SUPPLEMENTARY REPORT 2018

GROUP FIVE
structured ingenuity

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02 YEAR UNDER REVIEW

GROUP FIVE IS AN AFRICAN CONSTRUCTION, CONCESSIONS AND MANUFACTURING GROUP WITH THE ABILITY TO DELIVER ACROSS THE FULL INFRASTRUCTURE LIFECYCLE.

OUR FOCUS IS INCREASINGLY SHIFTING TOWARDS

CONCESSIONS, DEVELOPMENTS AND OPERATIONS AND MAINTENANCE

WHERE WE HAVE SUCCESSFULLY OPERATED FOR 23 YEARS.

The group is headquartered in South Africa, with operations largely focused on sub-Saharan Africa.

We also operate in countries in Europe. We have operating experience in 29 countries.

INTRODUCTION

01

Themba Mosai
Chief executive officer

AS A MANAGEMENT TEAM WE HAVE WORKED EXTREMELY HARD TO IDENTIFY THE BEST COURSE OF ACTION FOR THE GROUP GOING FORWARD.

CHIEF EXECUTIVE OFFICER'S MESSAGE

MY FIRST FULL YEAR AS CEO AT GROUP FIVE WAS AN EXTREMELY CHALLENGING TIME, WITH A NUMBER OF CRUCIAL ISSUES TO ADDRESS.

AS OUTLINED TO THE MARKET DURING THE YEAR, AGAINST TOUGH MARKET CONDITIONS AND SEVERAL INTERNAL PROBLEMS, WE FACED SEVERE LIQUIDITY ISSUES, WITH MANAGEMENT UNDER PRESSURE TO ENSURE WE SECURE THE SURVIVAL OF THE GROUP.

ACTIONS TAKEN

In this environment, as a management team we have worked extremely hard to identify the best course of action for the group going forward.

While dealing with several immediate and pressing challenges, we also focused on crystalising a revised strategy. We remain focused on continuing to hone this in a market that remains volatile, and against ongoing internal challenges.

As guided at interim results time, we restructured our business with a focused strategy of Developments and Investments (D&I) and Operations & Maintenance (O&M) as the core businesses of the group.

Unsustainable businesses in the Construction cluster were closed after assessing these against the availability and reliability of market demand and internal core competency and skills. A number of businesses, specifically within the Construction: South Africa segment, was exited, with some businesses materially downsized. The Construction: South Africa segment now includes a focused Building & Housing business, a smaller refined civil engineering capability and a Structural, Mechanical, Electrical, Instrumentation & Piping (SMEIP) business. The Construction: Rest of Africa business is focused on SMEIP works.

However, based on shareholder engagement, as well as the continued worsening of both the markets and the underperformance in our Construction and Engineer, Procure and Construct (EPC) businesses since identifying this new structure, we concluded that the time has come for us to acknowledge that we need a clear shift in direction.

We therefore presented a few options to the board that were considered for our future path. Following significant analysis and consultation, we have concluded that the best strategy for us is to transform into an infrastructure solutions company.

Developments & Investments and Operations & Maintenance will ensure that we concentrate on the areas where we know we can succeed. The Developments & Investments cluster provides the route to market for infrastructure funders. The Operations & Maintenance cluster aims to build on long term, sustainable annuity revenue and cash flow, as well as leveraging current expertise into new sectors and geographies.

Our new strategy will involve a decreased focus on Construction, EPC and the Turnkey Project Solutions business with an exit from Manufacturing. As a board and management we remain focused on evaluating the strategy to ensure ongoing relevance.

We will concentrate only on sub-Saharan Africa and Europe in the sectors of transport, water, power and real estate.

SAFETY

Despite our continuing emphasis on compliance with all rules and regulations, sadly and extremely unacceptably, we suffered another sub-contractor fatality this year in the Construction cluster following the two of last year and four of the previous year.

This marks three years of fatalities in the group, confirming that although we have the correct procedures in place, people still often do not adhere to these.

Our condolences go to Mr Jabulani Shandu's family. Mr Shandu lost his life when a crane that was being dismantled fell on him when he entered a prohibited barricaded area.

Our evaluations found that many safety incidents all involved human error and could have been prevented. In light of this, we have taken firm action by disciplining employees for unsafe behaviour and conducted thorough accident investigations to learn from each accident or near-miss that occurred.

Disciplinary action was taken against 77 people who were found to have violated safety rules and procedures. Of these, 64 received warnings and 13 were dismissed.

OUR PEOPLE

Our employees have been under enormous stress his year whilst management has been focusing on the survival of the group. Unfortunately, we had to retrench 602 permanent employees and almost 400 temporary employees in total this year.

I realise it is extremely taxing for people to focus on their daily jobs in this environment. It is therefore crucial that we roll out our new strategy to provide certainty to our employees.

LOOKING FORWARD

The year ahead will remain demanding. As a management team, we will focus on implementing the necessary changes in our strategy and structure.

We are also in discussions to identify any potential partnerships that will assist us with the implementation of our strategy.

The management and I remain committed to steer this group to a more stable place.

STAKEHOLDER ENGAGEMENT

THE GROUP FACED AN EXTREMELY DIFFICULT YEAR, WITH SIGNIFICANT INTERNAL AND EXTERNAL CHALLENGES. THIS NECESSITATED ONGOING CRISIS MANAGEMENT FROM THE MANAGEMENT TEAM AND THE BOARD.

Although the team aimed to engage with all stakeholders effectively, the operational and financial challenges at times took all of management's and the board's attention to the detriment of certain stakeholder groups.

As a board and management team we fully understand that more regular engagement with especially employees and shareholders are crucial to ensure continued support for the group.

REASONS FOR ENGAGEMENT

BUSINESS ORGANISATIONS

As business organisations often influence opinions based on interaction with a wide base of constituents, it is important for us to understand the macro environment and their objectives to ensure alignment and relevance. The peer group collective in business organisations is also important to create unified industry views.

