive team and business units of material legal matters affecting the group
- Raising group-wide awareness through the awareness forum of key legal, commercial, risk and compliance issues affecting the group
- The drafting of the group's legal policies and procedures
- The overall championing of regulatory compliance within the group and formally coordinating with teams at group and business unit level which are responsible for driving compliance
- Preparation of compliance certificates and the integration of the compliance system into the ISO quality management system
- Development, in conjunction with internal audit, of a compliance audit programme

Legal

Risk awareness

In the year under review, the legal department focused on continuing to raise awareness in the group on the mitigation of risks and contractual obligations associated with EPC contracts. The department also trained numerous employees on key legal, commercial, compliance and risk issues through its awareness forums.

Construction Materials

The group legal function provided significant legal and commercial support to the business units in the Construction Materials cluster during its restructuring process.

Regulatory compliance

New Consumer Protection Act

The New Consumer Protection Act came into operation on 1 April 2011 (with certain sections of the Act operating retrospectively from 24 April 2010). Significant features of the Act include:

- The adoption of strict or "no fault" liability where the consumer does not have to prove negligence on the part of the supplier and where harm has been caused by a defective product. Any party in the supply chain is open to a product liability claim
- Liability on the part of the producer, importer, distributor or retailer for harm through their negligent failure to provide the consumer with adequate instructions or warnings in respect of the hazards associated with the use of the goods
- Provisions for an administrative penalty of up to 10% of turnover

The regulatory compliance department, in conjunction with the group's business units, has been and is continuing with the process of proactively raising awareness of the Consumer Protection Act, with particular emphasis of the following as they relate to the provisions of the Act:

- Reviewing the activities of the various business units
- Reviewing the contractual documentation currently being used by the various business units
- Formulating business unit specific action plans to ensure compliance
- Reviewing the group's insurance requirements
- Raising group-wide understanding of the significance of the new Consumer Protection Act through awareness forums

New Companies Act

The new Companies Act came into effect on 1 May 2011. Refer to pages 116 to 117 of the printed section of the integrated report.

Due diligence for Construction Materials cluster

In the year under review, the regulatory compliance function initiated the preparation of an external due diligence on the compliance status of the business units within the Construction Materials cluster. The regulatory compliance team is assisting the group safety, health, environment and quality (SHEQ) function and the various business units in the Construction Materials cluster in closing out any findings.

New Constitutional Court judgment in respect of Occupational Diseases Mines and Works Act of 1973

During the period under review, a new Constitutional Court judgment was delivered relating to the Occupational Diseases Mines and Works Act of 1973.

The significance of this judgment is that employees who work in open-cast mines and controlled works who contract compensatable diseases will be entitled to compensation in terms of the Act. As confirmed by the Constitutional Court judgment, these employees would also be entitled to sue their employers in terms of common law for damages sustained in addition to the compensation they receive in terms of the Act.

To address this, the group has taken steps to ensure that the significance of this judgment is understood by all those affected and to result in the necessary risk mitigation measures in light of the judgment.

Key achievements

Legal

Due to the scale and technical and contractual complexity of the construction industry, legal opinion and support is required to both protect and defend companies against risk. During the year, Group Five's legal team managed to effectively support the group's requirements in this regard.

Another key achievement during the year was the continued management of legal issues around the unwind of one portion of our broad-based black economic empowerment (BBBEE) ownership transaction, that of the iLima Consortium. The legal process continues to proceed towards finalisation and in accordance with the group's expectations.

Regulatory compliance

Competition Act awareness training

The team continued running its Competition Law awareness programme for its South African and African-based employees. The programme has now been extended to its Middle East and Eastern Europe operations, as well as its enterprise development partners. More information is set out below:

South African and African-based employees

- Competition law awareness is now a standing item on the corporate induction agenda. Attendance is compulsory for new employees across all business units
- Competition law seminars now form part of the Academy's annual curriculum and compulsory competition law seminars for all employees of Peromnes 8 and above are being run on a quarterly basis

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Eastern Europe

- Competition law presentations were conducted to the group's employees in Eastern Europe. Further presentations will take place in the coming year

Middle East

- Competition law presentations were conducted to the group's employees in the Middle East. Further presentations will take place in the coming year

Enterprise development partners

- Presentations to the group's enterprise development partners on competition law were conducted and will continue to be rolled out



For further information on the group's interaction with the Competition Commission refer to page 102 of the printed section of the integrated report.

Implementation of Compliance Management System

A compliance software system was installed. It is now fully operational, which will enable the group to work from a central and uniform database containing all material compliance information. This will also allow management to track the group's progress in terms of meeting its compliance objectives. The regulatory compliance function will continue the roll out of the compliance management software in other compliance areas over the next two years.

King III

In the year under review, several of the gaps in compliance with King III were closed out. Refer to pages 123 to 124 of the printed section of this online report for more information.

Mining Charter

The regulatory and compliance team was involved in supporting various business units in the Construction Materials cluster which are required to comply with the Mining Charter. This involved conducting a gap analysis on two key areas:

- Licence and permit applications
- Broad-based black economic empowerment (BBBEE) scorecard

Reports were tabled in June 2011 and action plans to address shortcomings were finalised. The group is satisfied of its current compliance.

Key challenges

The key challenge for the legal and regulatory compliance function in the year under review was the sheer volume of regulatory changes or proposed regulatory changes and case law affecting the group. These include the new Companies Act, the new Consumer Protection Act and proposed labour law amendments.

To address this, we created an exposure matrix which highlights possible risks to the group in respect of each of the new pieces of legislation. We are currently addressing shortcomings to ensure the group complies.

Looking forward

Key focus areas for F2012	Desired results
Legal	
Conduct awareness forums.	➤ Further improve group-wide awareness of key legal, commercial, compliance and risk issues
Regulatory compliance	
Roll out the compliance software system.	➤ Effective compliance management across all compliance sectors
Assess the group's compliance with new Consumer Protection Act.	➤ Full compliance
Continue closing out gaps in compliance with King III.	➤ Full compliance with King III

Disclosures in terms of King III

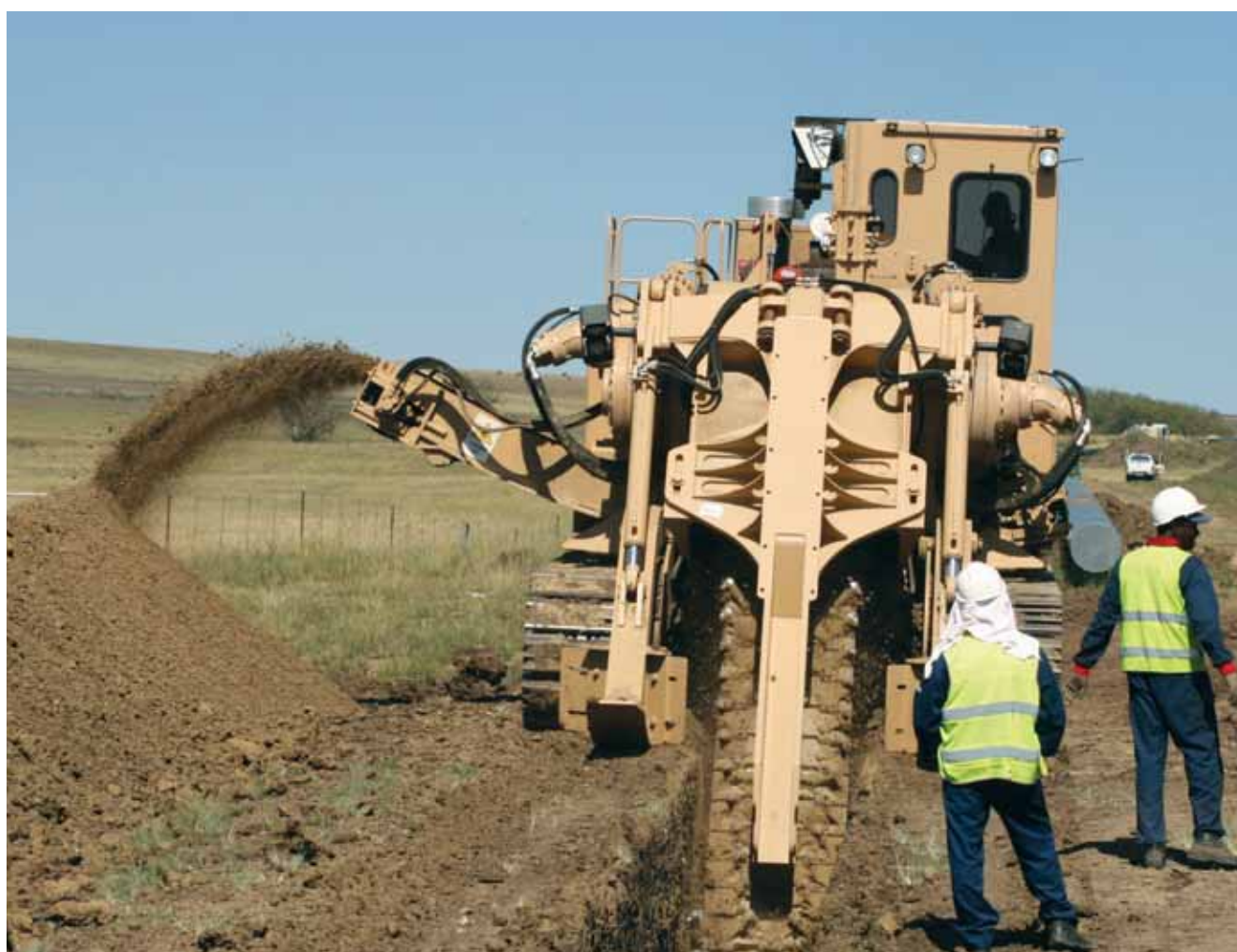
In terms of King III, companies should disclose the number and reasons for refusals of requests for information which were lodged with the company in terms of the Promotion of Access to Information Act 2 of 2000.

During the year under review, the group legal and regulatory compliance function received no requests for information in terms of the Promotion of Access to Information Act 2 of 2000.

OPERATIONAL REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Key statutory and regulatory developments

Development	Progress
New Companies Act 2008 and Regulations.	<ul style="list-style-type: none"> ➤ The new Companies Act No 68 of 2008 (as amended) became effective on 1 May 2011
New Consumer Protection Act and Regulations.	<ul style="list-style-type: none"> ➤ The new Consumer Protection Act became fully effective on 1 April 2011, with certain important provisions operating retrospectively from 24 April 2010 ➤ The accompanying regulations also became effective on 1 April 2011
Labour Law amendment bills.	<ul style="list-style-type: none"> ➤ On 17 December 2010, the Minister of Labour published four bills in the Government Gazette. These are the Labour Relations Amendment Bill, the Basic Conditions of Employment Amendment Bill, the Employment Equity Amendment Bill and the Employment Services Bill ➤ The bills propose significant amendments to a range of employment laws ➤ The group submitted comments on the bills on behalf of the group to The South African Federation of Civil Engineering Contractors (SAFCEC)
Competition Act amendments.	<ul style="list-style-type: none"> ➤ Amendments to the Competition Act to, among other things, incorporate criminal liability for offences in respect of the Competition Act and provisions making "complex monopolies" punishable in terms of the Act, were signed by the President in 2009. The effective date of these amendments has not yet been Gazetted, with the date of these amendments uncertain
Mining Charter.	<ul style="list-style-type: none"> ➤ All affected companies were required to submit a report to the Department of Mineral Resources on their compliance with the Mining Charter by 30 June 2011 to ensure the conditions on which the licences were approved are being met. The group is confident that the department will be satisfied with our submission



OPERATIONAL REVIEW FROM THE COMPANY SECRETARY

This report provides the legislated and recommended disclosure on corporate governance.

The recent changes in the legislative, regulatory and best practice standards in the corporate governance environment in South Africa necessitated diligent consideration and review of governance policies and procedures by companies. This report seeks to set out and outline the processes implemented by the group in response to these changes.



A review from the company secretary is contained on page 115 of the printed section of the integrated report.

Delivery on objectives

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
New Companies Act, including a review of the terms of references of the board committees to ensure full compliance with the Act.	To gain full compliance with the new applicable requirements of the Act when it is enacted.	To date, the board has approved an amended board charter and the terms of references for its various board committees which are in compliance with the new Companies Act and King III. The board has committed to annually review these policy documents.
Evaluation of the board, its committees and individual directors.	An annual evaluation of the effectiveness of the board, committees of the board and the individual contribution of directors.	The board conducted an independent external evaluation. Various initiatives have since been initiated to address the issues raised from this evaluation. The most material issue was broadening the board's skills with the appointment of two additional non-executive directors. Refer to page 24.
Board succession planning.	To formalise and agree a succession plan for each member of the board.	Although the board has determined its core skills requirements, the process must still be defined and implemented.
Review of governance policies, procedures and relevant codes.	To gain/maintain alignment with the requirements of King III, JSE Listings Requirements and the new Companies Act.	The board has considered and approved various board policies, including an independent director questionnaire and professional advice policy. Group policies and procedures are continuously evaluated to gain alignment with leading governance practices.

OPERATIONAL REVIEW FROM THE COMPANY SECRETARY CONTINUED

Introduction

Group Five continuously strives to maintain and enhance sound governance standards through constant review of current and emerging trends, both locally and internationally.

During the year, the proclamation of the Companies Act No 71 of 2008 and Companies Regulation 2011 in May 2011 epitomised a new beginning for corporate South Africa.

In terms of the new Companies Act, it has been necessary for the group to address certain key governance and/or corporate administrative factors prescribed in the new legislation. At the time of drafting this report, the group was in the process of assessing the Act to determine the extent of non-compliance and to formulate a work plan to address those issues.



Refer to page 116 of the printed section of the integrated report for initial significant areas we have identified.

The group has remained committed to the “apply or explain” principle of King III through continuous assessment and monitoring of its corporate governance framework and processes against King III.



An update on the compliance gaps identified in the prior year is presented on page 119 of the printed section of the integrated report.

The board, its governance and fiduciary responsibilities

The board operates on the understanding that sound governance practices are essential to earning the trust of stakeholders and to ensure sustainable performance and growth of the group’s business with a view to preserving shareholder value. During the year, the company secretary ensured that the board and group adheres to the highest corporate governance procedures and that directors act in line with their governance and fiduciary responsibilities.

The board

The group is led and controlled by a unitary board of directors with two executives (the chief executive officer and the chief financial officer) as well as eight non-executive directors. Seven of the eight non-executive directors are independent. The responsibility of all directors is articulated by the board charter in a clearly defined manner which, amongst others, ensures a balance of power and authority to prevent unfettered powers of decision-making. The board charter is subject to the provisions of the new Companies Act, the Listings Requirements of the JSE Limited, the company’s memorandum of incorporation and all other applicable law. The board retains full and effective control over the business of the group and has defined levels of materiality through a written delegation of authority, which sets out the decisions it wishes to reserve for itself.

The board is:

- Guided by the letter and spirit of the values expressed in King III
- Responsible for actively reviewing and enhancing the group’s systems of control and governance on a continuous basis to ensure that the group is managed ethically and within prudently determined risk parameters
- Committed to sustainable value creation for all identified stakeholders
- Responsible for the integrity of its integrated reporting and for overseeing all sustainability issues
- Responsible for providing effective leadership on an ethical foundation and ensuring that the group’s policies and procedures relating to ethical behaviour are managed effectively

Appointments to the board are recommended by the nominations committee and considered by the board as a whole. This involves evaluating the existing balance of skills and experience against the needs of the group. 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.

An appraisal of the effectiveness of the board was conducted externally during the period. The appraisal was benchmarked against the group’s strategic requirements to ensure the capacity of the board to support these requirements and to confirm the diversity and sector expertise of directors. The outcome of the appraisal was positive and the board has, in acceptance of its recommendations, approved the implementation of the various governance proposals. Most significant has been the recruitment of additional directors with relevant experience and industry-specific expertise to further strengthen the skills of the board. Mr OA Mabandla and Mr DDS Robertson were appointed to the board in August 2011. Mr Mabandla brings legal and commercial experience to the board and Mr Robertson brings relevant industrial and engineering experience.

Following the main board assessment, in the coming year the group will assess the effectiveness of the board sub-committees.

The strategy of the group is mapped by the board in conference with the executive committee (exco). The board and exco meet at least twice a year to formulate, review and agree on the group’s strategic intent and the group’s areas of focus and growth. Exco members are required to present the group and individual business unit strategies to the board. All significant transactions, in line with the group’s pre-determined levels of authority, are required to be presented to the board. The board extends a standing invitation to exco members to attend meetings of the main board, as required.

The board is responsible for monitoring and reporting on the effectiveness of the company’s system of internal control. It is assisted by the audit committee in the discharge of this responsibility.

The non-executive directors derive no benefit from the group other than their fees and emoluments as proposed by the board through the remuneration committee (remco) and approved by shareholders at the group’s annual general meeting.

During the period under review, the board accepted and approved a revised board charter and the terms of references of all board committees. The board’s succession plan will be presented to the board in F2012 for consideration and approval.