ANALYSTS AND MEDIA

Analysts and media provide other stakeholders, especially clients, providers of equity capital (shareholders) and providers of debt capital (bankers) with research and information on the group, its performance and challenges.

EMPLOYEES

Employees drive our business through their enterprise, skills and commitment.

BUSINESS PARTNERS

We select business partners that complement our product and service offering to deliver complete infrastructure solutions to clients. Our sector strategies rely on current and future technical partnerships to align our business approach and values at inception and during implementation of contracts.

CLIENTS

Our existence and growth depend on providing effective solutions and infrastructure to clients in line with their requirements.

COMMUNITIES

We engage with communities that are located around our contracts, as the people in communities live and work close to our operations. Understanding and aiming to meet their needs is critical for the successful completion of contracts, especially in the context of South Africa where community unrest is increasing.

GOVERNMENT AS A REGULATOR

As the group operates in a growing number of sectors and countries, adequate communication with relevant government bodies is critical for compliance with legislation.

PROVIDERS OF FINANCIAL RESOURCES (including debt providers and equity shareholders)

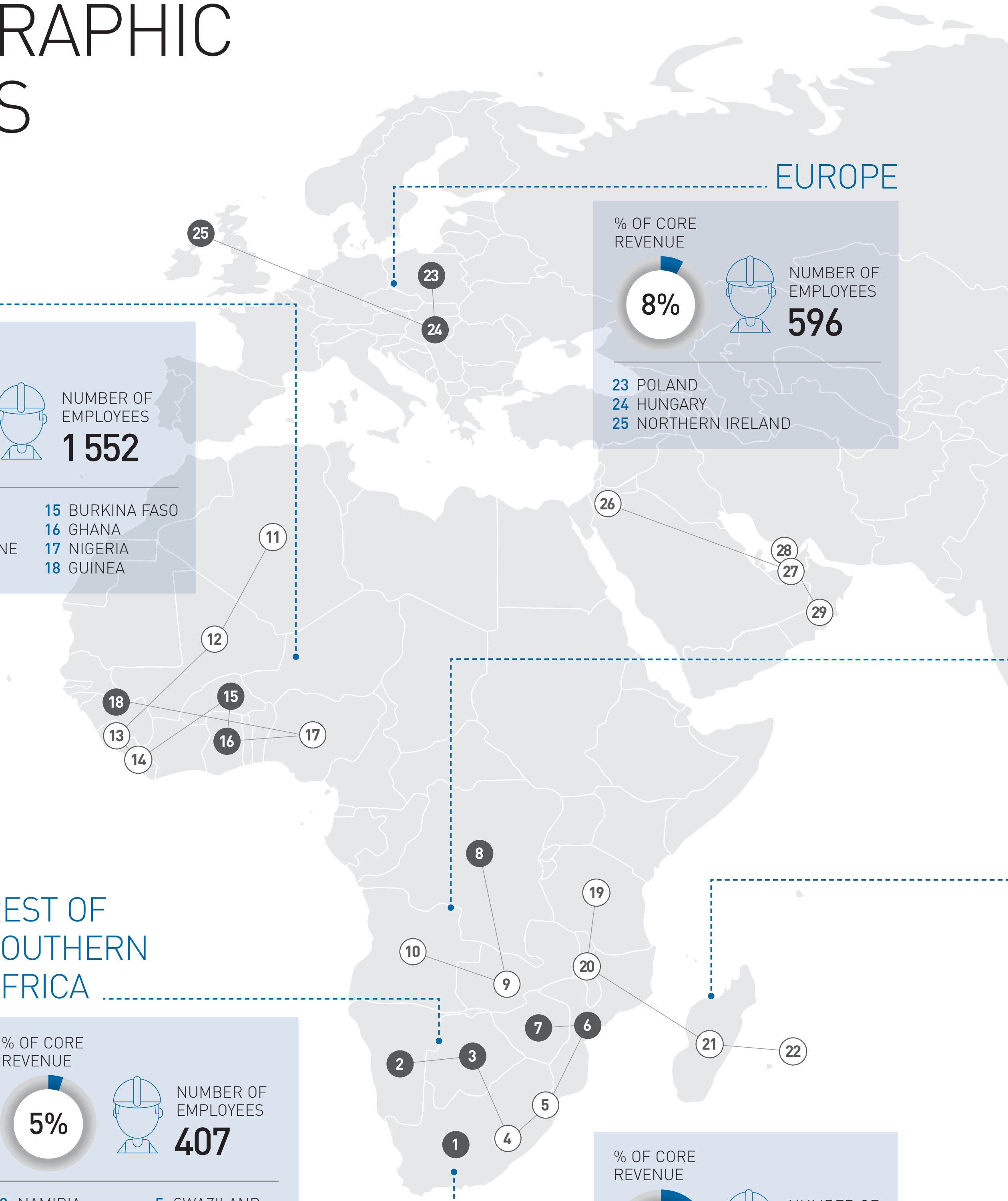
Providers of debt and equity are core to our existence and growth. The group's financial strength is generated from the initial backing of equity from shareholders, debt from bondholders and bankers, as well as financial guarantees from bankers and insurance companies.

Without access to guarantee facilities, the group would not be able to tender for contracts. The group's equity materially defines the group's ability to access guarantees and growth opportunities.

EDUCATION AND TRAINING INSTITUTIONS

Being an attractive employer is fundamental to our ability to source, retain and develop the best talent in the market. Group Five creates partnerships with external training and education institutions to identify talent for our bursary programmes and employee pipeline.

GEOGRAPHIC FOCUS



WEST AFRICA

% OF CORE REVENUE

8%

NUMBER OF EMPLOYEES

1 552

11 ALGERIA
12 MALI
13 SIERRA LEONE
14 LIBERIA
15 BURKINA FASO
16 GHANA
17 NIGERIA
18 GUINEA

EUROPE

% OF CORE REVENUE

8%

NUMBER OF EMPLOYEES

596

23 POLAND
24 HUNGARY
25 NORTHERN IRELAND

REST OF SOUTHERN AFRICA

% OF CORE REVENUE

5%

NUMBER OF EMPLOYEES

407

2 NAMIBIA
3 BOTSWANA
4 LESOTHO
5 SWAZILAND
6 MOZAMBIQUE
7 ZIMBABWE

Revenue reflects total core revenue from operations.

Employees reflect total staff thus including staff employed by joint venture equity accounted and discontinued operations.

SOUTH AFRICA

% OF CORE REVENUE

77%

NUMBER OF EMPLOYEES

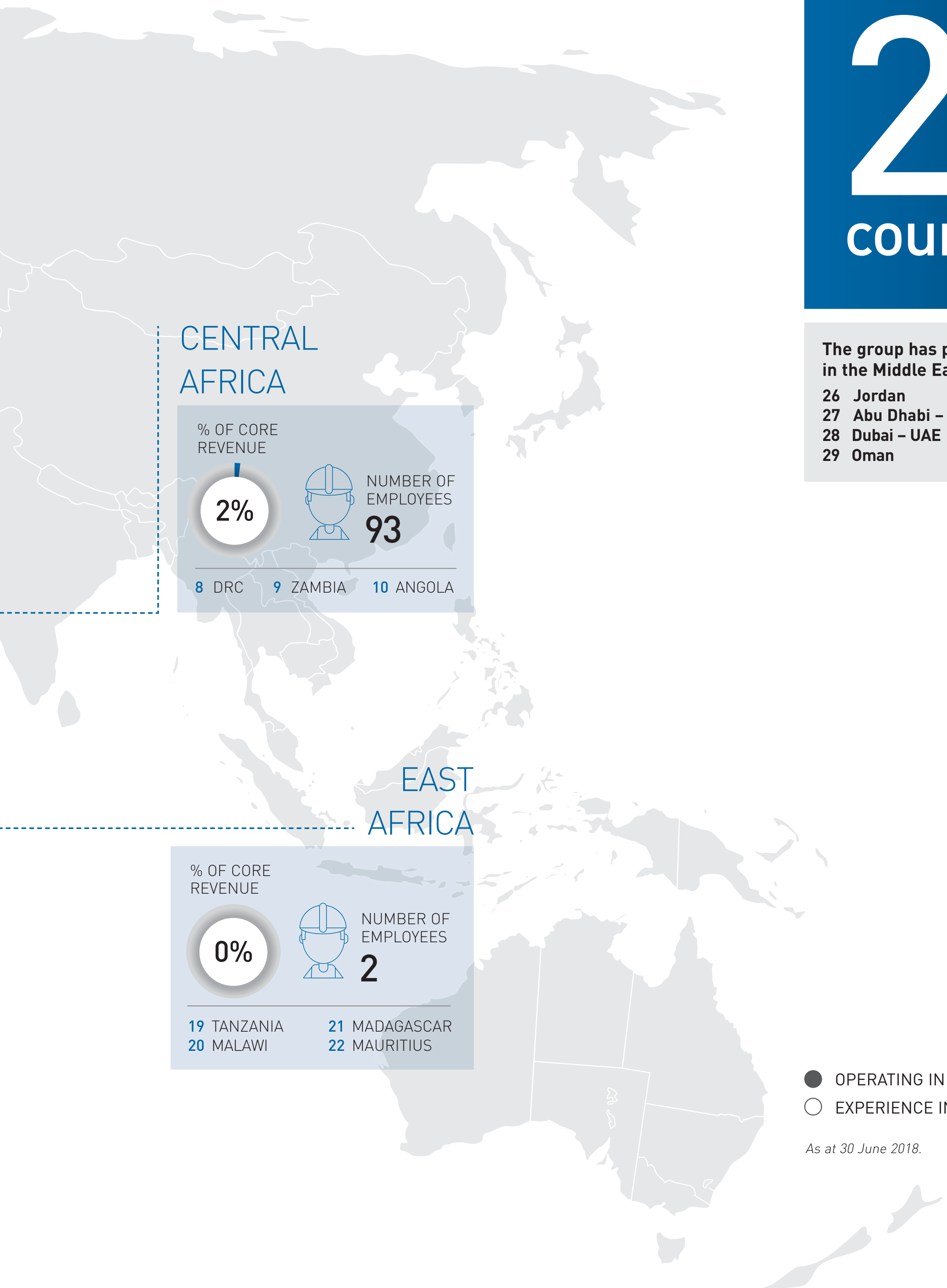
4 744

1 SOUTH AFRICA

GEOGRAPHIC EXPERIENCE IN 29 countries

The group has previously operated in the Middle East.