The group maintains a Conflict of Interest Policy. Every quarter all directors, prescribed officers and business unit directors are required to confirm any conflict of interest which may arise when the individual acquires a personal financial interest in an agreement or other matter in which the group has a material interest or knows of a related person who has acquired a personal interest. Currently, this policy states that disclosure needs to be made at each quarter and not when the conflict arises. The policy has since been amended and will be presented to the board.



Abridged CVs of directors are included on pages 31 to 32 of this report.

The chairperson

The chairperson’s role is to set the ethical tone for the board and to ensure that the board remains efficient, focused and operates as a unit. Ms P Buthelezi is an independent non-executive chairperson and her role is separate from that of the CEO.

OPERATIONAL REVIEW FROM THE COMPANY SECRETARY CONTINUED

Ms Buthelezi provides overall leadership to the board without limiting the principle of collective responsibility for board decisions. Other than chairing the nominations committee, Ms Buthelezi is not a member of any other committee of the board. The chairperson is also responsible for the annual appraisal of the CEO's performance. In the coming year, she will oversee the implementation of a formal succession plan for the board. During the year, the appraisal of the CEO's performance was conducted by her and referred to the remuneration committee.



Ms Buthelezi's abridged CV can be found on page 31 of this report.

Non-executive directors

All members of the board have a fiduciary responsibility to represent the best interests of the group and its stakeholders. 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. They have the necessary skills and experience to bring judgment to bear, independent of management, on areas such as strategy, performance, transformation, diversity, employment equity, ethics and environmental management. The non-executive directors are P Buthelezi, LE Bakoro, L Chalker, JL Job, OA Mabandla, SG Morris, KK Mpinga and DDS Robertson. During the period under review, SG Morris was appointed as lead independent non-executive director.

There were no resignations during the period under review. P Buthelezi, LE Bakoro and JL Job retire, by rotation in terms of the company's memorandum of incorporation, as directors of the company. Being eligible, they offer themselves for re-election. The appointment of OA Mabandla and DDS Robertson by the board post year end is subject to shareholder approval in terms of the new Companies Act. L Chalker and KK Mpinga have each served on the board for a period in excess of nine years. A rigorous evaluation of their independence, character and judgment was performed and assessed as unimpaired. CVs of the board members are provided on pages 31 to 32.

The chief executive officer

In defining its own levels of authority and reserving specific powers to itself, the board has delegated some matters to management. Mr MR Upton is the custodian of the collective responsibility of the group's management. Mr MR Upton 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 CEO provides regular reports during board meetings and at other times when required.

Board meeting attendance

Name	Quarterly meeting 05.08.10	Quarterly meeting 11.11.10	Board breakaway meeting 12.11.10	Quarterly meeting 03.02.11	Quarterly meeting 26.05.11	Board breakaway meeting 27.05.11	Special meeting 30.06.11	Period of service; (date of appointment)
P Buthelezi (chairperson)	✓	✓	✓	✓	✓	✓	✓	4 years; (4 July 2007)
MR Upton	✓	✓	✓	✓	✓	✓	✓	4 years 8 months; (17 November 2006)
CMF Teixeira	✓	✓	✓	✓	✓	✓	*	3 years; (1 June 2008)
LE Bakoro	✓	✓	✓	✓	✓	✓	✓	2 years 8 months; (1 November 2008)
L Chalker	✓	✓	✓	*	✓	✓	*	10 years 5 months; (21 February 2001)
JL Job	✓	✓	✓	✓	✓	✓	✓	2 years 8 months; (1 November 2008)
SG Morris	✓	✓	✓	✓	✓	✓	✓	6 years; (1 July 2005)
KK Mpinga	✓	#	*	✓	✓	✓	✓	9 years; (1 July 2002)

OA Mabandla and DDS Robertson are not reflected on the above attendance register as they were appointed in August 2011.

✓ Present. * Apologies. # Per teleconference.

OPERATIONAL REVIEW FROM THE COMPANY SECRETARY CONTINUED

The company secretary

The company secretary plays a vital role in the corporate governance of the group and is responsible for ensuring board compliance with procedures and regulations of a statutory nature. The company secretary ensures compliance with the Listings Requirements and is responsible for the submission of the annual compliance certificate to the JSE Limited.

The company secretary provides the board as a whole and directors individually with guidance on discharging their responsibilities and duties. She provides advice and guidance to the board and to other employees within the company on matters of good governance and changes in legislation.

The company secretary ensures that, in accordance with the pertinent laws and regulatory framework, the proceedings and affairs of the board and its members, the company itself and, where appropriate, the owners of securities in the company are properly administered. The appointment and removal of the company secretary is a matter for the board as a whole. The company secretary also administers the group's employee share schemes and ensures compliance with the statutory requirements of the group. The company secretary is the secretary of all the board committees.

Board committees

The board has five standing committees through which it operates. These committees play an important role in enhancing good corporate governance and improving internal controls to ensure the sustainable performance of the group. In compliance with the new Companies Act, the board is currently examining the most effective manner in which to reconstitute its committees to include a social and ethics committee. The group is required to establish the committee by May 2012. The current board committees and their chairpersons are:

Audit committee – SG Morris

Risk committee – KK Mpinga

Remuneration committee – SG Morris

Socio-economic development committee – L Chalker

Nominations committee – P Buthelezi

The chairpeople of the above committees are independent non-executive directors.

The audit committee

The audit committee fulfils an important role in ensuring the integrity of the group's integrated reporting. It has adopted combined assurance processes which aim to optimise and strike a balance between the reports it receives from management, internal auditors and external auditors.

The committee constantly considers legal, regulatory, ethical and sustainability matters which have a financial impact on the group. It has standing items on the agenda that include internal audit, external audit, accounting standards and developments, Information Technology (IT) and sustainability reporting.

The committee ensures the transparency and integrity of the group's financial reporting through, amongst others, reviewing draft financial statements with management and external auditors prior to publication.

The audit committee has its own terms of reference approved by the board to assist members of the committee to understand their roles and enable them to add value in discharging their duties. The committee has the following responsibilities:

- Oversee stakeholder reporting – financial reporting, including considering, approving and recommending the annual financial statements for approval by the board
- Monitor the group's system of internal control

- Recommend the appointment of the external auditors to the board
- Review the scope of work of external auditors and approve non-audit work to be carried out by the auditors
- Agree audit fees
- Meetings with external auditors independent of management
- Review the internal auditors (their capabilities, resources, scope of work and findings)
- Review forward-looking statements of financial or sustainability information to ensure that the information provides a proper appreciation of the key drivers which will enable the group to achieve these forward-looking goals
- Review the resources and adequacy of the finance function, including the appropriateness, expertise and experience of the finance director
- Oversee sustainability issues and/or reporting
- Oversee the integrity of the integrated report
- Oversee risk management processes, including:
 - IT
 - Fraud and corruption
 - Compliance

The audit committee's terms of reference are reviewed annually and are amended to meet market and regulatory requirements. The audit committee met its responsibilities under the current terms of reference for the year under review.

The members of the audit committee are: SG Morris (chairperson), LE Bakoro, L Chalker and KK Mpinga. All members of the committee are non-executive members and are not involved in the day-to-day running of the group. The chief executive officer (CEO) and chief financial officer (CFO) attend committee meetings by invitation. All members are independent non-executive directors. No members represent a material client or supplier or are full-time employees. The audit committee members' credentials have been reviewed to determine academic qualifications and experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. The findings are summarised below:

Discipline	Member*
Economics	KK Mpinga
Law	~
Corporate governance	LE Bakoro SG Morris
Finance and accounting	SG Morris LE Bakoro
Commerce	All members
Industry – specific to the group	LE Bakoro L Chalker KK Mpinga
Public affairs or human resource management	L Chalker SG Morris

* Abridged CVs can be found on pages 31 to 32.

~ During the year, the audit committee did not include a representative with specific legal experience. The appointment to the board of Mr OA Mabandla was as a result of this.

The audit committee membership is presented to the shareholders for election at each annual general meeting.

The external auditors attend committee meetings by invitation but have no voting rights. Meetings of the audit committee are conducted quarterly and are held prior to the main board meetings. The quorum for a meeting is satisfied by a majority of members present for the duration of the meeting in person or through various electronic channels. The chairperson of the committee reports to the main board on the activities and recommendations made by the committee. All minutes of the audit committee are tabled to the board for noting.

OPERATIONAL REVIEW FROM THE COMPANY SECRETARY CONTINUED

During the period under review, the audit committee considered the adequacy and expertise of the group's finance function. It is satisfied with the expertise of the CFO and the group's finance function. The audit committee also recommended, and the main board accepted, a revised internal audit charter, revised IT charter, revised board charter, revised terms of reference and the group's integrated report. The integrated report, including the group's annual financial statements, is issued within two months after the group's financial year end.

The head of internal audit reports to the chairperson of the audit committee and to the CFO on day-to-day matters. He is also invited to attend audit committee meetings to provide a quarterly executive summary on internal audit. Internal audit reports are issued to the audit committee on a monthly basis after completion of each internal audit review.

Internal audit provides the board with assurance on the group's system of internal control, as its strategy is that of a risk-based approach along with compliance to policies and procedures. Internal audit, in consultation with the CFO, has commenced the mapping of the group's assurances processes.

During the year, assurance was provided through the various independent external and internal service provider audits, as disclosed

in the integrated report. The internal audit department was also subject to both an internal quality assurance review conducted by the group risk department and an external quality assurance review conducted by an independent assurance provider.



Refer to page 51 of the printed section of this integrated report for detailed of selected additional assurance confirmations received during the year.

The audit committee reviewed and assessed the external auditor's effectiveness and is satisfied with the objectivity and independence of services rendered.

The group's external auditors were appointed to provide independent assurance on certain sustainability indicators.



The auditor's report can be found on page 183 of the integrated report.

The audit committee has considered the disclosure of sustainability issues in the integrated report and is satisfied that these do not conflict with the financial results. The audit committee has considered the adequacy of the group's system of internal control and recommends the annual financial statements for approval by the board.

Audit committee meeting attendance

Name	Quarterly meeting 04.08.10	Quarterly meeting 10.11.10	Quarterly meeting 01.02.11	Quarterly meeting 25.05.11	Special meeting 30.06.11	Period of service; (date of appointment)
SG Morris (chairperson)	✓	✓	✓	✓	✓	5 years 5 months; (13 February 2006)
LE Bakoro	✓	✓	✓	✓	✓	2 years 5 months; (10 February 2009)
P Buthelezi [†]	✓	–	–	–	–	n/a
L Chalker	✓	✓	*	✓	*	7 years 11 months; (15 August 2003)
JL Job [†]	✓	✓	✓	✓	✓	n/a
KK Mpinga	✓	#	✓	✓	#	7 years 11 months; (15 August 2003)
CMF Teixeira [†]	✓	✓	✓	✓	✓	n/a
MR Upton [†]	✓	✓	✓	✓	✓	n/a

✓ Present * Apologies # Per teleconference † By invitation

OPERATIONAL REVIEW FROM THE COMPANY SECRETARY CONTINUED

The risk committee

The group's approach to risk continues to be focused on the management of risk rather than the total elimination. Management of risk therefore remains an integral component of the group's strategic and business processes. The risk committee assists the board in fulfilling its responsibilities by providing a framework for managing risk throughout the group. The board maintains oversight of the group's risk processes through the risk committee.

The majority of the risk committee members are independent non-executive directors: KK Mpinga (chairperson), L Chalker, JL Job, SG Morris, MR Upton and GD Mottram.

Over and above the quarterly meetings, the risk committee meets as and when required to discuss and consider contracts with a value in excess of R500 million.

The committee has the following responsibilities:

- Review the group's business risks, including, but not limited to, safeguarding its assets and revenues and ensuring compliance with the numerous statutory laws and regulations affecting it
- Provide a policy, framework and methodology for the group to identify, analyse and manage risk and communicating these to the organisation
- Review arrangements made by the group to enable employees and outside whistleblowers (including clients and suppliers) to report their concerns about possible improprieties in matters of financial and sustainability reporting in confidence, or non-compliance with laws and regulations which may have a direct or indirect effect on the group's integrated reporting
- Provide assurance to the board that the risk management policy and strategy set by the board is operating effectively
- Evaluate whether management is setting appropriate controls by communicating the importance of risk management and ensuring that all employees have an understanding of their roles and responsibilities
- Review the effectiveness of compliance with all laws and regulations
- Ensure that management acts on any fraudulent behaviour (including taking disciplinary action) and to ensure compliance with the group's code of ethics under the CEO and group risk officer responsibility
- Ensure that safety is a priority in the group and proactively managed

It the year under review, the risk committee's primary focus was to provide guidance and support to management on how to address the challenges posed by the persistent poor market conditions. The group risk officer presents a comprehensive report on all risk issues at each meeting. Through its risk management philosophy, the group has formulated a risk policy which governs the manner in which risk is managed throughout the group. The risk committee receives quarterly compliance reports from the risk officer.

The group's risk management system, STARS, facilitates early identification and assessment of risks throughout the group. The system provides the group with a formal approach to identify, record and rank risk across strategic, operational and contract levels and allows for tracking and reviewing risks on an ongoing and systematic basis. During the period under review, the STARS system was further developed to facilitate integrated reporting on all identified risks of the group.

The chairperson of the committee reports to the main board on the activities and recommendations made by the committee. All minutes of the risk committee are tabled to the board for noting.

The board considers the report presented by the group risk officer, adherence to the group's risk management policy and the application of the risk management system to determine the effectiveness of overall risk processes. Although internal audit has not performed a review on the group's risk management methodology and processes, it has been able to provide independent assurance on the risk system output through a corroboration of business risks identified during its risk-based audit approach. The internal audit department will consider a formal evaluation of the risk management methodology in the coming year.

During the year, the board considered and approved the formulation of a measurement tool (the risk-bearing capacity model) which will facilitate the assessment and management of the impact of risks against the group's appetite for risk. The risk committee has considered the effectiveness of the group's risk management processes and is satisfied that the group's risks are appropriately governed. The risk committee has considered the effectiveness of the group's fraud and ethics policies, procedures and systems in place and is satisfied that these are appropriately governed and that adequate steps have been taken on all offences reported.



For a more detailed report on risk, refer to pages 9 to 11 of this CD.

Risk committee meeting attendance

Name	Quarterly meeting 04.08.10	Special meeting 01.10.10	Quarterly meeting 09.11.10	Quarterly meeting 01.02.11	Quarterly meeting 25.05.11	Period of service; (date of appointment)
KK Mpinga (chairperson)	✓	#	#	✓	✓	5 years 11 months; (8 August 2005)
LE Bakoro [†]	✓	-	-	-	-	n/a
P Buthelezi [†]	-	-	-	✓	-	n/a
L Chalker	✓	#	✓	*	✓	5 years 11 months; (8 August 2005)
JL Job	✓	✓	✓	✓	✓	2 years 8 months; (1 November 2008)
SG Morris	✓	#	✓	✓	✓	4 years 5 months; (5 February 2007)
GD Mottram	✓	✓	✓	✓	✓	5 years 11 months; (8 August 2005)
CMF Teixeira [†]	-	✓	✓	✓	✓	n/a
MR Upton	✓	✓	✓	✓	✓	4 years 5 months; (15 February 2007)

✓ Present. * Apologies. # Per teleconference. † By invitation.

OPERATIONAL REVIEW FROM THE COMPANY SECRETARY CONTINUED



The remuneration committee

The remuneration committee consists of two independent non-executive directors, SG Morris (chairperson) and JL Job, as well as one executive director, MR Upton. The human resources director and the human resources director: operations attend the committee meetings by invitation. MR Upton is recused from all discussions relating to the CEO's remuneration package.

The committee has the following responsibilities:

- Oversee the implementation of the remuneration policy of the group
- Annually review and approve the remuneration packages for executive directors and determine and approve annual bonuses, performance-based incentives and share incentive schemes
- Review the ongoing appropriateness and relevance of the executive remuneration policy and other executive benefit programmes
- Review and approve the proposed remuneration of senior employees, such as exco and manco

- Approve management's recommendations for the average annual increase per employee
- Evaluate and approve the awarding of additional benefits in terms of the group's share incentive scheme
- Make recommendations to the board on the remuneration of non-executive directors

It is the board's view that the final approval of non-executive director remuneration lies with the shareholders. For details of the non-executive directors' fees (including services and expenses, where applicable) refer to page 72 of the remuneration review in the printed section of the integrated report. The fees proposed for non-executive directors for F2012, which is subject to shareholder approval, is also disclosed within the remuneration review. The chairperson of the committee reports to the main board on the activities and recommendations made by the committee. All minutes of the remuneration committee are tabled to the board for noting.

Remuneration committee meeting attendance

Name	Special meeting 05.07.10	Quarterly meeting 04.08.10	Quarterly meeting 08.09.10	Special meeting 15.12.10	Quarterly meeting 22.02.11	Quarterly meeting 28.06.11	Period of service; (date of appointment)
SG Morris (chairperson)	✓	✓	✓	✓	✓	✓	5 years 11 months; (8 August 2005)
JL Job	#	✓	✓	✓	✓	✓	1 year 11 months; (6 August 2009)
MR Upton	✓	✓	✓	✓	✓	✓	4 years 5 months; (15 February 2007)
MJ Allie [†]	✓	#	✓	✓	#	✓	n/a
RM du Toit [†]	✓	✓	✓	✓	✓	✓	n/a

✓ Present. * Apologies. # Per teleconference. † By invitation.

OPERATIONAL REVIEW FROM THE COMPANY SECRETARY CONTINUED

The socio-economic development committee (SED)

The SED committee comprises two independent non-executive directors, L Chalker (chairperson) and KK Mpinga, as well as members of management who represent the various business units. Due to the need to coordinate the administration and management of the group's SED initiatives, the board has deemed it appropriate to enlist senior management as members to this committee. The committee has the following responsibilities:

- Provide strategic direction in terms of the SED
- Formulate and implement an SED policy for the group

- Centralise reporting and approve SED spend, projects and initiatives
- Evaluate the effectiveness of SED interventions

The measurement and reporting of SED projects is performed quarterly by the business unit representatives. The chairperson of the committee provides a quarterly report to the board on the SED and its initiatives. All minutes of the SED committee are tabled to the board for noting.



For a more detailed report on the group's SED initiatives undertaken during the year under review, refer to page 65 of this CD.

SED committee meeting attendance

Name	Quarterly meeting 03.08.10	Quarterly meeting 09.11.10	Quarterly meeting 25.01.11	Quarterly meeting 20.05.11	Period of service; (date of appointment)
L Chalker (chairperson)	✓	✓	✓	✓	5 years 11 months; (8 August 2005)
KK Mpinga	✓	✓	*	✓	4 years 2 months; (22 May 2007)
MJ Allie	*	✓	✓	✓	3 years 7 months; (30 November 2007)
K Cumming [∞]	–	–	✓	✓	5 months (25 January 2011)
J Doorasamy	✓	✓	✓	✓	4 years 2 months; (22 May 2007)
FJ Enslin	✓	✓	*	✓	4 years 2 months; (22 May 2007)
DC la Grange	✓	*	✓	✓	2 years 2 months; (21 May 2009)
IM Makuta	✓	✓	✓	✓	2 years 2 months; (21 May 2009)
L Molubi [∞]	–	–	✓	✓	5 months (25 January 2011)
ST Mosai	✓	*	✓	*	1 year 9 months; (20 October 2009)
N Sukdeo	✓	✓	✓	*	4 years 2 months; (22 May 2007)
NJ Tlou [®]	✓	✓	–	–	1 year 9 months; (21 May 2009)
JA Wallace [®]	*	✓	–	–	3 years 6 months; (7 August 2007)
SE O'Donoghue [†]	*	–	–	–	n/a

✓ Present. * Apologies. † By invitation. ∞ Appointed 25 January 2011. ® Resigned 25 January 2011.

Nominations committee

The nominations committee is responsible for ensuring that the procedures for appointments to the board are formal and transparent. Key responsibilities of this committee include the board evaluation process and identifying and evaluating candidates to be considered for appointment as directors.

The nominations committee is required to recommend all new board appointments to the board to ensure that it has the appropriate composition to effectively execute its duties. The committee is required to meet at least twice a year when deemed necessary. The nominations committee is chaired by P Buthelezi. L Chalker, SG Morris and KK Mpinga are members of the committee. During the period under review, and on consideration of the results of the F2011 external board evaluation conducted by an independent service provider, the nominations committee commissioned the recruitment and appointment of two additional non-executive directors, Mr OA Mabandla and Mr DDS Robertson. They were appointed in August 2011.

OPERATIONAL REVIEW FROM THE COMPANY SECRETARY CONTINUED

Board of directors

P (Philisiwe) Buthelezi (47)

Independent non-executive director and chairperson

[BA Economics, MSC in Economics \(University of Paris, Sorbonne\), MBA \(UK\)](#)

Chairperson of nominations committee

Appointed in July 2007 as a non-executive director and as chairperson from October 2007. She is the CEO of the National Empowerment Fund (NEF). Philisiwe started her career in London with the investment bank, Banque Nationale de Paris (BNP-Paribas) in 1991. In 1993 she became the first black South African woman to be a corporate dealer at Standard Corporate and Merchant Bank. Before she joined the NEF in 2005, she was with the Department of Trade and Industry. She is a non-executive director of Sanlam Limited and Sanlam Life Insurance Limited.

MR (Mike) Upton (56)

Executive director and chief executive officer

[BSc Electrical Engineering, Professional Engineer \(Pr Eng\), Business Management Diploma \(Newcastle, UK\), FSAIIE](#)

Executive committee member, member of risk committee, member of remuneration committee

Mike joined Group Five in 2002. He was appointed to the board in 2006 and as CEO in 2007. He has eight years' experience at Group Five in multi-disciplinary construction, plant engineering and business repositioning, with the last five years as exco member, executive director and CEO. Before that, Mike was with NEI, Rolls Royce and ABB where he gained over 20 years' experience in manufacturing, engineering, commercial and marketing and international construction and services. He has been operating at an exco and board level since 1994.

CMF (Cristina) Teixeira (38)

Executive director and chief financial officer

[BCom, BCompt \(Hons\), CA\(SA\)](#)

Executive committee member

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

LE (Lindiwe) Bakoro (37)

Independent non-executive director

[BCom, Post-graduate diploma in Accounting, H Dip Tax Law, MCom, CA\(SA\)](#)

Member of audit committee

Appointed in November 2008 as a non-executive director. Lindiwe is a founder and executive of a property development and investment company, Bakoro Capital Partners.

She has also worked as an independent financial advisor with a focus on project finance and infrastructure-related transactions. She built up extensive merchant banking experience in project and infrastructure finance while working at Rand Merchant Bank. She currently serves as a non-executive director and a member of the audit and risk committees of Woolworths, Sea Harvest, Hyundai Automotive South Africa and Liquid Capital. She is also a member of the investment committee of the National Empowerment Fund (NEF).

Baroness L (Lynda) Chalker of Wallasey (69) (British)

Independent non-executive director

[Fellow of the Institute of Statisticians, Recipient of nine UK honorary degrees](#)

Member of audit committee, member of risk committee, member of nominations committee, chairperson of SED committee

Appointed in February 2001 as a non-executive director. Lynda was previously an independent advisor to the World Bank and a UK Member of Parliament for Wallasey between 1974 and 1992. She was also a UK government minister for 18 consecutive years. Lynda is a founder trustee of the Investment Climate Facility for Africa and a director of a number of listed and unlisted foreign companies. She is the chairperson of Africa Matters Limited, an advisory company on bringing investment to sub-Saharan Africa, a board member of the Global Leadership Foundation and a member of the international advisory boards of Merchant Bridge International and Lafarge et Cie.

OPERATIONAL REVIEW FROM THE COMPANY SECRETARY CONTINUED

Dr JL (John) Job (66)

Independent non-executive director

BSc (Hons), PhD in Physical Chemistry

Member of risk committee, member of remuneration committee

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 – 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 – 2007. He has served on a number of boards, including Telkom Limited and Denel. He is a non-executive director of Armscor and a director of a number of unlisted private companies, including Makhutswi River Game Farms, Natural Echo Investments and Dream World Investments.

OA (Oyama) Mabandla (48)

Non-executive director

Juris Doctor (JD), BA Political Science

Appointed in August 2011 as a non-executive director. Oyama is a qualified advocate who practised law in the late 1990s. Before that he worked in merchant banking, including working at global firm UBS as an associate. He joined South African Airways in 2000. In his four years at the group, he was involved in a number of very senior positions, including that of chief legal counsel, deputy CEO and acting CEO. He was a political analyst with the ANC for five years in the 1990s and wrote a book, Comrades Against Apartheid, about the South African freedom struggle. He was the chairman of Vodacom from 2006 to 2009 and the chairman of Consol Glass from 2007 to 2009. He is the currently the chairman of the Eastern Cape Development Corporation, a member of the senior advisory board of JP Morgan, the executive chairman of investment company Langa Group and a director and a member of the audit committee of Mvelaphanda Group Limited, Group Five's BBBEE shareholder.

SG (Stuart) Morris (65)

Lead independent non-executive director

BCom, CA(SA)

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

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 chairman of the audit committee and a member of the risk committee, Hudaco Industries where he is chairperson of the audit and risk committees and a member of the remuneration and nominations committees, Mwana Africa where he is chairperson of the audit committee and a member of the remuneration committee, 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 (50) (Congolese)

Independent non-executive director

BSc Agricultural Economics, MSc International Agricultural Development

Member of audit committee, chairperson of risk committee, member of nominations committee, member of SED committee

Appointed in July 2002 as a non-executive director. Kalaa worked for 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 Goldmines and chairperson of Bindura Nickel, both situated in Zimbabwe.

DDS (Struan) Robertson (British) (61)

Independent non-executive director

BSc (Mech) Eng MBA

Appointed in August 2011 as a non-executive director. Struan has had a lifelong international career with BP. He has lived and worked in South East Asia, Europe and Africa. He was the executive chairman of BP Asia Pacific and the senior vice president: Technology and Marketing. After retiring from BP he was appointed CEO of the Wates Group Limited, one of the UK's largest privately-owned construction and property groups.

He was a director of the UK Major Contractors Group and senior independent director of WS Atkins plc, the UK's largest engineering consultants. Until recently he was also a non-executive director of International Power plc (chairperson of the safety, health and environment committee), Tomkins plc (chairperson of the safety, health and environment committee), both FTSE 100 companies, as well as a non-executive director of Forth Ports plc (chairperson of the remuneration committee). He is currently the chairperson of Eredene Capital plc and senior independent director of Henderson TR Pacific Investment Trust plc and Salamander Energy plc.

Struan has deep international experience in the oil and gas, power, engineering and construction sectors. Whilst at BP he attended the Wharton Business School AMP programme and a Stanford University Business School Executive programme. His experience of managing a major UK contracting business and his commitment to health and safety in the workplace will be of great benefit to the board of Group Five.

OPERATIONAL REVIEW FROM THE COMPANY SECRETARY CONTINUED

Executive committee

MJ (Junaid) Allie (41)

Executive committee member – group human resources director

BPharm (UCT)

Member of SED committee

Junaid joined Group Five in 2007. He was also appointed to exco at the same time. Prior to joining Group Five, he was with Eskom as general manager: HR, responsible for group HR strategy. Before that, Junaid headed up the HR function in the Middle East for Lilly Pharmaceuticals. At Group Five, Junaid's focus is on group transformation, the human resources strategy and group marketing. Junaid has more than ten years' experience in HR.

He is a director of The Institute of People Management, Forward Films Africa and ALLUYSIE Trading.

P (Paul) le Sueur (54)

Executive committee member – Building and Housing and Middle East

BSc QS, MAQS, RQS, RICS, MSc Building Management

Paul joined Group Five in 1984 and was appointed to exco in 2004. He served on the Inter-Ministerial Task Committee responsible for the formation of the Construction Industry Development Board. He was a member of the Faculty of Engineering and Built Environment board at the University of the Witwatersrand. Paul has almost 30 years' experience in the construction sector and has developed the group's Building and Housing operations, including regional operations in East Africa, KwaZulu-Natal and Western Cape. His portfolio was expanded in the last few years to include the Middle East operations.

AJ (Andrew) McJannet (48)

Executive committee member – Civil Engineering (Local and Africa)

BSc Eng (Civil), BA (PPE), MA (Oxon), Pr Eng, MSAICE

Andrew joined Group Five in 1987 and was appointed to exco in 2007. He was the MD of Civil Engineering from 2002 until 2005 when his portfolio was expanded to include Civils, Mining and Industrial and Roads and Earthworks. The combined business now operates in South Africa and most of sub-Saharan Africa. Andrew is a council member of the South African Federation of Civil Engineering Contractors (SAFCEC).

GD (Guy) Mottram (45)

Executive committee member – group risk officer

BCom, LLB

Member of risk committee

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, commercial, legal, regulatory compliance and secretarial. Guy has more than ten years' experience in his field.

ECJ (Eric) Vemer (46)

Executive committee member – Investments and Concessions

BSc Eng (Civil) (Hons), MBA

Eric joined Group Five in 2005. He was appointed to exco at the same time. He was the MD of Infrastructure Development Services and deputy MD of Intertoll before becoming head of Investments and Concessions in 2007. His focus areas are Intertoll, large infrastructure projects, independent power projects, private public partnerships, concessions, property developments and group merger and acquisition activity. Prior to joining Group Five, Eric was with HSBC Bank plc as head of Specialised Finance and Advisory for sub-Saharan Africa. He served on the exco of HSBC Investment Services (Africa) (Pty) Limited.

OPERATIONAL REVIEW FROM THE COMPANY SECRETARY CONTINUED

JA (John) Wallace (53)

Executive committee member – Manufacturing and Construction Materials

[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 at 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 around 20 years' experience in strategy and the restructuring of businesses. John's portfolio was expanded in the last two years to include Construction Materials.

WI (Willie) Zeelie (49)

Executive committee member – Engineering: Engineering and Construction

[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 and Construction in 2010 for multi-disciplinary project delivery from feasibility to handover with a focus on the energy, power, oil and gas and water sectors.

Management committee

C (Celia) Becker (38)

Group country risk director

[BCom Acc \(Hons\), CA\(SA\), H Dip International Tax, MCom Taxation](#)

Before joining the group, Celia was an associate director at PricewaterhouseCoopers Inc., where she specialised in international taxation. At Group Five, Celia focuses on over-border country risk, contract risk and transaction structuring. Her role has also recently been expanded to include a number of additional group projects, such as leading the group's green committee.

RM (Richard) du Toit (48)

Human resources director: operations

[BCom, Development Programme in Labour Relations, Advance Labour Law Programme](#)

Richard is responsible for remuneration, recruitment, employee relations, employee development, enterprise development and expatriate management. He attends the remuneration committee by invitation. He has over 20 years' experience with the group.

FH (Frank) Enslin (55)

Managing director: Housing

[BSc \(Building Science\), PCM, FCIOB](#)

Frank has over 30 years' experience within the construction industry. He is responsible for developing the group's entry-level housing market. Frank is a member of the socio-economic development committee.

OPERATIONAL REVIEW FROM THE COMPANY SECRETARY CONTINUED

AS (Andrew) Fairfax (36)

Group commercial manager

[BSc Civil Engineering \(Hons\), Certificates in Management and Arbitration](#)

Andrew has 13 years' experience in the construction industry. His track record includes being a site agent on numerous African contracts and a commercial manager for a large construction company, as well as providing legal and commercial consulting services on all aspects of construction, engineering and mining contracts. He joined Group Five in 2006 as a commercial manager. He originally only focused on closing out commercial matters for the roads and earthworks business, but progressed soon after to provide specialist contractual support across the group.

ME (Malcolm) Farrell (47)

Group supply chain director

[BCom, MBA](#)

Malcolm has 20 years' experience in executing supply chain strategies within the manufacturing, construction, mining and resources sectors. He is responsible for establishing and executing the procurement and supply strategy within the group.

GC (Greg) Heale (58)

Business development director

[BSc, Eng \(Mech\), Cert \(Mines and Works\), MAP, ASQC \(CSIR\)](#)

Greg has over 30 years' experience in engineering, project management and construction and is currently focusing on securing multi-disciplinary mining, industrial and oil and gas contracts.

JW (Jon) Hillary (38)

Managing director: Intertoll Group

[BCompt \(Hons\), CA\(SA\), Advanced Management Programme \(Harvard 2010\)](#)

Jon has a broad range of experience within the group. He commenced his employment with Group Five as the financial director of Intertoll, part of the Investments and Concessions cluster. He was the managing director of Property Developments for the last few years and accepted the position as managing director of Intertoll with effect from 1 July 2011.

NM (Mark) Humphreys (44)

Managing director: Engineering: Projects

[Higher National Diploma Quantity Surveying](#)

Mark has a successful track record in operating construction contracts in Africa. At Group Five, his role is to drive international expansion, as well as positioning the group for contracts within South Africa.

LMM (Loren) Jackson (41)

Legal and compliance director

[BA, LLB](#)

Before joining the group, Loren was a partner in a large commercial law firm specialising in building, engineering and construction law, as well as general commercial litigation. Loren is currently responsible for the group legal and compliance function, with a particular focus on further enhancing compliance processes within the group.

OPERATIONAL REVIEW FROM THE COMPANY SECRETARY CONTINUED

CJ (Craig) Jessop (43)

Managing director: Coastal

[BSc Quantity Surveying, RQS](#)

Craig has over 20 years' experience in the construction industry and has grown the KwaZulu-Natal business significantly over the past six years as the managing director. During the previous year, he accepted responsibility for the group's Western Cape business, consolidating it with the KwaZulu-Natal business into a restructured Coastal operation.

KR (Kushil) Maharaj

Managing director: Property Developments

[BSc \(Civil Engineering\), MBA](#)

Kushil recently returned to Group Five from Absa where he was the head of the Absa Development Company. Prior to joining ABSA, Kushil was employed by Group Five for 13 years. His experience covers a broad spectrum within the fields of construction management, infrastructure and property developments.