26 Jordan
27 Abu Dhabi – UAE
28 Dubai – UAE
29 Oman



CENTRAL AFRICA

% OF CORE REVENUE
2%

NUMBER OF EMPLOYEES
93

8 DRC 9 ZAMBIA 10 ANGOLA

EAST AFRICA

% OF CORE REVENUE
0%

NUMBER OF EMPLOYEES
2

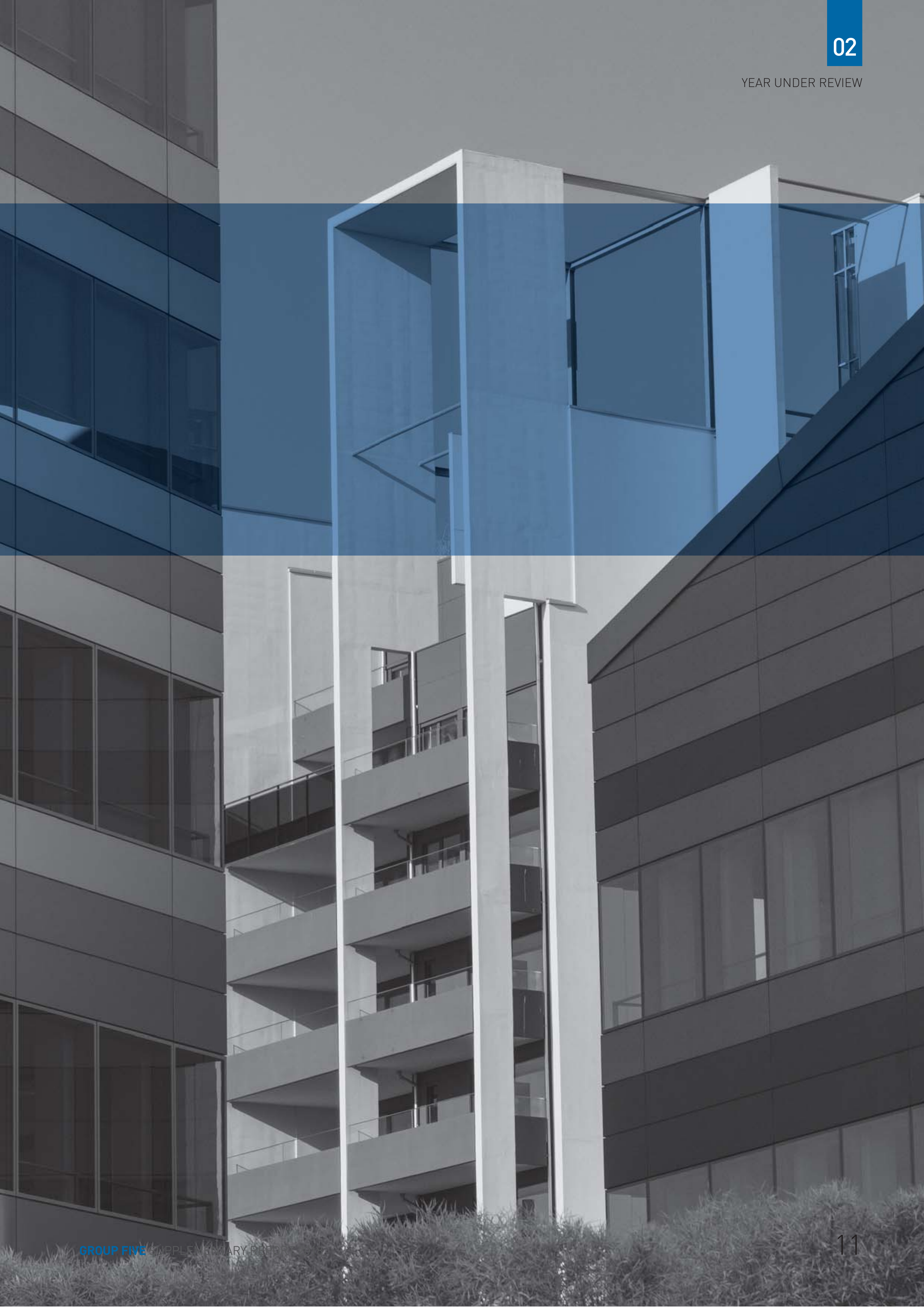
19 TANZANIA
20 MALAWI
21 MADAGASCAR
22 MAURITIUS

● OPERATING IN REGION
○ EXPERIENCE IN REGION

As at 30 June 2018.

YEAR UNDER REVIEW

02



KEY MEASURES

GROUP SCORECARDS

THE GROUP HAS REPORTED AGAINST A NUMBER OF SCORECARDS FOR SEVERAL YEARS TO ALLOW READERS TO TRACK OUR PROGRESS.

B-BBEE SCORECARD

The revised Construction Sector Code was gazetted on 1 December 2017. Our 2018 Broad-Based Black Economic Empowerment (B-BBEE) audit was concluded in September 2018 and our new score is a market-leading level 1 and based on the new code and not the Generic Scorecard as in the last two years.

B-BBEE Generic Code				Historic Performance			
Measurement principle	Points	**F2018 Target**	**Actual F2018**	Measurement principle	Actual F2017	Actual F2016	Actual F2015
Preferential spend with all suppliers	6	**80.0%**	**76.1%**	Preferential spend with all suppliers	85.2%	71.0%	73.1%
Preferential spend with qualifying small enterprises (and emerging micro-enterprises)	3	**15.0%**	**19.7%**	Preferential spend with qualifying small enterprises (and emerging micro-enterprises)	21.0%	24.3%	23.3%
Preferential spend with emerging micro-enterprises	3	**15.0%**	**11.9%**		19.5%		
Preferential spend with enterprises that are more than 51% black-owned	4	**20.0%**	**42.1%**	Preferential spend with enterprises that are more than 50% black-owned	35.0%	21.1%	18.2%
Preferential spend with enterprises that are more than 30% black women-owned	3	**12.0%**	**11.9%**	Preferential spend with enterprises that are more than 30% black women-owned	13.8%	5.6%	4.4%
Weighted score	19		**18.1**	Weighted score	23.9	19.40	19.10

EMPLOYMENT EQUITY SCORECARD

Sustainability indicator	**F2018**	F2017	F2016	F2015	F2014	F2013
Total employee headcount (all employees)	**7 394**	8 472	9 313	12 178	14 485	13 659*
Number of unionised employees	**1 424**	1 345	1 442	2 115	2 494	2 120
% of permanent employees on medical schemes	**64**	44	43	52	46	49
% of employees over-border	**30**	35	24	19	24	25
% of black employees within the South African permanent workforce	**85**	82	88	89	89	89
% of black employees in Paterson grades F and E (executive and senior management)	**32**	31	30	27	21	19
Number of black male bursary students	**10**	49	61	66	63	42
As a % of total bursary students	**81**	56	52	49	52	55
Number of black female bursary students	**12**	39	39	46	22	12
As a % of total bursary students	**44**	44	33	34	20	16