IM (Isabella) Makuta (46)

Group communications and corporate affairs director

[BA, Post Grad HR, MBA](#)

Isabella joined Group Five in 2008. She is the communications and corporate affairs director for the group, with special responsibility for government liaison. Isabella is a member of the socio-economic development committee.

MM (Mark) Mencil (48)

Regional general manager: Middle East

[BSc Civil Engineering, MSc Construction Management](#)

Mark was appointed in 2010. He has extensive experience in the Middle East and other over-border regions in respect of general management, EPC, construction management, power and co-generation contracts and civil engineering project management. Mark is responsible for the execution of the group's regional strategy in the Middle East.

SMO (Siegfried) Milbert (50)

Managing director: Construction Materials

[BCom \(Law\), BAcc, CA\(SA\)](#)

Siegfried worked within a number of business units since joining the group. These have included positions such as the managing director of Everite and Cosmos. He is currently the managing director of Construction Materials.

TS (Themba) Mosai (35)

Managing director: Intertoll Africa

[BSc Electrical Engineering, Programme in Management Development](#)

Themba has 13 years' experience in the construction industry. He started his career as an engineer in the mining industry before moving to an engineering company. He joined Group Five in 2004 as a systems engineer for Intertoll. He progressed quickly and became the managing director of Intertoll within three years from joining the group.

OPERATIONAL REVIEW FROM THE COMPANY SECRETARY CONTINUED

JAE (Jurgen) Stragier (40)

Managing director: Everite & ABT

[BSc \(Aeronautical Engineering\)](#)

Jurgen has operated as the managing director of Everite for the last five years. He is responsible for new product development, such as advanced building technologies (ABT), and product expansion into related building materials.

I (Izak) van der Watt (38)

Group SHEQ manager

[Business Management Diploma](#)

Izak joined the group in 2007 after five years with BHP Billiton as their safety, health and environment manager. At Group Five he manages all aspects of the group's safety, health, environment and quality, working closely with the risk management team.

MP (Michael) van Rooyen (54)

Managing director: Building

[BSc, Building Management PCM, MCI0B](#)

Michael has over 20 years' experience within building markets. He is responsible for ensuring that Building is positioned to take advantage of the new over-border and public sector opportunities.

DN (Deon) van Tonder (33)

Group finance: operations director

[BCom, BCom \(Hons Accounting\), CA\(SA\), BCom \(Hons Investment Management\)](#)

Deon has 11 years' financial experience. He has been with the group for eight years in a range of financial positions. He was promoted to group finance as the operations director during the current year and is now responsible for the corporate input to the financial requirements of the business units on a daily basis. His portfolio includes group treasury. He is also the group's chief investment officer responsible for information technology.

NC (Nonqaba) Katamzi (42)

Company secretary

[BA Law, LLB, CIBM](#)

Nonqaba was appointed in January 2009. She served and completed articles of clerkship with the Government of Swaziland in the Attorney General's Chambers. She was admitted as an attorney in the High Court of Swaziland in 2005. She relocated to Cape Town in March 2006 where she was employed as legal advisor in the Western Cape Enforcement Centre with SARS. She was the group company secretary of Sekunjalo Investments Limited in Cape Town from September 2007 until 2008.

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR

The human resources (HR) portfolio within Group Five encompasses human resource management, employee wellness, employee relations, human capital development and transformation. This report addresses all the operational issues within these areas of responsibility.



A review from the group HR director addressing the material issues in the year is contained on pages 125 to 127 of the printed section of the integrated report.



Human resource management

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Keep our employees committed and engaged by supporting training, career development and ensuring effective communications.	Motivated employees during the downturn, with preparation in place for the next upturn. Maintain or improve our F2010 employee feedback engagement score of 65.9%.	Our employee feedback engagement score improved for the third consecutive year. Our overall score was 67%, which is within the "Top Company" range for the second consecutive year.
Drive our performance-based culture.	Increased efficiency and delivery against key deliverables to ensure maintenance or improvement of operational results.	While our target remains 100%, we saw a pleasing improvement this year with 74.5% of employees having received a comprehensive performance appraisal. This is a pleasing increase from the 67% achieved last year.
Transformation and succession at senior and executive levels.	Identify opportunities to develop and promote black successors.	Succession planning is a key HR process within the group. While the roll out within business units is still in an early phase, significant improvements are expected from this management tool.
Ensure that our people and systems are geared for international opportunities outside the South African market.	Ensure that we are able to mobilise our people and resources quickly, without detracting from our employee value proposition.	The group's international remuneration policy was reviewed during the year, which resulted in improvements in employee mobility and the HR administration system for the management of expatriate employees.
Manage our industrial and employee relations effectively in a tougher market.	Committed employees, focused on achieving the group's objectives. Resolve potential areas of conflict with least disruption to productivity and employee morale.	Operational downsizing in various areas put pressure on industrial relations. However, our proactive approach ensured that relationships remained constructive in most areas.

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Introduction

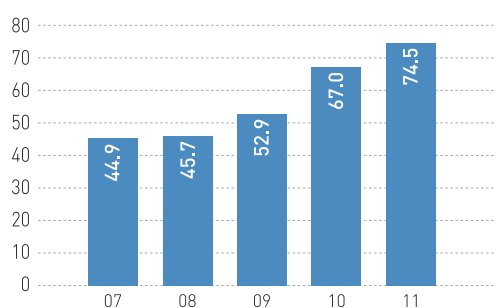
Over the last few years, we adopted a proactive approach towards becoming an employer of choice. We attempt to achieve this by developing an employment experience which offers meaningful value to our employees and by creating an environment in which all our employees are engaged and able to develop optimally. Our focus on employees continued to pay dividends, with employee retention, individual productivity and employee feedback improving further.

On the next few pages we outline our progression in terms of performance management sessions, information on our gender and ethnic split and our employee feedback results.

Formal performance management sessions

The graph shows the percentage of employees who received performance management reviews. We are pleased with the continuous progression each year.

Percentage of employees appraised year on year from F2007 to F2011 (%)



Executive and senior management appointment split

The group remains committed to a policy of internal development and promotion. The success of this strategy is evidenced by the fact that 78% of our senior management were promoted from within the group. New employees are taken through a Kroll evaluation, which interrogates qualifications and references. Promotions are based on past performance, competency and potential.

The table below indicates the split between external and internal appointments in our group executive and management teams.

	Female						Male						Total	
	Black F2011	Black F2010	White F2011	White F2010	Total F2011	Total F2010	Black F2011	Black F2010	White F2011	White F2010	Total F2011	Total F2010	F2011	F2010
External appointment	2	3	3	2	5	5	7	13	16	14	23	27	28	32
Internal appointment	1	-	4	5	5	5	14	15	80	94	94	109	99	114
Total	3	3	7	7	10	10	21	28	96	108	117	136	127	146

In line with the group's over-arching quality management programme, the corporate HR and skills development functions were externally audited by DEKRA against ISO 9001:2008 standards.

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Employee survey

We continue to monitor both our success in establishing a viable employee value proposition and the level of employee engagement in the group through our annual employee survey. This survey is conducted by an external service provider to ensure the protection of confidentiality.

The most recent survey was conducted in November 2010 with 1 686 (62%) of the targeted employees (permanent salaried employees) participating in the survey.

The table below represents the percentage of participants who responded positively under each of the main categories. For example, 70% of our employees responded favourably to questions pertaining to their understanding of and alignment to the group's strategy. This was a 2.6% improvement on last year's result.

Once the results are received, the respective business units conduct focus groups with employees to identify issues impacting the various scores and to develop action plans to address concerns.

The success of this process is reflected in the consistent improvement in the ratings from our employees over the last three years.

We have clear strategies in place to address the areas which are still not achieving optimal ratings (such as communication, rewards and recognition and change and transformation).

Measure	F2011	% change	F2010	% change	F2009
Overall	67.0	1.1	65.9	2.00	63.9
Communication	61.3	1.2	60.1	8.5	51.6
Relationships and trust	66.0	1.4	64.6	3.1	61.5
Strategy and leadership	70.0	2.6	67.4	1.6	65.8
Rewards, recognition and performance management	59.6	-0.05	60.1	2.3	57.8
Diversity	68.8	0.6	68.2	1.9	66.3
Cultures and values	70.8	1.3	69.5	1.9	67.6
Structures	72.4	2.2	70.2	(0.6)	70.8
Change and transformation	62.4	0.3	62.1	1.3	60.8
Human capital management	69.7	1.2	68.5	0.8	67.7
Management style	68.1	0.8	67.3	0.0	67.3
Internal brand awareness	83.2	3.7	79.5	New	-

■ World-class
 ■ Top company
 ■ Middle-class/average
 ■ Poor

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Employee wellness

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Create health awareness through our employee wellbeing programme.	Health awareness to ensure continued productivity and employee assistance.	In F2010 we introduced an employee assistance programme. The uptake has been encouraging, with 670 employees using the service to date. The key areas of counseling have been personal financial management and relationships. The number of employees counseled on HIV and Aids was also well above the average for the industry. During the year, we focused on actively communicating wellness issues to employees through a poster campaign and employee wellness sessions.
Increase the number of medical evaluations.	Proactively manage identified health issues.	During the year, 5 767 employees completed medical examinations (2010: 5 176) and 99% of our directors attended executive health examinations.
Improve reporting and management of medical surveillance.	Early identification of health trends and intervention to ensure a healthier workforce.	During the year, we integrated our occupational health provider's data with our internal human capital system.
Further rolling out HIV/Aids testing.	Achieve the target of 80% of employees knowing their status over a two-year period.	80% of employees know their HIV/Aids status.

Key focus areas

Group Five has a number of wellness programmes in place. Our wellness offering forms part of our employment proposition and includes the following:

	Intervention	Deliverables	Beneficiaries
INTEGRATED HEALTH MANAGEMENT SYSTEM	Medical aid	– Medical aid	Employees
	Employee wellbeing programme	– Telephonic counselling – Face-to-face counselling – Life management services – Trauma counselling	Employees
	Executive health	– Executive health assessments – Case management	Exco, manco and directors
	Wellness awareness	– Wellness days – Blood donation – On-site stress management – Internal communications	Employees
	Employee health and safety	– Safety awareness – OSHACT compliance – Dekra and ISO compliance – Safety drills	Employees and sub-contractors
	On-site clinics	– Primary healthcare – Occupational healthcare	Employees
	HIV testing	– Awareness counselling – Testing – Referral to case management	Employees
	Occupational health	– Pre-and post employment medicals – Travel clinics – Occupation-specific medicals – Site clinics – Mobile clinics	Employees



The occupational health portion of our wellness programme is covered in the safety, health, environment and quality (SHEQ) report on pages 7 to 8.

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

During the year we focused on creating improved awareness around wellness. This included the roll out of our employee assistance programme introduced last year and health campaigns throughout the group. Almost 9% of employees took part in the employee assistance programme, which is an encouraging response for the first year.

While the records kept on our employee medical system are confidential, records are monitored by qualified healthcare professionals who identify and highlight risk areas. The system generates reports on the level of compliance to entrance and exit medicals, as well as ensuring that employees working in risk areas have regular surveillance medicals. Refer to page 7.

14 215 employee medicals have been recorded on the system since F2010 and 211 employees were identified with medical conditions which have rendered them unfit for the positions they occupy. These employees are generally placed in alternate roles while their medical condition improves or are deployed into different roles if possible.

The group's common chronic medical conditions remained hypertension, cholesterol and diabetes mellitus. Although still within national norms, it is of concern that the percentage of employees diagnosed with these conditions increased across all conditions. We will continue to create awareness through our educational campaigns to promote early diagnosis and effective management of medical conditions.

Most common chronic conditions for employees

	Diabetes mellitus type 2	Asthma	Cholesterol	Hypertension
F2011	4.7%	2%	6%	11.2%
F2010	4.4%	1.6%	5.8%	11.1%

Our HIV and Aids programme will continue to focus on awareness and assistance with the treatment of employees. We aim to test at least 80% of our employees over a two-year period. We receive annual updates of the HIV positive prevalence of those tested. The HIV positive prevalence among those tested this year was 17% compared to 18% last year.

In conjunction with our medical aid provider and intermediary, we also assisted employees in selecting the correct medical aid options available to them. This resulted in a total of 12.6% of employees making changes to their scheme selection over the past two years. This enhanced level of informed choice resulted in a major improvement in utilisation rates, which is an indication that employees are on the correct plans for their medical risk profile.

Key achievements

Due to our focus on improving medical evaluations, we increased the number of evaluations from 5 176 last year to 5 767 this year. Our senior management medical evaluations also remained high at 99% of management.

Very pleasingly, we exceeded our target of 80% of employees knowing their HIV/Aids status over a two-year period. This was 61% in F2010. The total number of employees trained was 10 918.

	Number of employees trained (awareness provided)	Number of employees counselled and tested	Prevalence rate
F2009/F2010	6 426	6 156	18%
F2010/F2011	4 492	4 184	16.5%
Total	10 918	10 340	17%

Key challenges

During the year, we changed our HIV/Aids service provider conducting awareness, counselling and testing programmes. This temporarily slowed down our programme roll out.

Another area requiring attention was our employee wellness programme for over-border employees with the intention to limit exposure to health issues and diseases in different regions. Although we have seen a pleasing decrease in incidences of malaria, managing tropical diseases in countries outside of South Africa remains a challenge. Refer to page 8 for more information.

The group's integrated management system, which is part of the HR information system PeopleSoft, is now used to track and monitor health trends to ensure employees' wellness issues are more proactively managed.

Looking forward

Key focus areas for F2012	Desired results
Ensure increased health and wellness awareness.	<ul style="list-style-type: none"> ➤ A workforce which proactively manages their health and associated safety
Roll out integrated reporting.	<ul style="list-style-type: none"> ➤ Reporting which provides a holistic view of the wellness of our employees to ensure proactive management
Increase occupational wellbeing assessments.	<ul style="list-style-type: none"> ➤ Timely health assessments to ensure we detect, manage and prevent diseases
Improve employee awareness of prevalent diseases within the group, including cholesterol, diabetes mellitus and hypertension, as well as educating employees on personal financial management.	<ul style="list-style-type: none"> ➤ Awareness of health and wellbeing in these areas

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Employee relations

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Intensify communication with our employees and organised labour on the economic constraints facing the group.	To manage expectations and prevent a deterioration in trust between management and organised labour.	Operational downsizing in various areas placed pressure on our industrial relations. However, our proactive approach ensured that relationships remained constructive with senior management engagement in areas where there were difficulties, such as the Kusile power contract and the Construction Materials cluster.
Ensure that our industrial relations processes are above reproach.	To limit the number of CCMA cases and to maintain our record of success with loss cases remaining very low.	Significant improvements were achieved with the launch of disciplinary, chairman and complaint initiator training.
Evaluate trends in the market in terms of industrial action.	Taking pro-active action to prevent similar incidences in our group.	We achieved this, with the number of man hours lost through industrial action reducing by 43% this year. The group is a signatory to the civil engineering sector agreements. We are in full compliance with its associated timelines and negotiated agreements.
Ensure that all worker representative forums within the group are functioning.	Effective two-way communication.	All business units have functioning worker representative forums in place. Disputes were kept to the minimum. CCMA referrals reduced by 13%, with a loss ratio of less than 2%.
Increase our employee relations capacity.	Ensure that management has permanent, in-house and cost-effective access to labour law services.	A full-time labour law attorney was employed to advise management on labour law and to ensure the group is compliant with labour law.
Introduce an executive review process to ensure that retrenchment-based terminations are carried out within best practice guidelines.	Ensure that management's decisions in this regard are tested internally prior to the launch of the process.	Internal review processes are now in place and resulted in an improvement in the adherence to due process.
Develop the capacity of our HR professionals to equip them to present our cases at the CCMA and training our managers in terms of both drawing up disciplinary charges and chairing disciplinary enquiries.	Effective handling of disciplinary procedures and CCMA representation.	A panel of qualified chairpeople was identified and trained in the requirements and skills needed when presiding over disciplinary enquiries. Cooperation between the HR and internal risk management departments increased to manage employee-related risk issues such as fraud and theft. Refer to page 9.

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Key focus areas

Our employee relations remained robust this year. Although bargaining councils or workplace forums are in place for most of our business areas, progress towards establishing a bargaining council for the civil construction industry has been slow. This is particularly relevant to us as Civil Engineering is one of our largest businesses. Against this, we concentrated on maintaining the integrity of our employee relations and increasing the competence of our managers to deal with the complexities experienced in this business unit.

During the year, we focused on ensuring increased professionalism of managers in dealing with employee relations issues on sites. We also maintained constructive and timeous engagement with both our employees on site and with the representative unions. We have active worker representative forums at all our large sites and formal recognition agreements with organised labour in our major business activities.

While significant progress was made in our engagement with labour, in a few areas such as at the Eskom Kusile power station joint venture site and in our Construction Materials cluster, this was not as effective as we would have hoped. This will therefore remain a focus area for the new year.

We also educated employees on our employee relations policies to ensure understanding and adherence. We continue to enforce fair and equitable engagement, including the fair treatment of all employees and the prevention of unfair labour practices, such as child labour.

Key achievements

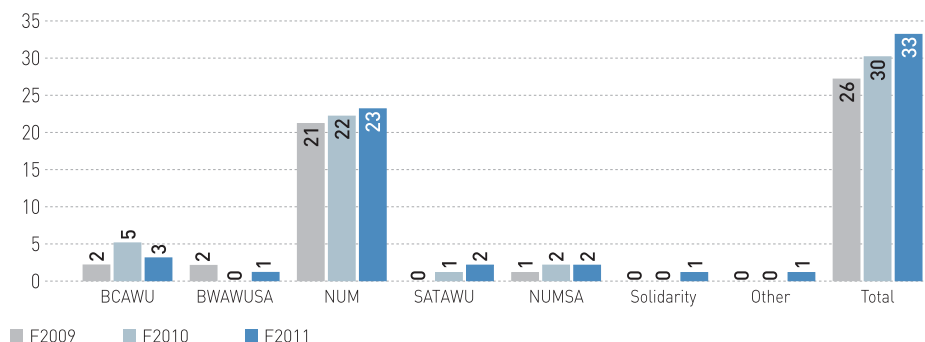
In light of the tough economic conditions, we undertook significant restructuring in a number of our businesses. These were all achieved through mutual consensus with organised labour and without disputes being declared or referrals to the Commission for Conciliation, Mediation and Arbitration (CCMA). The success of our engagement can be seen through the 43% reduction this year in the number of man hours lost due to strike action.

In conjunction with the Group Five Academy, we developed and launched accredited training programmes to improve internal processes to prevent CCMA reversals on our internal findings. This was successful, with CCMA referrals decreasing by 12% (from 108 to 95) and only two negative CCMA arbitration findings.

Proportional union representation as a percentage of total South African permanent employees

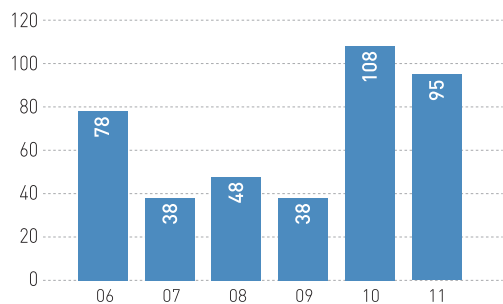
The National Union of Mineworkers (NUM) remains the pre-eminent union within our business units. However, total union representation still remains below 35%.

Proportional union representation (% split)



BCAWU – Building Construction and Allied Workers Union
 BWAWUSA – Building Wood and Allied Workers Union of South Africa
 NUM – National Union of Mineworkers
 SATAWU – South African Transport and Allied Workers Union
 NUMSA – National Union of Metalworkers
 Solidarity – Solidarity SA

CCMA referrals (Number of cases)



OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Based on the sound relationships with organised labour, we were able to successfully negotiate wage agreements within our allowable cost parameters in all Group Five entities other than Construction Materials. There was a limited mandate in place for this cluster due to revenue and cost pressures, coupled with inflated demands tabled by organised labour. This resulted in a dispute being declared, which is currently at the CCMA.

Key challenges

The continued depressed state of the industry resulted in the need for rightsizing across the group. This impacted negatively on our employees' job security and morale. To address this, we increased detailed and timeous communication with employees on the group's contract awards and prospects being pursued to reiterate our growth prospects and positioning.

We specifically focused on our top talent, communicating the group's future strategy and developing succession and career path plans.

It is anticipated that uncertainty surrounding the proposed changes to the South African labour legislation, organised labour's campaign against flexible labour arrangements such as labour broking and limited duration contracts, as well as the prospect of a second year of inflation-based increases will result in more volatility in the industry.

Furthermore, the proposed changes to legislation will decrease the flexibility of construction companies to use limited duration contractors, which may result in an increase in unemployment in the sector as companies prefer to employ a smaller permanent workforce to better manage costs.

Looking forward

Key focus areas for F2012	Desired results
Ongoing focus on enhancing competence in dealing with sensitive employee relations issues.	<ul style="list-style-type: none"> Ensure that management is able to maintain credibility, discipline and employee engagement in the face of increasingly hostile interventions from organised labour
Continued proactive engagement with organised labour at industry level.	<ul style="list-style-type: none"> Facilitate a peaceful and mutually acceptable solution to organised labour's drive towards centralised bargaining in the construction industry
A comprehensive understanding of labour laws in the foreign countries in which we operate to ensure compliance.	<ul style="list-style-type: none"> Maintain good employee relations in our international operations Reduce the number of CCMA referrals in South Africa to below its current levels. Where CCMA cases are unavoidable, we want to achieve a success rate of 100%
To stay abreast of the anticipated changes to labour legislation and develop a strategy in this regard.	<ul style="list-style-type: none"> Proactive response to anticipated changes in legislation without disruption of the workplace Maintain and improve our current compliance to labour laws



OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Human capital development

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Ensure that training interventions add value to enhance competence and productivity of individuals in the group.	Improved individual competence to deliver on time, within budget and according to specification.	17 234 training interventions were delivered during the year. Programmes continue to be reviewed for effectiveness to ensure they meet group requirements and strategy.
Use e-learning as a method of training to keep productivity on our contracts at the required levels.	An effective training platform which limits on-site downtime and increases the development opportunities of our employees.	The available e-learning modules have increased. Electronic learning will continue to be promoted with a more focused site-specific approach.
Encourage a culture of learning, particularly through the further expansion of mentoring in the group.	Sharing of knowledge and increasing the group's skills base.	Adoption of the formal mentoring model throughout the business is increasing steadily, with 42 mentors trained in the year. The roll out of the group's performance management process will help identify the opportunities to increase the level of mentorship in the group.
Build awareness of our brand at institutions of higher learning to ensure we are viewed as an employer of choice.	Being an employer of choice in the sector and industry.	Consistent engagement with institutions of higher learning resulted in significantly increased attendance at information sessions and recruitment opportunities. We ranked first as an employer of choice in the construction sector in the Magnet Top Employer of Choice awards.

Key focus areas

The Group Five Academy (The Academy) was launched in July 2006 during a period of rapid growth in the construction sector.

The Academy is responsible for the planning and delivery of learning and development across the group, as well as maintaining support systems to track and manage all learning. Business unit learning and development representatives work closely with The Academy to ensure a consistent approach to human capital development across the group. The Academy also coordinates and manages learning opportunities for enterprise development partners, as well as structured initiatives for the unemployed as part of the group's socio-economic development initiatives.

The Academy's activities are structured around four areas:

Skills development	Technical and professional competence development
Leadership and management development	Student management

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

During the year we concentrated on increasing engagement with business units to deliver on training initiatives which support the achievement of business goals. We also continued to focus on assisting with the effective delivery of the group's contracts in tough markets through the provision of programmes and workshops which grow technical and professional proficiency and expertise.

In spite of tough economic conditions, the overall training spend (including employees, learnerships and bursaries) for the financial year increased from R31,5 million in 2010 to R37,9 million. Employee training interventions increased from 14 941 in F2010 to 17 234 in F2011. As indicated in the table below, an increased focus on both skills development and technical and professional proficiency is evident and consistent with market conditions which require an even stronger emphasis on effective job execution and core skills development.

Overall expenditure per category of spend

Categories – R'm	F2011	F2010	F2009	F2008	F2007
Skills development	6,9	3,9	3,6	3,7	3,1
Technical and professional competence development	11,7	8,9	8,5	10,5	6,4
Leadership and management development	3,5	2,6	4,2	2,2	2,6
Student management (bursaries)	6,6	6,0	9,3	6,8	6,5
Training support costs	9,2	10,1	12,2	n/a	n/a
Total	37,9	31,5	37,8	23,2	18,6

The spend in the table below outlines the spend per occupational category. An increased number of interventions in the semi-skilled and unskilled workforce indicates a focus on ensuring effective contract delivery and the prevention of costly mistakes and rework.

Direct spend per occupational category*:

Categories	F2011		F2010	
	Number of training initiatives	Annual spend Rand R'000	Number of training initiatives	Annual spend Rand R'000
Top management	3	0	5	2
Senior management	48	656	58	63
Professional and mid-management	667	832	806	877
Skilled	7 101	9 384	8 226	8 589
Semi-skilled	5 919	3 580	4 009	1 566
Unskilled	3 496	897	1 837	350
Total	17 234	15 349	14 941	11 447

* This table does not include learnerships and bursaries as it reflects spend on employees only.

Average annual hours of training per employee by employee category

Categories	Average hours F2011
Top management	12
Senior management	20
Professional and middle management	55
Skilled	64
Semi-skilled	68
Unskilled	13

To ensure a strong pipeline of good skills into the group, we focused on attracting talented young individuals at schools and universities through marketing at institutions of learning. We continued to improve the support we provide to our bursary students, with initiatives such as tutoring programmes to address the high failure rate seen in the first year of study.

Key achievements

On-site learning

During the year, the impact of learning and development on site was improved, with a range of successful training programmes. This required customising training material and offering mentoring after training to ensure learned behaviours are entrenched.

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Skills development

During the course of the year, the spend on skills development increased by 77% from last year to R6,9 million, of which R4,9 million was spent on learnerships and apprenticeships. We believe this is an indication of the group's commitment to skills development even against tough market conditions.

Spend on learnerships and apprenticeships

	F2011	F2010	F2009	F2008	F2007
Annual spend on learnerships and apprenticeships – R'm	4,9	3,9	3,6	3,7	3,1
Total number of learners on learnerships and apprenticeship programmes	201	214	231	175	161
– Number of unemployed learners registered on learnership and apprenticeship programmes	128	163	149	45	94
– Number of employed learners registered on learnership and apprenticeship programmes	73	51	82	130	67
Number of disabled unemployed learners registered on learnership programmes	18	18	n/a	n/a	n/a

A significant number of learnerships were conducted, including the completion of a business administration learnership for disabled unemployed learners which commenced in the previous year. There are now 148 learners on 10 learnerships across the group. Artisan development continues to increase, with 53 apprentices on 15 programmes.

Learnerships and apprenticeships – scope and demographics

Learnerships	NQF level	Black		White		Em-ployed	Unem-ployed	Total
		Male	Female	Male	Female			
Generic management	3	5	10	–	–	15	–	15
General administration (learners with disabilities)	3	4	14	–	–	–	18	18
Concrete reinforcing	4	8	5	–	–	–	13	13
Concrete hands	3	11	4	–	–	–	15	15
Building and Civils – Carpentry	3	10	–	1	–	11	–	11
Building and Civils – Painting	3	3	9	–	–	–	12	12
Junior foremen development	2	7	–	–	–	7	–	7
Junior foremen development	4	2	–	2	–	4	–	4
Junior foremen development	2	8	–	–	–	–	8	8
Welding	2	29	16	–	–	–	45	45
		87	58	3	–	37	111	148



OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

	Black		White		Em- ployed	Unem- ployed	Total
	Male	Female	Male	Female			
Apprenticeships							
Electrician (Projects)	1	-	-	-	1	-	1
Welding (Projects)	4	-	-	-	4	-	4
Boilermaking (Projects)	2	-	1	-	3	-	3
Carpenters (Coastal)	12	-	-	-	12	-	12
Boilermaker (Plant)	9	-	-	-	-	9	9
Boilermaker (Plant)	4	-	2	-	6	-	6
Electricians (Plant)	-	1	-	-	1	-	1
Electricians (Plant)	-	1	-	-	1	-	1
Earthmoving (Plant)	4	-	-	-	4	-	4
Earthmoving (Plant)	2	-	1	-	3	-	3
Fitter and turner (Plant)	1	-	-	-	1	-	1
Electrician (Everite)	1	1	-	-	-	2	2
Fitter and turner (Everite)	2	-	-	-	-	2	2
Fitter (Everite)	2	-	-	-	-	2	2
Instrument mechanics (Everite)	2	-	-	-	-	2	2
	46	3	4	-	36	17	53

Construction Skills Training Academies

Skills programmes	Black F2011		Black F2010		White F2011		White F2010		Total F2011		Total F2010		Total F2011	Total F2010
	M	F	M	F	M	F	M	F	M	F	M	F		
	Employed learners	803	26	101	6	18	-	-	-	821	26	101		
Unemployed learners	257	47	232	57	-	-	3	-	257	47	235	57	304	292
Sub-contractors	252	44	341	31	6	-	1	-	258	44	342	31	302	373
Bursary students	14	6	40	18	4	-	18	2	18	6	58	20	24	78
External entities	10	-	32	3	7	-	-	-	17	-	32	3	17	35
Total	1 336	123	746	115	35	-	22	2	1 371	123	768	117	1 494	885

Our three Construction Skills Training Academies customise, design and deliver programmes based on site requirements. During the year, a greater focus was placed on the training of employees to improve key construction trade skills. A total of 1 494 individuals were trained, which is a 69% increase on the previous year.

The "People at the Gate" programme aimed at building skills for the unemployed continued to be implemented at a number of sites. This is managed by our socio-economic development team, with the training delivered by The Academy. Refer to page 65.



OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Technical and professional development

Development of technical and professional competence is critical to our business, with the support from senior management being fundamental to its success. Learning interventions are designed in collaboration with specialists in the group and are matched to the current and future needs of the business. The spend on technical and professional competence development for this year was R11,7 million (2010: R8,9 million).

Technical and professional competence development spend

	F2011	F2010	F2009	F2008	F2007
Total annual spend – R'm	11,7	8,9	8,5	10,5	6,4
Number of students on Programme for Project Management	48	44	56	22	19
Number of students on Graduate Engineer Development Programme	89	52	37	n/a	n/a
Number of students on ODETDP*	0	16	n/a	n/a	n/a
Short technical workshop attendance	16 365	9 314	8 776	4 047	6 010

* ODETDP is a qualification for the group's learning and development employees at business units and at The Academy. This programme is offered every second year.

The development of competence in project management continues to be a focus on growing skills specific to the built environment. A new group of students enrolled in April 2011 on the Programme for Project Management, which is run in conjunction with the University of Pretoria.

Candidate engineers are guided towards professional engineer status with the support of mentors. Registration is voluntary and conducted under the auspices of the Engineering Council of South Africa. The number of the group's engineers being mentored increased to 89 individuals, a 71% increase on last year.

In line with regulatory developments, 37 programmes relating to legislative compliance were conducted in the last year. These ranged from workshops on Contract Law through to awareness sessions on Competition Law. Corruption and Ethics workshops were initiated this year and will continue to be a focus going forward to maintain a high level of compliance to legislation and governance.

Demographics of technical and professional competence development learners

Skills programmes	Black F2011		Black F2010		Black Total F2011	Black Total F2010	White F2011		White F2010		White Total F2011	White Total F2010	Total F2011	Total F2010
	F	M	F	M			F	M	F	M				
Programme for Project Management	4	23	3	20	27	23	4	17	7	14	21	21	48	44
Graduate Engineer Development Programme	5	35	1	24	40	25	1	48	-	27	49	27	89	52
ODETDP*	-	-	10	1	-	11	-	-	5	-	-	5	-	16
Short technical workshops	2 765	10 255	1 428	5 220	13 020	6 648	910	2 435	691	1 975	3 345	2 666	16 365	9 314
Total	2 774	10 313	1 442	5 265	13 087	6 707	915	2 500	703	2 016	3 415	2 719	16 502	9 426

* ODETDP is a qualification for the group's learning and development employees at business units and at The Academy. This programme is offered every second year.

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Leadership and management development

In the year under review, our Programme in Management Development (PMD) was redesigned with input from senior management to ensure it remains leading-edge and relevant. This required a change of academic institution support as we continue to professionalise our programmes. The PMD programme focuses on employees who are in management roles and who are targeted as future leaders in the group.

Our first line manager and supervisory development programme (G5B3) continues to improve the quality of our managers and align management practices across business units. This is especially relevant as we increase the multi-disciplinary nature of contracts. A total of 346 employees have attended this programme since inception three years ago.

Spend on leadership and management development

	F2011	F2010	F2009	F2008	F2007
Total annual spend – R'm	3,5	2,6	4,2	2,2	2,6
Number of students on Programme in Management Development	20	23	25	17	n/a
Number of students on Building Business Basics (G5B3) Programme	97	150	99	n/a	n/a
Number of competence building workshops	62	50	87	44	81

During the year, a total of 42 mentors and 76 mentees implemented personal development contracts. This has been successful in providing mentees with insight beyond their own education and experience. Mentoring is implemented as a structured programme with clear outcomes which support our employee value proposition, increase job satisfaction and ensure productivity and reduced employee turnover.

Training hours per employee as an average per category indicates that the biggest focus is at skilled and semi-skilled level with an overall average of 50 hours per employee.

Number of induction attendees

An induction programme is offered to prepare new employees at business units for work at the group. On a quarterly basis a corporate induction is run with the input from senior executives. Attendance during the year declined due to the reduced number of new hires.