* *Excluded 60 employees in the Construction Materials cluster, as the business was in the last stages of being sold.*

SKILLS DEVELOPMENT

Sustainability indicator	F2018	F2017	F2016	F2015	F2014	F2013
a) Annual value spent on training and development programmes – (R million)	**19,3**	33,6	31,8	40,2	45,1	37,1
i) Total number of training interventions*	**530**	12 451	16 698	13 133	14 928	9 125
ii) Total number of training interventions – semi-skilled and unskilled*	**223**	7 492	8 898	5 754	6 029	4 007
b) Annual value incurred on bursary expenditure – (R million)	**1,9**	6,6	7,9	8,4	7,2	5,1
i) Number of bursary students	**27**	88	118	136	111	76
ii) Number of female bursary students	**12**	39	42	50	26	15
c) Annual value spent on learnerships and apprenticeships – (R million)	**1,5**	6,2	5,4	7,2	5,1	3,6
i) Learners on learnership and apprenticeship programmes	**81**	154	170	186	174	90
ii) Unemployed learners registered on learnership and apprenticeship programmes	**71**	134	140	130	120	66
d) Number of students on leadership programmes	**64**	95	96	28	8	21
e) Total annual training spend – black employees – (R million)	**12,1**	11,1	13,5	15,5	19,3	15,4

* *For employees.*

ENTERPRISE DEVELOPMENT SCORECARD

Sustainability indicator	F2018	F2017	F2016	F2015	F2014	F2013
Annual value of total direct costs incurred by the group – (R million)	**0,9**	0,6	0,3	1,1	1,3	0,9
Value of funding provided by the group – total capital due to the group as at 30 June – (R million)	**18,5**	16,8	12,0	7,5	8,8	9,8
Number of black-owned entities with which the group is engaging in significant joint venture partnerships*	**4**	6	3	6	12	15
Number of formal enterprise development partnerships	**21**	17	16	11	13	13
Total value of contracts being executed with black-owned joint venture partners* – (R billion)	**1,1**	2,9	0,8	1,0	3,1	5,9
Construction scorecard points obtained out of 15	**15**	15	15	15	15	15

* *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.*

SOCIO-ECONOMIC DEVELOPMENT (SED) SCORECARD

Sustainability indicator	**F2018**	F2017	F2016	F2015	F2014	F2013
Targeted SED spend as a % of SA operations' net profit after tax should exceed 1%	**yes**	yes	yes	no*	yes	yes
Total annual spend on SED programmes – (R million)	**1,2**	2,4	3,2	2,6	6,1	5,6
Number of unemployed people trained as part of the People at the Gate programme	**–**	54	34	118	536	524
% of unemployed people securing positions after training	**–**	100	100	70	90	80
Number of non-profit organisations benefiting from the group's SED programmes	**15**	35	48	55	75	38

* *Due to the tough market and operational conditions, this represented 0.9%.*

GOVERNANCE

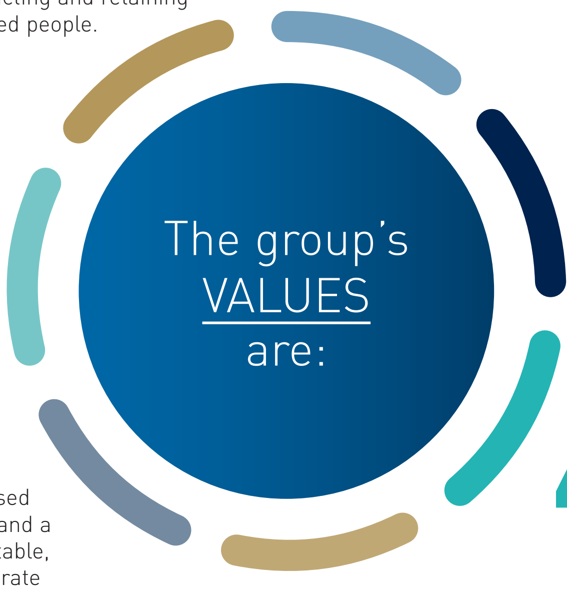
VALUES AND ETHICS

DELIVERY ON F2018 FOCUS AREAS:

IN THE GROUP'S F2017 INTEGRATED ANNUAL REPORT, WE OUTLINED A NUMBER OF FOCUS AREAS. THE TABLE INDICATES HOW WE DELIVERED AGAINST THESE:

FOCUS AREAS FOR F2018	DELIVERY
Continued alignment of our policies and procedures with new legislation.	• Our policies are constantly reviewed to ensure alignment with current legislation
Further awareness of what constitutes sexual harassment to prevent additional cases.	• During the group's training on the Code of Conduct, emphasis was placed on addressing and explaining what constitutes sexual harassment. There were no cases reported this year after two years of cases
Continued awareness of potential fraudulent orders to stakeholders and suppliers.	• Arrests were made and we have provided guidelines on how clients and suppliers can verify Group Five-related purchase orders for authenticity
Additional training on the Group Five Anti-Bribery and Anti-Corruption Policy.	• This formed part of the Code of Conduct training

OUR VALUES



1 **PEOPLE**
We strive to be the employer of choice, attracting and retaining skilled people.

2 **EXCELLENCE**
We aim to deliver quality and value in our chosen sectors through integrated solutions, products and services.

3 **TRANSFORMATION**
We are working towards sustainable and relevant group transformation.

4 **CLIENT FOCUS**
Drawing on Group Five's multi-disciplinary expertise, we deliver tailor-made solutions to meet our clients' requirements.