Black F2011		Black F2010		Black Total F2011	Black Total F2010	White F2011		White F2010		White Total F2011	White Total F2010	Total F2011	Total F2010
F	M	F	M			F	M	F	M				
18	32	42	54	50	96	6	43	13	39	49	52	99	148

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Student management

In line with our objectives, participation in career days and information sessions at leading universities resulted in strong interest in our group and the industry as a whole. We recruited 23 quality bursary students, resulting in a total of 183 students at a cost of R6,6 million for the year (2010: R6,0 million). This will remain a focus area.

A pilot recruitment process targeting school leavers for our bursary scheme was initiated to gain early access to promising talent and to provide financial support to learners who may otherwise not have had the means to pursue a career in engineering.

Student management – Spend on bursaries

	F2011	F2010	F2009	F2008	F2007
Annual bursary expenditure – R'm	6,6	6,0	9,3	6,8	6,5
Number of bursary students	183	171	258	178	149

Demographics of bursary students

Black F2011		Black F2010		Black Total F2011	Black Total F2010	White F2011		White F2010		White Total F2011	White Total F2010	Total F2011	Total F2010
F	M	F	M			F	M	F	M				
38	79	35	73	117	108	5	61	5	58	66	63	183	171

Key challenges

Interest in and understanding of the construction industry remains lacking at school level as other sectors are often perceived as more attractive. This decreases the number of students enrolling in tertiary courses relevant to our business. Accordingly, the recruitment of civil engineering students, particularly black students, remains a challenge for the group. Although the group conducts information sessions at a number of schools, this will remain something we need to address. During the year, the number of black female bursary students increased slightly from 35 to 38.

To increase the interest in our sector at school level, we will continue to support initiatives which create an understanding of the engineering and construction discipline through events such as "National Construction Week" facilitated by the Department of Public Works.

Awareness raised around the lack of black civil engineers within the business has ensured a focused approach towards addressing this shortcoming.

Inducting and managing the first few months of work exposure for new graduates is important for the smooth integration of the individual into a working environment and more specifically to the group. This requires a focused effort from everyone to retain the students we have invested in. In the coming year, we will increase the proficiency of our line managers to spot talent early to result in proactive development.

To ensure that our skills development programmes remain relevant to the business' needs, we will work closely with the business units and respond to feedback in a collaborative manner.

Staying abreast of relevant changes in legislation, as well as the major changes in Sector Education and Training Authority (SETA) requirements was demanding during the year. We continue to manage this proactively.

A key issue at a national level and for the group is the placement of learners on sites to gain practical work experience due to the current low level of contracts as well as the cost of hosting these students. This will remain an ongoing issue for us.

The support of mentors for employees on all programmes is essential to facilitate learning and embed transformation in behaviour and practice. Although mentors have willingly participated in the mentorship programme, it has placed additional constraints on them against already increased operational requirements in difficult market conditions. To address this, we are encouraging the engagement in mentoring at different levels to build competence to manage a more complex and demanding work environment.

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Looking forward

Key focus areas for F2012	Desired results
Skills development	
Fully utilise resources within the Construction Skills Training Academy.	<ul style="list-style-type: none"> ➤ Practical construction-related training which delivers direct results in terms of improved quality on site ➤ Optimal value within the constraints of various legislative parameters and codes of conduct
Proactively manage requirements of the new SETA landscape.	<ul style="list-style-type: none"> ➤ Access SETA funding for additional programmes to deliver relevant skills to the group and the sector
Technical and professional competence development	
Initiatives to promote compliance to changes in legislation. Provide access and support to the development of professional competence programmes.	<ul style="list-style-type: none"> ➤ Training which results in an awareness of and adherence to legislation and associated changes in behaviour ➤ Professional qualifications which benefit the group and the individual
Leadership and management development	
Manage transitions in all aspects of work, including technical, cultural or inter-personal.	<ul style="list-style-type: none"> ➤ A culture which is responsive to change and individuals who are resilient to adjustment
Mentors to support learners to apply new knowledge and approaches.	<ul style="list-style-type: none"> ➤ Leaders who are self aware and prepared for the challenges within the workplace, the industry and the geographies in which we work
Student management	
Recruitment methodologies and build brand awareness to attract the best calibre of students.	<ul style="list-style-type: none"> ➤ Ensure that new recruits are matched to the group and its future needs
General	
Take training to the site – either through e-learning or through creative approaches to deliver classroom training at a site level.	<ul style="list-style-type: none"> ➤ Relevant and timeous development initiatives in the group which have a greater reach and result in better integration of employees from various business units
Establish information system capability to track training initiatives.	<ul style="list-style-type: none"> ➤ Effectively monitor and report on training initiatives ➤ Engage in sub-contractor training and development to increase quality and safety on site and improve the quality of training done over-border

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Transformation

Ownership

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Partial unwind of initial BBBEE ownership transaction.	Manage the finalisation of the unwind of the iLima Consortium portion of our BBBEE ownership transaction.	The iLima unwind process has continued through the legal process.
Address the group's future black ownership strategy.	The board will evaluate alternatives available with a focus on ensuring a robust strategy to address the intent and spirit of the scorecard, as well as the strategic direction of the group.	The board has initiated an evaluation process.

Introduction

Group Five concluded a broad-based black economic empowerment (BBBEE) transaction in September 2005 which resulted in 26.1% of its enlarged share capital being made available to black South Africans. At the time of the transaction, the group was at the forefront of transformation initiatives in its sector and one of the most empowered construction companies with a substantial black ownership element.

Regrettably, one of the shareholders, the iLima Consortium (iLima), defaulted contractually and this required the unwind of their portion of the initial transaction.

The group deemed it prudent to exclude any potential contribution from iLima to the ownership element of the group's latest BBBEE scorecard verification audit in September 2010. This resulted in an assessed black shareholding of 25.67%. Notwithstanding this adjustment, the group's overall rating is a Level 2 contributor due to a particularly strong focus on the skills development, procurement and employment equity elements. We are currently the only large construction group to have achieved a Level 2 rating.

Key focus areas

A key focus for the year was to manage the unwind of iLima. This process is still underway and will continue into F2012. Management has approached the board to evaluate alternatives to improve our ownership element. The board has been presented with a number of options, which will be interrogated in further detail in F2012. The group is committed to finding an option which ensures longevity of black ownership and employee participation.

Key achievements

The group's broad-based employee share scheme reached its vesting date this year. We are extremely pleased that 58% of employees elected to retain their Group Five shares.

Key challenges

As the legal proceedings are still progressing with iLima, the group will continue to manage the effective unwind of this shareholding. As outlined above, the group is proactively addressing this.

Group Five BBBEE ownership transaction status

	Total as at June 2011* Number of shares	Total as at June 2011* Shareholding %
Employee schemes	2 347 360	1.9%
Broad-based scheme**	540 081	0.4%
Black management scheme	1 807 279	1.5%
The participants jointly (iLimaMvela transaction)	23 125 245	19.1%
iLima Consortium	11 015 959	9.1%
Mvelaphanda Group	12 109 286	10.0%
Total	25 472 605	21.0%

* This represents the total remaining number of shares held by participants from the Group Five initial BBBEE ownership transaction which are held within empowerment trusts. It does not represent the total black shareholding in the group. It also does not include shares held by associated companies.

** During the year, the broad-based employee share scheme reached its vesting date. These shares are exercisable. This table does not include the broad-based shares still owned by black participants on the open market.

Looking forward

Key focus areas for F2012	Desired results
Manage the unwind of the iLima portion of our initial ownership transaction.	➔ Timeous exit from the ownership agreement with iLima
Finalise future ownership options and implement when appropriate.	➔ Improve the overall ownership element to meet the 30% Construction Sector Scorecard ownership target, which will be relevant to us in F2013

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Management

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Improve transformation at senior levels.	Move towards the sector transformation targets of 35% senior management and 45% for middle management.	Against difficult market conditions, limited opportunities for recruitment and decreased employee turnover, we managed to achieve an increase in the percentage of black representation in the senior management category, as per the Employment Equity Act, from 11.1% to 16.7%. Refer to page 59. Modest improvements were seen in middle management and specialist categories. Our internal succession plan revealed a strong pipeline of junior candidates available for advancement.
Ensure that the composition of the board is as diverse as possible.	Functional and diverse board.	The board conducted an assessment which recommended additional international engineering and legal skills. Two new board members were appointed effective August 2011. The diversity of the board is strong.

Key focus areas

The group remains focused on transformation at all levels. While we have significant work to do before our management structures are adequately representative of the South African demographic profile, we are confident that our internal programmes, which focus on fast-tracking current employees into senior positions, will start yielding results.

We continue to ensure that, where possible, most vacant senior management positions are filled by black employees.

With the group's newly-launched mentorship programme and the intensified focus on performance management, we are identifying our top talent within the group to ensure that these employees receive accelerated career and development opportunities.

This process is supported by specific leadership and management development interventions to prepare candidates for leadership roles when opportunities arise.

Key achievements

We improved our senior management element of the Construction Sector Scorecard from 2,3 points to 6,6 points out of 10 in our last verification audit in September 2010. We were successful in terms of developing internal candidates, with 85% of promotions across the group and 58% at management level being black employees.

Profile of black management by empowerment category F2007 to F2011 (%)

%	F2011	F2010	F2009	F2008	F2007
Executive directors	-	-	-	-	-
Senior executives	17.9	17.4	18.9	4.8	-
Senior management	24.8	26.6	25.7	22.9	20.6
Middle management	30.6	28.4	28.2	19.6	17.8
Junior management	72.3	69.3	71.9	64.8	61.8

During the course of this year, we also focused on increasing the diversity of our board. This was achieved with the successful appointment of two new non-executive directors with effect from August 2011. These members bring new skills to the board and further diversify the board with the introduction of legal and engineering expertise. The representation of black South Africans on the board improved from 25.0% to 33.3%.

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Key challenges

The low senior management turnover levels, at less than 1% in the last three years, will present significant challenges in creating opportunities for our upwardly mobile black managers to participate at a senior level in the short to medium term unless the group is able to grow in size.

Although our results are acceptable when measured against the current Construction Sector Scorecard criteria, the representation of black managers within senior management remains well below the group's internal targets. Based on the current status, we are also lacking in terms of the future sector scorecard requirements, which will impact us in our F2013 year. Considerable focus will be required to ensure that we mitigate the risk of under-performance in this area.

Looking forward

Key focus areas for F2012	Desired results
Improve transformation at senior management levels.	⇒ Progress towards the BBBEE sector targets of 35% senior management and 45% middle management, which come into effect in F2013
Maintain diversity at board level.	⇒ A fully functional and diverse board
Continue to profile the group as an employer of choice.	⇒ Ability to attract and retain black talent in the group



OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Employment equity

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Ensure that our new mentorship programme receives traction in the group and that management is accountable for achieving real results in transformation.	Ensure that black employees are prepared to take on management positions, as and when they arise.	Functioning mentorship programme exists in all major areas of the group. These programmes focus on the accelerated development of our junior management in general and our pool of young black talent in particular. The number of employees being mentored increased from 102 in F2010 to 169 in F2011.
Roll out our diversity programme across the group with a view to achieve a step change.	Greater awareness and tolerance to differences in the workplace and leveraging differences.	The group's diversity programme continues to be well received and attended, with 610 employees having been through the programme to date. Pleasingly, the incidences of racially-based grievances reduced drastically. We have also seen an improvement in employee feedback engagement scores from black and female employees.
Scrutinise all opportunities which become available in terms of vacancies and promotions to give priority to equity candidates.	Create a stronger pool of black candidates to fill vacancies at senior management level.	All vacancies are advertised internally and internal audit processes implemented to highlight non-compliance to equity procedures.
Refine our succession management process.	Create leadership depth and fill identified positions with black or female candidates.	A comprehensive succession management toolkit was implemented in this financial year. Business units are in the process of completing their succession plans for scrutiny by the executive team early in F2012.
Create more momentum and efficiencies in our employment equity committees to impact our equity profile.	Functional equity meetings which drive the demographic change and actively address the employment barriers.	The group has worked closely with business units to result in functional equity meetings and to ensure that required actions are taken. The group was audited by the Department of Labour in line with our compliance with the South African Employment Equity Act. This compliance included identification of discriminatory practices in our policies, practices and remuneration. At the time of writing, we were awaiting formal feedback from the department.

Key focus areas

During the year, a number of initiatives were launched, including an online compliance tool (Exclaim), to ensure full compliance with the letter and spirit of the Employment Equity Act.

We continue to focus on meeting the group targets and on working with business units to address any issues which impact on or impede the progress of designated groups.

The process of reviewing appointments and promotions was further entrenched during the year. Notwithstanding the reduction in overall headcount and the general slowdown in recruitment, we managed to achieve modest improvements in meeting employment equity targets in all areas of management.

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Key achievements

The proportional representation of African, Coloured and Indian employees in the senior management occupational category increased from 11.11% to 16.67%. In the middle management occupational category it increased from 15.97% to 18.75% and in the junior management category from 63.2% to 67.0%.

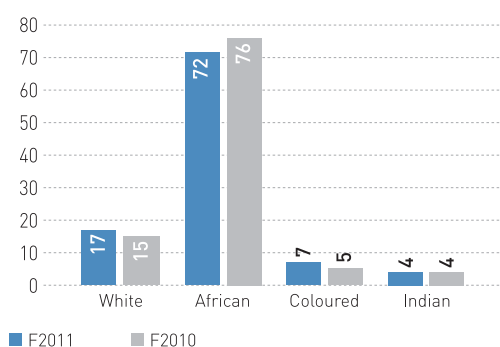
The table below reflects the racial demographics of our South African workforce. Notwithstanding the overall reduction in the total local workforce during the year, the percentage of employees from the designated groups remained unchanged at 87%.

Demographics of total South African workforce

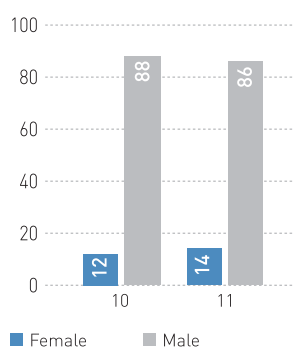
	F2011	F2010	F2009	F2008	F2007
White	1 193	1 370	1 339	1 164	1 100
African	7 249	8 067	7 748	6 756	6 139
Coloured	668	624	731	551	342
Indian	384	329	291	227	191
Total	9 494	10 390	10 109	8 698	7 772

The statistics below reflect that the majority of promotions secured by employees were in designated categories.

Promotions by ethnic group (%)



Promotions by gender (%)



The learnership for people with disabilities introduced last year to increase the representation of employees with disabilities was very successful, with 83% of previously unemployed learners successfully completing their learnerships and 60% of them being employed in the group. This increased the number of people with declared disabilities working at the group from 22 to 31.

The diversity awareness programme administered by The Academy continued to have an impact in the group, with a further 226 employees attending this year (F2010: 384). This programme aims to create awareness and a more inclusive and tolerant work environment with people from different backgrounds. The incidences of racially-based grievances reduced drastically and we saw an improvement in employee feedback scores from black and female employees.

Key challenges

The shortage of adequately experienced black candidates available or ready to fill senior operational positions remains a challenge. To address this, we continue to intensify our efforts to "grow our own talent" by optimally supporting targeted employees through active mentorship and timeous exposure to leadership and management development opportunities.

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Total South African workforce

The table below reflects the racial demographics of our South African workforce by occupational level as defined in the Employment Equity Act.

	Total South African workforce F2011				Total South African workforce F2010				Variance [%]
	White	BAC*	Total	BAC % of total	White	BAC	Total	BAC % of total	BAC as a %
Executive 1+ (board)	2	–	2	0.00%	2	–	2	0.00%	0.00%
Senior management (1 – 3)	15	3	18	16.7%	16	2	18	11.1%	5.6%
Middle management (4 – 6)	104	24	128	18.8%	121	23	144	16.0%	2.8%
Specialist/skilled (7 – 12)	959	1 954	2 913	67.1%	1 094	1 878	2 972	63.2%	3.9%
Semi-skilled (13 – 16)	106	3 512	3 618	97.1%	130	3 741	3 871	96.6%	0.4%
Lower skilled (17 – 19)	7	2 808	2 815	99.8%	7	3 376	3 383	99.8%	-0.1%
Total	1 193	8 301	9 494	87.4%	1 370	9 020	10 390	86.8%	0.6%

* Black, Asian/Indian and Coloured.

Looking forward

Key focus areas for F2012	Desired results
Gain further momentum in our mentorship programme.	➤ Prepare black employees for management positions and promotions, as opportunities arise
Prepare a group employment equity plan which will cover targeted affirmative action measures.	➤ Effective affirmative action to address the current slow progress of black South Africans into middle and senior management roles. This will ensure that business units meet their employment equity and BBBEE scorecard requirements
Gain traction in our succession management process.	➤ Create leadership depth and, where possible, fill identified positions with black or female candidates
Continue to scrutinise vacancies and promotions to prioritise equity candidates for these positions.	➤ Create an increasingly stronger pool of black candidates to fill vacancies at management level

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Procurement

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Identify and develop small and medium black-owned and black women-owned enterprises.	Achieve the Construction Charter objectives in the medium to long term.	Expenditure with black-owned businesses increased from F2010 by more than 60% and expenditure with black women-owned businesses by more than 70%.
Targets have been set for the next year for each of the measurement principles. This will continue to facilitate and promote the preferential procurement strategy.	Ensure that we achieve not only the objectives of the Construction Charter, but also a competitive supplier base which supports quality, safety and environmental requirements of the group.	The set targets were exceeded in each area.

Key focus areas

Group Five continues to focus on the transformation of its procurement profile, with 33% of suppliers now having empowerment certificates in place. During the year, R3,1 billion of its total South African procurement spend of R5,8 billion was spent on black suppliers. Expenditure with black-owned businesses increased from F2010 by more than 60% and expenditure with black women-owned businesses by more than 70%.

Group Five continued to drive its three key procurement focus areas:

- Include empowerment as one of the adjudication criteria (along with commercial, risk, finance, capacity and quality) on new awards
- Encourage existing suppliers to develop and enhance their transformation strategy and to provide an empowerment scorecard which demonstrates their commitment to this objective
- Review supply markets and identify new strongly-empowered companies which could have the capability and capacity to meet our requirements

Key achievements

The group has seen strong growth in procurement expenditure with small, micro, black-owned and black women-owned enterprises.

Large infrastructure contracts such as King Shaka International Airport made a significant contribution to the F2010 achievement due to the high targets set on these contracts. However, despite these contracts having been completed and no longer making a contribution to the group's preferential procurement profile in F2011, the group still achieved an overall improvement of 12%.

Achievement against Construction Sector Charter principles

Measurement principle	Points	Target per Construction Charter F2013 target	Actual		Actual F2009***	Actual F2008****
			Actual F2011*	Actual F2010**		
Preferential spend with all suppliers	12	50%	55.2%	49.1%	45.1%	34.8%
Preferential spend with qualifying small and emerging micro enterprises	3	10%	19.2%	11.42%	6.3%	5.5%
Preferential spend with enterprises that are more than 50% black-owned	3	9%	14.9%	9.2%	7.9%	3.8%
Preferential spend with enterprises that are more than 30% black women-owned	2	6%	3.3%	1.9%	0.1%	0.7%
Weighted score	20	---	19.10	18.43	15.68	11.49

* Provisional and unaudited – To be audited in October 2011.

** As audited by BEE Verification Agency cc in October 2010 (Group Five).

*** As audited by BEE Verification Agency cc in October 2009 (Group Five).

**** As audited by BEE Verification Agency cc in August 2008 (Group Five Construction (Pty) Limited).

---- A weighted score is not done for targets.

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Key challenges

The key challenge remains the development of enterprises in the construction sector that are at least 30% black women-owned. All business units will continue to address this challenge in the year ahead by identifying new supply partners and the ongoing development of existing supply partners in this arena.

As a group we are shifting our attention to the final targets required by the Construction Sector Charter Scorecard, which will be applicable to the group's empowerment audits from F2013 onwards. Although these are not current requirements, we are proactively preparing for all extended targets to ensure the group continues its improvements against the transformation advancements already achieved.

Looking forward

Key focus areas for F2012	Desired results
Stretch targets focusing on the Construction Sector Charter Scorecard final targets, which will be applicable to us in F2013.	➤ At least 10% growth in the use of empowered enterprises
Identify black women-owned enterprises which can be developed.	➤ At least 20% growth in the use of black women-owned enterprises
Develop processes to facilitate the management of valid BBEE certificates.	➤ Automate the process of retrieving and archiving empowerment certificates which require annual renewal



OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Enterprise development

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Continue building sustainable systems and capacity in our existing seven partners.	To prepare our enterprise development partners for growth by ensuring that they have robust management systems in place.	We continued mentoring our enterprise development partners. Positive feedback was received from our partners on the programme to date.
Increase the number of enterprise development partners to 12 over the next two financial years.	Each business unit to have at least one enterprise development partner to increase our capacity to participate in BBBEE compliant bids, while also reducing our dependence on traditional joint venture partners.	We currently have nine formal enterprise development agreements, with an additional two contract-based agreements.
Offer management development to our enterprise development partners through: <ul style="list-style-type: none"> – Exposure to leadership programmes through The Group Five Academy – Exposure to the Group Five performance management programme – Increased participation in the formal management development programmes offered by The Academy 	Develop sustainable management capacity within enterprise development partners.	Attendance of management development programmes at The Group Five Academy by employees from our enterprise development partners increased during the year.
Offer joint venture contracting opportunities, as these are the most efficient way to transfer practical skills when working with our partners.	Facilitate growth of our partners without risk of over-trading.	All of our partners were engaged in either a joint venture or sub-contract with Group Five business units during the year.
Where financial assistance is provided, an uncompromising reporting regime, together with risk identification, mitigation and remedial actions, will be required.	Ensure no undue exposure to Group Five in terms of non-payment.	Financial assistance granted to the enterprises this year was reviewed by the executive committee. Business unit operational management monitors the enterprise partners' financial management every month.

Key focus areas

Our inaugural enterprise development programme in 2006 was driven almost exclusively by the group's corporate office. Our focus this year was to ensure that these relationships mature at a business unit level and that the various management teams take full ownership and accountability for their partnerships.

We also concentrated on skills transfer and monitoring that our partners' businesses are operationally and financially sound. This was done through facilitated exposure to our systems and practices and through enhanced management development conducted by The Group Five Academy.

During the year, we continued to drive the empowerment accreditation of our black supply chain partners. The majority of these now have an accredited construction industry BBBEE scorecard.

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Key achievements

We managed to achieve 100% of the BBBEE scorecard requirements for enterprise development during our last BBBEE audit in September 2010. Based on the traction this programme has achieved in the group, we believe this result to be sustainable going forward.

During the year, we entered into two additional formal enterprise development partnerships, which bring the total number of partnerships to nine. With a further two contract-specific partnerships, we have a total of 11 partnerships, which is in line with management's target of engaging with 12 partners by F2012. Under our mentorship, five of our partners achieved enhanced Construction Industry Development Board (CIDB) ratings during the year, two of which achieved a rating of 8PE. This allows them to tender on major government tenders either in joint venture with the group or on their own. During the latter part of the year, agreement was reached to acquire a 15% shareholding in Enzani Technologies, a 67% black women-owned electrical consulting and contracting business. At the time of writing this was being finalised.

Our second annual enterprise development partners' day was well received. The key aspects of the group's enterprise development strategy were debated between the parties to ensure the programme meets the needs of both the group and our partners. It also provided the partners with an opportunity to network and discuss current challenges and opportunities.

Key challenges

The slowdown in the construction industry and the decline in the number of major contracts hampered our ability to continue our on-site mentorship. This provides opportunities for employee "shadowing" and site-based coaching of our enterprise development partners in the key aspects of managing major contracts. In light of this, we exposed enterprise development partners to various aspects of the internal operations of the group and to the development programmes offered by The Academy.

An additional challenge was providing commercial opportunities to our partners due to the availability of appropriate contracting opportunities due to our partners being predominantly regional businesses. To address this, we arranged a number of workshops with the national businesses to explore opportunities. This resulted in some partners expanding their footprint beyond the regions in which they have traditionally operated.

Looking forward

Key focus areas for F2012	Desired results
Identify and enter into at least three more formal enterprise development relationships which comply with the group's risk selection process during the course of the new financial year.	➔ Increase the formal enterprise development relationships to 12 by the end of F2012
Identify opportunities to provide the required enterprise development support in line with the Construction Charter and with the Group Five risk protocol.	➔ Meet our scorecard requirements without exposing the group to undue risk
Accelerate managerial competency within our enterprise development partners through continued exposure to the various leadership development programmes offered by The Academy.	➔ Develop sustainable management capacity within our partners

Group Five enterprise development partners

The table outlines the names of the nine companies with whom the group has qualifying enterprise development partnerships. It also provides information on the size and capacity of these organisations, as rated by the Construction Industry Development Board (CIDB), as well as the proportion of shares in the hands of black and female entrepreneurs respectively.

Enterprise development partners	Black ownership	Women ownership	CIDB level	BBBEE contributor level
BL Williams (Pty) Ltd	95%	48%	6 GB – PE	3
ENZA Construction (Pty) Ltd	93%	10%	8 GB & 6 CE 6 EP – PE	2
Enzani Technologies (Pty) Ltd	80%	54%	5 EB – BE	1
Inkanyeli Projects (Pty) Ltd	100%	19%	4 GB – PE	2
Pan African Development (Pty) Ltd	100%	40%	8 GB – PE 6 CE – PE	2
Siyakhula Engineering CC	100%	–	1	3
UMSO Construction (Pty) Ltd	89%	–	8 CE – PE	
ENM CC	100%	–	8 GB	3
Tshepo Yarona Pty Ltd	100%	100%	6 GB – PE	3

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Other joint ventures

Although not specifically qualifying for enterprise development in terms of the Construction Charter, Group Five has entered into a number of joint venture contracts with black-owned companies.

Discipline	Name of partner/ development entity	Contract/development	Effective partner % holding in venture	Total value of contract (100%) R'000	Commence- ment date of contract
Construction	Bhekimbeko Business Enterprise CC	Group Five Pandev Bhekimbeko joint venture for Ntuzuma Magistrates Offices at Bridge City, Durban	20%	177 700	Jan 2010
Construction	Fynns and James Joint Venture	Group Five joint venture for improvement to Chota Motala Road Interchange, KwaZulu-Natal	13%	216 827	Apr 2010
Construction	Bhekimbeko Business Enterprise CC Pandev African Development (Pty) Ltd	Group Five GJ Crookes joint venture established to construct the GJ Crookes hospital Phases 2, 3 and 4 (new casualty, trauma and admissions departments) – Eastern Cape	60%	94 003	Jun 2011
Construction	Pandev African Development (Pty) Ltd	Spring Grove joint venture established to construct the Spring Grove Dam and Appurtenant Works in Rosetta – KwaZulu-Natal	10%	239 040	Feb 2011
Construction	Inkanyeli Projects (Pty) Ltd	Construction of Jabulani Civic Theatre – Gauteng	30%	106 570	Aug 2010
Construction	Tsepho Ya Rona Construction and Projects CC	Construction of the Mantsopa Hospital – Free State	30%	232 160	Jul 2010
Manufacturing	Motshwauwa Manufacturing (Pty) Ltd	Manufacture and supply of pallets to Everite	51%	7 100	Jan 2006
Investments and Concessions (Property Developments)	Secunda Business Park Development (Pty) Ltd	Secunda business park, Mpumalanga	15%	80 000	Apr 2008
Investments and Concessions (Property Developments)	Westside Trading 600 (Pty) Ltd	Gugulethu Square, Cape Town	25%	305 000	Jan 2008
Investments and Concessions (Property Developments)	Group Five AP Developments (Pty) Ltd	Eagle Ridge Retirement Estate Phase III, Gauteng	26%	30 000	Jan 2008
Investments and Concessions (Property Developments)	Kuvula Trade 12 (Pty) Ltd	Tygerview (Western Cape), Knightsbridge (Gauteng), The Beacon (Eastern Cape), St Pauls (Gauteng)	13%	259 600	Jan 2008
Investments and Concessions (Property Developments)	Group Five Montagu Developments (Pty) Ltd	Decor on Zambezi, Gauteng	13%	65 000	Jan 2008
Investments and Concessions (Property Developments)	RFC Developments (Pty) Ltd	The Core, Gauteng	13%	196 000	Jan 2008

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Socio-economic development

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Continue to develop local community skills and capacity and partner with local government, traditional leaders and other community leaders to ensure effective implementation of our SED initiatives.	Local government employees and community leaders who are able to assist in sustaining SED initiatives.	Significant in-roads were made in forging links with various communities. However, more focus is still required to result in skills transfer and sustainability of community support programmes.
Manage programmes efficiently, which will involve instituting regular reporting and monitoring systems of our SED programmes.	Efficient internal implementation and monitoring processes of all the group and business unit SED initiatives.	Each business unit submits quarterly reports on their SED participation and spend. The impact in terms of programmes is reported on and monitored at the board SED committee.
Communication of Group Five's community initiatives to various stakeholders.	Stakeholder awareness of Group Five's active role in community development.	Although we made a concerted effort this year to promote our SED initiatives through information programmes, most of our key stakeholders are still not aware of our initiatives.

Introduction

Group Five's socio-economic development (SED) approach is informed by the group's policy of bringing about meaningful, measurable and sustainable change which aims to uplift disadvantaged communities. Our projects are focused on the regions where the group operates.

Key focus areas

The group has three key focus areas in terms of SED programmes:

- Education and skills development – target is to spend 55% of the total SED budget
- Economic development and entrepreneurship – target is to spend 35% of the total SED budget
- Social grants – target is to spend 10% of the total SED budget

Education and skills development

The largest spend continues to be on empowering people with knowledge and skills to create independence. During the year, 53% of the SED budget was spent on education and skills development programmes in various communities in South Africa.

A few notable projects are outlined:

Technology Research Activity Centre (TRAC) mobile laboratories

The programme enables and encourages learners to enter careers in science, engineering and technology. Through Group Five's sponsorship, ten schools in Bushbuckridge, Mpumalanga and Ekurhuleni were provided with a trained TRAC facilitator, an approved science syllabus, vocational guidance and mobile laboratories.

The Dinaledi Schools Programme

This programme aims to increase the number of learners passing higher-level mathematics and science in Grade 12, as well as to encourage them to pursue further studies in technical disciplines such as engineering in tertiary institutions. Group Five adopted five Dinaledi Schools from 2010 to 2014. Although numerous challenges must still be overcome within the schools we support (as outlined under key challenges), we are pleased to report improvements of between 5% – 20% in the Grade 12 pass rate in the Group Five sponsored schools.

The People at the Gate Programme

The programme trains unemployed job seekers arriving at the group's construction sites to employ them on contracts, as employees within our sub-contractor base or as small and medium enterprises providing services in their own communities. Over R450 000 was spent this year, with a focus on bricklaying and plastering skills. Pleasingly, 95% of the trainees were employed on a number of our construction sites.

The Construction Industry Further Education and Training (FET) Colleges

R250 000 was contributed to FET Colleges in Pretoria and Cape Town. The funds were applied towards the financing of a pilot programme for a new industry-relevant technical skills curriculum for these colleges. By the end of the 2012 calendar year, approximately 1 000 graduates will be eligible to receive a trade and supervisory level qualification through this initiative.

The Department of Human Settlements' Women's Build Project

"National Women's Build" is an annual initiative implemented by the Department of Human Settlements. This involves the construction of residential units for vulnerable and marginalised groups. The majority of volunteers involved in the construction of these houses are women, associations representing women and women-owned companies. This year Group Five donated R100 000 towards this initiative. It also sponsored the installation of ceiling boards manufactured by the group's Fibre Cement business unit, part of the Manufacturing cluster. Over 50 women from Group Five volunteered their time and were involved in the building of houses in the North West province.

The Group Five/University of Johannesburg's annual Women in Engineering and Built Environment (WiEBE) Programme

As the need for engineering professionals increases, Group Five aims to attract women to an industry which has traditionally been male dominated. In line with this, Group Five is the main sponsor of the University of Johannesburg's annual Women in Engineering and Built Environment (WiEBE) Programme.

During the year, it benefited over 200 women who were able to create a network of peers and business partners. The programme also offers them the opportunity to coach and be coached by professionals in similar industries and grants them access to academic professionals from the university.

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Economic development and entrepreneurship programmes

During the year, 9% of the SED budget was spent on economic development and entrepreneurship programmes. These programmes assist communities to become self-reliant. The current year's spend is well below our target spend of 35% due to a concentration on the skills and development and social grant aspects of the SED strategy. Economic development and entrepreneurial programmes will receive renewed focus in F2012.

An example of the local empowerment projects supported this year is the Bantu-Bonke agricultural project on the outskirts of Vereeniging in Gauteng. Through this project at least 40 people from this mainly unemployed community were provided with training and farming infrastructure to start a commercial vegetable farming project.

Social grants

As outlined in the review from the chairperson of the SED committee, due to economic challenges in South Africa, the group received a significant increase in applications for emergency social grants. The group therefore decided to temporarily veer away from its long term SED strategy to provide urgent short term relief to a number of charities.

The group also launched an employee assistance programme to work alongside its HIV/Aids programme. Both programmes qualify as social support initiatives to employees and are funded as social spend under the SED programme as defined by the BBBEE Codes of Good Practice. This led to 38% of our total SED spent on social grants compared to the 10% target.

Our focus going forward will be on containing our social spend within the 10% target. We will shift our funding and efforts from emergency responses to equipping communities with long term skills and resources to manage their own destinies in a sustainable manner.

Key achievements

Despite the difficult economic and business challenges experienced during the year, the group continued to demonstrate its commitment to supporting communities as reflected in the R6,1 million spend on various programmes.

The success of our SED programmes has mainly been in the area of education and skills development. We have seen an increased pass rate in the schools we support and 95% of trainees on our People at the Gate programme were employed.