5 **INNOVATION**
We continuously seek to develop and implement new and improved ways to deliver our solutions, products and services.

6 **INTEGRITY**
Based on recognised codes of conduct and a system of accountable, transparent corporate governance, we aspire to maintain a high standard of business integrity.

7 **PERFORMANCE**
We aim to generate growth for shareholders through a client-centric focus and superior technical and business solutions.

ETHICS

THE GROUP'S CODE OF CONDUCT IS THE CORNERSTONE THAT GUIDES US ON HOW WE DO BUSINESS, HOW WE CONDUCT OURSELVES AND HOW WE ENGAGE WITH OUR STAKEHOLDERS.

In the current economic context, there was a renewed emphasis and awareness on training employees on what constitutes unethical business practices.

The Group Five Code of Conduct covers the following areas:

- ANTI-COMPETITIVE BEHAVIOUR
- PEOPLE AND SAFETY
- THE ENVIRONMENT AND COMMUNITIES
- ETHICAL BUSINESS PRACTICES
- USE OF GROUP FIVE ASSETS AND RESOURCES
- STAKEHOLDER ENGAGEMENT

THE GROUP HAS A FORMAL CODE OF ETHICS AND A TIP-OFFS ANONYMOUS LINE.

The number is:

0800 00 48 11

IT IS AN INDEPENDENTLY MANAGED SERVICE TO ENSURE CONFIDENTIALITY.

SUSPICIOUS BEHAVIOUR AND TRANSGRESSIONS ARE REPORTED THROUGH OUR TIP-OFFS ANONYMOUS LINE. THIS LINE IS OPERATED BY AN INDEPENDENT THIRD PARTY, WITH STRICT ADHERENCE TO KEEPING THE IDENTITY OF THE WHISTLE BLOWER CONFIDENTIAL.

The group compliance and ethics officer reports quarterly on all tip-offs to the Group Five transformation & sustainability committee. The nature of transgressions, the outcome of the investigation, recommendations on the actions to be taken and any subsequent disciplinary hearings are outlined.

DURING THE YEAR, WE HOSTED FOUR TRAINING WORKSHOPS AND TRAINED 104 EMPLOYEES.

There was a decrease in the number of reported cases involving fraud in F2018, with reported fraud-related matters decreasing from eight to three. Theft increased from seven to nine cases, mainly due to petty theft cases involving the theft of tools. Pleasingly, there were no bribery and corruption incidents this year compared to the four last year.

Following an awareness campaign, there were also no incidents of sexual harassment following two consecutive years of incidents.

All the matters reported were successfully investigated by internal resources, leading to 12 dismissals.

The increase in HR-related cases were mainly complaints about retrenchments.

There was also a decrease in the number of reported violations relating to non-compliance with policies and procedures following continuous training to ensure employees fully understand what is expected of them.

During last year, we identified more than 110 fraudulent purchase orders from Group Five suppliers that were defrauded by individuals using the Group Five letterhead. With the assistance of the police, we were able to arrest two individuals. They have appeared in court, with a second appearance scheduled. Unfortunately, some incidents continued during the year and the group is still working with the police. As a precaution, we are regularly updating our suppliers and have provided guidelines on how they can verify Group Five-related purchase orders for authenticity.

REPORTED ETHICS VIOLATIONS

	F2018	F2017	F2016	F2015	F2014
Abuse of group time	–	–	–	1	1
Assault	1	1	2	–	–
Bribery and corruption	–	4	1	–	–
Bringing the group into disrepute	–	1	–	1	2
Conflicts of interest	2	2	2	2	7
Fraud	3	8	5	21	12
Gross negligence	1	1	1	2	1
Misuse of group property	1	4	2	3	8
HR-related complaints	6	4	4	4	11
Non-compliance with policies and procedures	2	3	7	1	4
Providing false information	–	–	–	2	2
Sexual harassment	–	2	2	–	–
Theft	9	7	6	12	9
Total	**25**	**37**	32	49	57

GROUP MEMBERSHIP OF INDUSTRY INSTITUTIONS

NAME OF ASSOCIATION	POSITION IN GOVERNING BODY	PARTICIPATION IN COMMITTEES OR PROJECTS
Bargaining Council for the Civil Engineering Industry	Yes	Yes
South African Federation of Civil Engineering Contractors	Yes	Yes
Construction Engineering Association	Yes	Yes
Black Business Council Built Environment	Yes	Yes
DEKRA	No	Yes
Black Management Forum	No	Yes

FOCUS FOR F2019

- Continued alignment of our policies and procedures to ensure it is in line with new legislation
- Ongoing awareness of potential fraudulent orders to stakeholders and suppliers
- Additional training on the Group Five Anti-Bribery and Anti-Corruption Policy

REGULATORY ENVIRONMENT

DELIVERY ON F2018 FOCUS AREAS:

IN THE GROUP'S F2017 INTEGRATED ANNUAL REPORT, WE OUTLINED A NUMBER OF FOCUS AREAS. WE INDICATE IN THE TABLE HOW WE DELIVERED AGAINST THESE.

FOCUS AREAS FOR F2018	DELIVERY
Closing out the two remaining matters with the Competition Tribunal.	• This remains ongoing
Implementing the detail around the voluntary agreement with government.	• We are in discussions with government about this
Continuous training on anti-bribery and anti-corruption.	• All existing employees have now been trained. New employees will be trained after appointment

INTRODUCTION

THE GROUP USES A RISK-BASED APPROACH TO FOCUS ON KEY LEGISLATION THAT IMPACTS OUR LICENCE TO OPERATE.

During the year, key legislation was monitored to ensure the group remains compliant with all relevant legislation.

DURING F2018, NO MATERIAL NON-COMPLIANCES WERE IDENTIFIED.