Furthermore, our sponsorship of the Women in Engineering and Built Environment through the University of Johannesburg created a heightened awareness of the need for gender transformation within the industry.

This year we exceeded the 80% target of employees knowing their HIV and Aids status over a two-year period. We launched an employee assistance programme (EAP) late in F2010. This programme is funded by the SED budget as it qualifies as a social support programme for employees in line with the BBBEE Codes of Good Practice.

Key challenges

Our aim is to ensure good governance and sustainability in the key programmes we support. Administrative and managerial skills are therefore crucial to ensure the proper management of the programmes and their resultant impact. However, due to skills and experience gaps amongst most of the beneficiaries we support, we are still encountering inadequate governance systems and poor accountability among some of our beneficiaries. A key focus going forward will be to assist beneficiaries with the sustainability of the programmes we support while continuing to build their capacity through training, mentorship and ongoing monitoring.

The lack of reliable support from the Department of Basic Education continues to be a threat to the effective delivery of education, not only in our designated schools but in the country at large. Most schools do not have books delivered on time or sufficient educator capacity to teach. Although we have had some success in terms of our programmes, without the national support in place we cannot achieve our optimal impact.

During the year, we were unable to meet our target around economic empowerment spend due to a focus on our skills development programmes and social programmes. This will be addressed in the new year.

Internally, our main challenge has been the lack of alignment among business units to ensure timeous implementation of the planned programmes, as well as the use of manual systems. This often results in inconsistencies in reporting. To address this, automated reporting is being implemented, which will standardise and improve effectiveness of our planning, reporting and monitoring processes.

Although a communications campaign on the group's SED programme was initiated last year, many of the group's key stakeholders are still not aware of the initiatives the group supports. To address this, we will continue to increase our engagement and information campaigns with key stakeholders.

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

List of local SED social grants*

Beneficiary	Nature of spend	Province	R'000
Akhani Foundation	Landscaping and upgrading of external facilities.	Gauteng	50
Careworks	Donation towards HIV management programme.	Gauteng	286
Claremont Community Choir	Uniforms for the choir.	KZN	13
Hlakaniphani Secondary School	Mathematics and science equipment.	Gauteng	50
Independent Counselling and Advisory Services (ICAS)	Employee counselling services.	Gauteng	1 000
Jameson Park School	Fencing and re-plumbing of part of the school.	Gauteng	88
Lebone Aids Care Centre	Feeding of HIV/Aids orphans.	Gauteng	11
Love Christ Ministries	Sponsoring the education of orphans.	Gauteng	40
Maragon School	Donation towards the purchase of medication.	Gauteng	5
Masizane School	Play pump and food for the school and community.	Eastern Cape	6
Modimo O Moholo	Renovated school hall for re-use as classrooms.	Gauteng	57
Mphophomeni Howick Hospice	Donation for the purchase of a new house to accommodate terminally ill patients at the hospice.	KZN	100
Multiple Sclerosis Society	A grant to support the care of people suffering from multiple sclerosis.	Gauteng	50
Ons Hulle	Donation to home for mentally handicapped people.	Gauteng	5
People at the Gate	Construction skills training for the unemployed.	Free State	481
Phomolong Primary School	School uniforms and blankets. Relocation and modification of containers for use as a school kitchen. Donation towards the school feeding scheme.	Gauteng	16
Radipadi Primary School	Establishment and maintenance of a vegetable garden.	Gauteng	10
Sapphire Road Primary School	Funding for the manufacture of building panels for the construction of a classroom.	Gauteng	31
Sekolo Sa Borokgo	Sponsorship of an annual salary for a science teacher.	Gauteng	300
Tholuthando School	Funding of transport to school for under-privileged children.	KZN	8

* Only donations in excess of R5 000 reflected.

International social grants

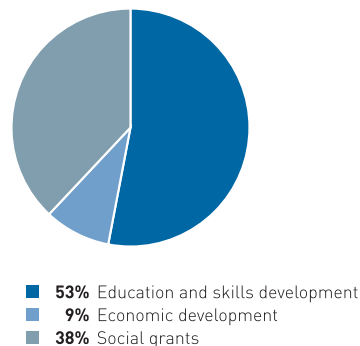
Beneficiary	Nature of spend	Country	R'000
Ghana – Take a Girl Child to Work Day	Two girls from a local school in Lubumbashi were taken on site for four days to give them exposure to the construction industry and related careers.	Ghana	4
Ghana – 67 Minutes Campaign	The team from Group Five and its JV partner in Ghana assisted in repairing part of a road and the entrance to the local clinic in Ghana.	Ghana	21
Ghana – Lycopodium School	Plumbing, electrical consumables and labour for the local community school in Accra.	Ghana	252
Burkina Faso – Support of a sick girl	Financial assistance for major life-saving surgery for a nine-year old girl.	Burkina Faso	56
Burkina Faso – Basketball tournament	Sponsorship of a basketball team aimed at developing young people in communities through sport.	Burkina Faso	14

OPERATIONAL REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

SED spend per business unit

R'000	F2011	F2010
Corporate and Business Services	2 860	3 088
Investments and Concessions	358	302
- Intertoll Africa	15	51
- Property Developments	204	251
Manufacturing	151	356
- Fibre Cement	151	356
Construction Materials	315	435
- Sky Sands	-	7
- Quarry Cats	315	428
Construction	2 464	3 795
- Building and Housing	726	1 256
- Civil Engineering	903	1 441
- Engineering	835	1 098
Total	6 148	7 976

SED spend per focus area



Looking forward

Key focus areas for F2012	Desired results
Identify and implement entrepreneurial projects which will empower target communities with skills and resources to sustain themselves.	⇒ Create economic opportunities in target communities which will assist in reducing poverty and unemployment
Efficient management of current SED initiatives through technology support tools and regular monitoring to ensure containment of costs within the allocated budget.	⇒ Better planning and accuracy of information to assist in monitoring and evaluation of SED programmes and their impact
Ongoing engagement, capacity building and effective monitoring of selected key beneficiaries.	⇒ Improved community engagement and self-reliance
Refocus business unit programmes to align with the agreed focus areas and targets and to ensure the effective proportional spend in line with each focus area.	⇒ Proportional spend within the set parameters, with a particular focus on achieving the 35% economic development target spend

GLOBAL REPORTING INITIATIVE INDEX

The table in this section outlines to what extent Group Five applied Global Reporting Initiative (GRI) guidelines in this year's integrated report. The table refers to both the printed section of the integrated report (only page numbers provided) as well as the CD contained within the integrated report (the term "CD" plus page numbers).

GRI benchmark	Reported	If applicable, indicate the part not reported	
STANDARD DISCLOSURES PART I: Profile Disclosures			
1. Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organisation.	81	
1.2	Description of key impacts, risks, and opportunities.	6-7, 14-19	
2. Organisational Profile			
2.1	Name of the organisation.	1	
2.2	Primary brands, products, and/or services.	1	
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	10-11	
2.4	Location of organisation's headquarters.	Back cover	
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	12-13	
2.6	Nature of ownership and legal form.	184, 186, 254	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	12-13, 20-33	
2.8	Scale of the reporting organisation.	10-11, 12-13	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	N/a	Ownership and structure did not change.
2.10	Awards received in the reporting period.	60	
3. Report Parameters			
3.1	Reporting period (eg, fiscal/calendar year) for information provided.	44	
3.2	Date of most recent previous report (if any).		Comparative financials and statistics provided from previous year's report, but no specific date provided of previous report provided.
3.3	Reporting cycle (annual, biennial, etc.).	Annual – comparative numbers provided throughout, indicating that it is full year 2010 compared to full year 2011.	
3.4	Contact point for questions regarding the report or its contents.	4	
3.5	Process for defining report content.	4	
3.6	Boundary of the report (eg, countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	4, 10-11, 12-13	
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	4	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	N/a	No major changes that affect basis for comparability.

GLOBAL REPORTING INITIATIVE INDEX CONTINUED

GRI benchmark		Reported	If applicable, indicate the part not reported
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	44-59	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	44, CD 14-15	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	N/a	No major changes that affect basis for comparability.
3.12	Table identifying the location of the Standard Disclosures in the report.		
3.13	Policy and current practice with regard to seeking external assurance for the report.	50-52	
4. Governance, Commitments, and Engagement			
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	CD 24-30	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	CD 24-25	
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	CD 24-30	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	CD 24-30	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	36-41	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	CD 24-30	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics.	36-41 CD 24-30	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	IFC, 104-109, CD 12-15, 65-68	
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	77-78 CD 1-17, 24-30	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	36-41	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	77-78 CD 9-11	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	4, 79, Carbon footprint submission CD, CD 14, 65-67	

GRI benchmark	Reported	If applicable, indicate the part not reported
4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: <ul style="list-style-type: none"> ⊖ Has positions in governance bodies; ⊖ Participates in projects or committees; ⊖ Provides substantive funding beyond routine membership dues; or ⊖ Views membership as strategic. 	Disclosed linked to relevance to business or executive members, ie SAFCEC on CD 33, OECD CD 19	
4.14 List of stakeholder groups engaged by the organisation.	5	
4.15 Basis for identification and selection of stakeholders with whom to engage.	4, 8-9	
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	8-9	
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	8-9	
STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)		
DMA EC Disclosure on Management Approach EC		
Economic performance		
Market presence	12-13, 20-33	
Indirect economic impacts	CD 14-15 Carbon footprint CD	
DMA EN Disclosure on Management Approach EN		
Material	CD 12-15, Carbon footprint CD	
Energy	CD 12-15, Carbon footprint CD	
Water	Carbon footprint CD	
Biodiversity	Carbon footprint CD	
Emissions, effluents and waste	Carbon footprint CD	
Products and services	CD 1, Carbon footprint CD,	
Compliance	CD 1, 19-22, Carbon footprint CD	
Transport	CD 12-15, Carbon footprint CD	
Overall	CD 12-15, Carbon footprint CD	
DMA LA Disclosure on Management Approach LA		
Employment	125-127, CD 38-42	
Labour/management relations	CD 43-45	
Occupational health and safety	CD 2-8	
Training and education	CD 46-53	
Diversity and equal opportunity	CD 54-67	
DMA HR Disclosure on Management Approach HR		
Investment and procurement practices	70-76	
Non-discrimination	125-127, CD 43-45	
Freedom of association and collective bargaining	CD 43-45	

GLOBAL REPORTING INITIATIVE INDEX CONTINUED

GRI benchmark		Reported	If applicable, indicate the part not reported
	Child labour	CD 43-45	
	Forced and compulsory labour	CD 43-45	
	Security practices	N/a as it is an outsourced service.	General HR practices stated, with security practices not pertinently outlined as it is not a material issue within the group.
	Indigenous rights	CD 43-45, 54-67	
DMA SO Disclosure on Management Approach SO			
	Community	79-80, CD 65-57	
	Corruption	CD 9-11	
	Public policy	CD 19, 22	
	Anti-competitive behaviour	83, 102 CD 19-21	
	Compliance	CD 19-21	
DMA PR Disclosure on Management Approach PR			
	Customer health and safety		Health and safety of employees and communities disclosed, not of customers, as that is not material to the group.
	Product and service labelling	Product discussions in a number of places, for example, ABT product positioning on page 155	
	Marketing communications	8-9	
	Customer privacy		Not explicitly disclosed, as the group discusses the general aspect of engaging with customers within a number of areas, which it believes is more material.
	Compliance	CD 19-21	
STANDARD DISCLOSURES PART III: Performance Indicators			
Economic			
	Economic performance		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	45	
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Carbon footprint CD, CD 12	
EC3	Coverage of the organisation's defined benefit plan obligations.	201, 226	
EC4	Significant financial assistance received from government.	N/a	The group does not receive assistance from government.

GRI benchmark		Reported	If applicable, indicate the part not reported
	Market presence	10-11, 12-13	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation		The group does not disclose to that level although it provides general remuneration practices and discussion in a number of places in the report, which it deems more material. For example CD 43-45
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	CD 60-61	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.		Not disclosed to that level.
	Indirect economic impacts	CD 14-15 Carbon footprint CD	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	CD 65-68	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	45	
Environmental			
	Materials		
EN1	Materials used by weight or volume.	Carbon footprint CD*	
EN2	Percentage of materials used that are recycled input materials.	Carbon footprint CD*	
	Energy		
EN3	Direct energy consumption by primary energy source.	Carbon footprint CD*	
EN4	Indirect energy consumption by primary source.	Carbon footprint CD*	
EN5	Energy saved due to conservation and efficiency improvements.	Carbon footprint CD*	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Carbon footprint CD*	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Carbon footprint CD*	
	Water		
EN8	Total water withdrawal by source.	Carbon footprint CD*	
EN9	Water sources significantly affected by withdrawal of water.	Carbon footprint CD*	
EN10	Percentage and total volume of water recycled and reused.	Carbon footprint CD*	
	Biodiversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Carbon footprint CD*	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Carbon footprint CD*	
EN13	Habitats protected or restored.	Carbon footprint CD*	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Carbon footprint CD*	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Carbon footprint CD*	

GLOBAL REPORTING INITIATIVE INDEX CONTINUED

GRI benchmark		Reported	If applicable, indicate the part not reported
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight.	Carbon footprint CD*	
EN17	Other relevant indirect greenhouse gas emissions by weight.	Carbon footprint CD*	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Carbon footprint CD*	
EN19	Emissions of ozone-depleting substances by weight.	Carbon footprint CD*	
EN20	NOx, SOx, and other significant air emissions by type and weight.	Carbon footprint CD*	
EN21	Total water discharge by quality and destination.	Carbon footprint CD*	
EN22	Total weight of waste by type and disposal method.	Carbon footprint CD*	
EN23	Total number and volume of significant spills.	Carbon footprint CD*	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Carbon footprint CD*	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	Carbon footprint CD*	
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	CD 12-15 Carbon footprint CD*	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Carbon footprint CD*	
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	CD 12-15	
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	CD 12-15 Carbon footprint CD*	
Overall			
EN30	Total environmental protection expenditures and investments by type.	Carbon footprint CD*	
Social: Labour Practices and Decent Work			
Employment			
LA1	Total workforce by employment type, employment contract, and region.	12-13, 125	Employment contract not disclosed.
LA2	Total number and rate of employee turnover by age group, gender, and region.	CD 58, 59	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.		Not disclosed.
Labour/management relations			
LA4	Percentage of employees covered by collective bargaining agreements.	CD 44	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.		Not deemed to be material.
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	CD 2-8	Percentage not disclosed, although health and safety discussed.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	CD 2-8	

GRI benchmark		Reported	If applicable, indicate the part not reported
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	CD 7-8, 41-42	
LA9	Health and safety topics covered in formal agreements with trade unions.	CD 43-45	Trade union information disclosed, but not particular health and safety topics.
Training and education			
LA10	Average hours of training per year per employee by employee category.	CD 47	
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	CD 46-53	
LA12	Percentage of employees receiving regular performance and career development reviews.	CD 39	
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	CD 58-59	
LA14	Ratio of basic salary of men to women by employee category.	CD 58-59	Gender breakdown provided, but not basic salary.
Social: Human Rights			
Diversity and equal opportunity			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.		Not disclosed
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.		Not disclosed
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		Not disclosed
Non-discrimination			
HR4	Total number of incidents of discrimination and actions taken.	CD 40, 57	Addressing discrimination discussed, but not breakdown of incidents.
Freedom of association and collective bargaining			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.		Not disclosed as it was not relevant in the year.
Child labour			
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	CD 44 CD 44	
Forced and compulsory labour			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	CD 44	No operations have been found to be at risk.
Security practices			
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	N/a as it is an outsourced service	

GLOBAL REPORTING INITIATIVE INDEX CONTINUED

GRI benchmark		Reported	If applicable, indicate the part not reported
Indigenous rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	N/a	No major incidents took place during the year, therefore the group believes not a material issue to report on.
Social: Society			
Community			
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	CD 8, 65-68	
Corruption			
S02	Percentage and total number of business units analysed for risks related to corruption.	CD 9-11	
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures.	CD 9-11, 19-21	Training programmes discussed although percentage not provided.
S04	Actions taken in response to incidents of corruption.	CD 9-11, 19-21	
Public policy			
S05	Public policy positions and participation in public policy development and lobbying.		Not disclosed.
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	N/a	The group did not provide financial assistance to political parties in the year under review.
Anti-competitive behaviour			
S07	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	83, 102 CD 19-21	
Compliance			
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	CD 19-21	No significant fines in the year.
Social: Product Responsibility			
Customer health and safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	CD 2-8 Carbon footprint CD*	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	CD 2-8 Carbon footprint CD*	
Product and service labelling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	188 discloses product and service type	% not disclosed.
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	CD 19-22	No non-compliance in year.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	9, 37	

GRI benchmark		Reported	If applicable, indicate the part not reported
Marketing communications			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		Not explicitly stated.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	21	
Customer privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	CD 19-22	
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	CD 19-22	No fines received in the year.

* The group is committed to developing its carbon footprint submission detail further, but believes it has reported in a material manner.