RELEVANT LEGISLATION	RESPONSIBILITY
• Companies Act • Construction Industry Development Board regulations • JSE Listings Requirements • King IV requirements	Group company secretarial department
• Tax administration	Group finance department
• Basic Conditions of Employment Act • Labour Relations Act • Employment Equity Act	Group HR department
• Broad-Based Black Economic Empowerment (B-BBEE) Act and Amendment Act	Group transformation department
• Privacy laws	Group legal, risk, compliance and ethics officer
• Corporate and commercial procurement legislation	Group legal, risk, compliance and ethics officer
• Anti-bribery and anti-corruption legislation • Competition law	Group legal, risk, compliance and ethics officer
• Safety, health and environment (SHE) legislation	Group SHE manager

RELEVANT NEW LEGISLATION

CONSTRUCTION REGULATIONS TO THE OCCUPATIONAL HEALTH AND SAFETY ACT 85 OF 1993 (OHSA)

The Construction Regulations to the Occupational Health and Safety Act 85 of 1993 (OHSA) was promulgated in 2014. The changes raised a number of queries from industry players to determine a common understanding of the interpretation, and manner of enforcement, of the 2014 construction regulations.

On 2 June 2017, the Department of Labour published guidelines which provide some clarity on the regulations and provide useful information. This includes guidance on:

- whether the appointed agent is required to be a specific person or a company or entity appointed by a client
- whether a person is "a competent person" and that all four components of competency (knowledge, training, experience and qualifications, where applicable) must be taken into account
- the limitation of the definition of "construction work" to building works and civil engineering works only
- the term "contractor" to include organisations or self-employed persons that contract with either a client, principal contractor or a contractor to carry out construction work
- the minimum competency requirements of an occupational health practitioner to enable them to issue a certificate of fitness as contemplated in the construction regulations
- what constitutes temporary works
- who must apply for a construction work permit, the application process and the rules to be adhered to by applicants

IMPACT ON THE GROUP

The guidelines have assisted compliance with the regulations and ensuring that all sub-contractors and agents are properly appointed and comply with the regulations.

NEW CONSTRUCTION SECTOR CODE

The draft Construction Sector Code was completed and gazetted for public comment last year. During March 2017, the Construction Sector Charter Council alignment team completed the incorporation of public comments and inputs into the draft code. The Minister of Trade and Industry issued Notice 931 of 2017 on the Amended Construction Sector Code (ACSC) in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act. This resulted in the amended Construction Sector Code coming into effect on 1 December 2017.

The codes relate to those entities that derive more than 50% of their revenue from construction-related activities (materials, built environment specialists and contractors).

The amended codes do not introduce any substantial changes from the version that was published for public comment in October 2016.

Changes in measurement, verification and monitoring principles and "priority elements" have been introduced. These include ownership (net value); skills development and preferential procurement; and supplier development. Should the minimum of 40% not be met on any one of them, the certificate level will be discounted one level down from the level scored.

Unincorporated joint ventures are required to have a consolidated verification certificate based on the weighting of the joint venture parties. This means that individual certificates or affidavits must be valid and meet the amended codes' requirements.

IMPACT ON THE GROUP

Even against the changes to the code, given our ownership and attention to skills development and preferential procurement, we have been able to achieve a level 2 rating.

RELEVANT NEW LEGISLATION CONTINUED

ENVIRONMENTAL LAW – CARBON TAX BILL

National Treasury published the Second Draft Carbon Tax Bill for public comment. Subsequent to this process, a revised Bill will be tabled before parliament for formal consideration and approval. Treasury has indicated that the actual date of implementation of the Bill will be in 2019.

The purpose of the Bill is to impose tax on greenhouse gas emitters. The Bill has far-reaching implications to ensure that South Africa's national-determined contribution commitments in terms of the Paris Agreement on Climate Change 2015 are fulfilled, as well as to reduce the nation's greenhouse gas emissions to align with the National Climate Change Response Policy and the National Development Plan.

When the Bill comes into law, the initial marginal carbon tax will be R120 per tonne of CO_2e (carbon dioxide equivalent). According to Treasury, the effective carbon tax rate will range between R6 to R48 per tonne CO_2e. This implementation model will be complemented by tax incentives and revenue recycling measures to allow a smooth business transition with minimal economic impact. The Bill will create a 60% basic tax-free allowance. During the implementation phases, the total tax-free allowance could be up to 95%.

IMPACT ON THE GROUP

Group Five continues to assess the potential impact on the group and the likelihood and extent of risk exposure to the carbon tax. Where possible, we will continue to transition away from a large reliance on carbon. The group already has significant experience in green building technologies.

COMPETITION AMENDMENT BILL 2017

The draft Bill, amongst others, proposes changes to sections of the Act dealing with prohibited practices, expands the factors that the competition authorities will consider when assessing mergers, allows the competition authorities to conduct impact studies, broadens the scope and effect of market inquiries, and introduces a number of procedural changes aimed at enhancing the administration of the Act. It focuses on aspects such as concentration and the racially-skewed spread of ownership of organisations in the economy.

IMPACT ON THE GROUP

The Bill introduces additional practices dealing with the abuse of dominance and prohibited actions. Following the Competition Commission hearings into collusion in the sector, Group Five reviewed its operations very carefully for prohibited activities. We continue to ensure that our terms of supply are monitored to prevent prohibited conduct.

CYBERCRIMES AND CYBERSECURITY BILL B6 OF 2017

The Bill aims to impose penalties on cybercrimes and to criminalise the unlawful securing of data, as well as the distribution of data messages which are harmful. The penalties consist of a fine, imprisonment or both.

The Bill will also amend provisions of the Regulation of Interception of Communications and Provision of Communication-related Information Act 70 of 2002.

The Bill is still under consideration by the Portfolio Committee following criticism from industry players.

IMPACT ON THE GROUP

Cybercrimes remain a growing risk. The Bill covers new crimes and offences, as well as the safety of organisations and individuals. We await the final Bill. In the interim, our IT department has implemented stringent security measures to prevent hijacking of data. It currently protects the data centre with multi-layered segmentation and threat protection.

RELEVANT NEW LEGISLATION CONTINUED

EXPROPRIATION WITHOUT COMPENSATION

On 27 February 2018, lawmakers agreed the principle of land expropriation without compensation. On 31 August 2018, the President reported back that the ANC will, through the parliamentary process, finalise a proposed amendment to the Constitution that clearly outlines the conditions under which expropriation of land without compensation can be effected. The intention of this proposed amendment is to promote redress, advance economic development and increase agricultural production and food security.

IMPACT ON THE GROUP

The group will monitor developments closely in the context of its property holdings and property investments. The ruling political party has promised that the proposed expropriation will be carried out in an orderly manner without impacting food and economic security.

COMPLIANCE ENFORCEMENT UPDATED

KING IV CODE OF GOOD CORPORATE GOVERNANCE (KING IV)

The Institute of Directors in Southern Africa (IoDSA) and the King Committee released King IV to be effective in respect of the financial years starting on or after 1 April 2017. In addition, in June 2018, the JSE made the code mandatory for listed entities by including the code's provisions in the exchange's listing conditions.

King IV has moved from "apply or explain" to "apply and explain".

In addition, the revised Listings Requirements required a company's integrated annual report to fully disclose its remuneration policy and implementation report.

The Listings Requirements state that the remuneration policy and the implementation report must be tabled every year for separate non-binding advisory votes by shareholders at the annual general meeting.

In terms of the B-BBEE regulations, a company's compliance report on its B-BBEE status must include the scores received by the listed entity in the elements of ownership, management control, skills development, enterprise and supplier development, socio-economic development, and any other sector-specific element.

In addition to their policy on the promotion of gender diversity at board level, the JSE now requires listed entities' integrated annual reports to include their policy on the promotion of racial diversity at board level, including the nomination and appointment of directors.

UPDATE FROM PREVIOUS YEAR

A gap analysis was performed by the company secretary. The group already complies with the majority of King IV and will continue to measure its reporting against King IV.

UPDATE ON RELEVANT LEGISLATION REPORTED IN OUR F2017 INTEGRATED ANNUAL REPORT

EMPLOYMENT – TOBACCO PRODUCTS AMENDMENT ACT

The proposals, first mooted in 2015, have garnered significant public interest as they propose a number of strict new smoking laws, including:

- A zero-tolerance policy on indoor smoking in public places (including the removal of designated smoking areas in restaurants)
- A ban on outdoor smoking in public places
- When smoking outside, smokers must be at least ten metres away from public entrances

IMPACT ON GROUP FIVE

Current policies and procedures regarding smoking at our offices do not differ significantly from the mooted proposals. This should therefore not impact the group or its employees significantly.

ANTI-CORRUPTION

In the year under review, there were no legal or criminal proceedings instituted against any senior employee or director of the group arising from alleged violations of anti-corruption legislation.

DURING THE YEAR, MORE THAN 100 EMPLOYEES RECEIVED TRAINING ON THE GROUP'S CODE OF CONDUCT.

ANTI-COMPETITION

On Wednesday 27 June 2018, the group attended a hearing with the Competition Commission (the Commission) after receiving conditional leniency from the Commission relating to disclosures made to the Commission by the group in 2009.

The contracts to which these activities related were executed between 2004 and 2008 and formed the basis of Group Five's submission to the Commission in terms of possible transgressions. These disclosures allowed the Commission to launch its investigation into collusive behaviour in the sector.

This hearing, coupled with the conditional immunity already granted to Group Five, allows it to progress to finalising its leniency process with the Commission. We are pleased with the progress towards closure on these matters which relate to activities of more than a decade ago.

In relation to the two remaining projects under review by the Commission, we are hopeful that these matters can be resolved speedily on reasonable and equitable terms to the group.

VOLUNTARY REBUILD PROGRAMME (VRP)

During the previous financial year, the group, together with six other construction companies, entered into a voluntary agreement with the government of South Africa to implement a programme of initiatives to significantly accelerate transformation of the construction sector in South Africa. Given the extensive restructuring across the Construction cluster of the group, we have requested an extension of time to implement our VRP obligations.

FOCUS FOR F2019

- Monitor all relevant regulatory matters and apply them consistently across the group
- Streamline internal processes to ensure efficiency and compliance
- Work towards finalising our VRP commitment
- The board approved the amalgamation of the roles of internal audit and risk into a governance, risk and compliance function (GRC). This will ensure a more focused approach to risk and compliance

RISK MANAGEMENT

DELIVERY ON F2018 FOCUS AREAS:

IN THE GROUP'S F2017 INTEGRATED ANNUAL REPORT, WE OUTLINED A NUMBER OF FOCUS AREAS. BELOW WE INDICATE HOW WE DELIVERED AGAINST THESE:

FOCUS AREAS FOR F2018	DELIVERY
With South African markets remaining depressed, we will supplement our local strategy with further expansion into the rest of Africa and other chosen geographies.	• As outlined to the market, the group has reviewed its strategy to ensure an improved performance going forward
Continue to implement tighter controls to manage operational risk and internal challenges in the Engineering & Construction cluster. We will increase the discipline implemented to ensure employees adhere to our procedures, as well as implement training around lessons learnt.	• Our contract lifecycle was enhanced and embedded into the operational processes of the life of a contract. As outlined in the results, execution has improved • As communicated, we are decreasing our focus on EPC and Construction
The group's business continuity plans will be revised in F2018 following the major restructuring during the year to ensure that these are still appropriate and effective.	• The business continuity plans are under review due to the ongoing business restructuring, and following the relocation of all our businesses from our central office

Please refer to our integrated annual report that contains detailed information about our key risks and material issues and how they were addressed in the year .

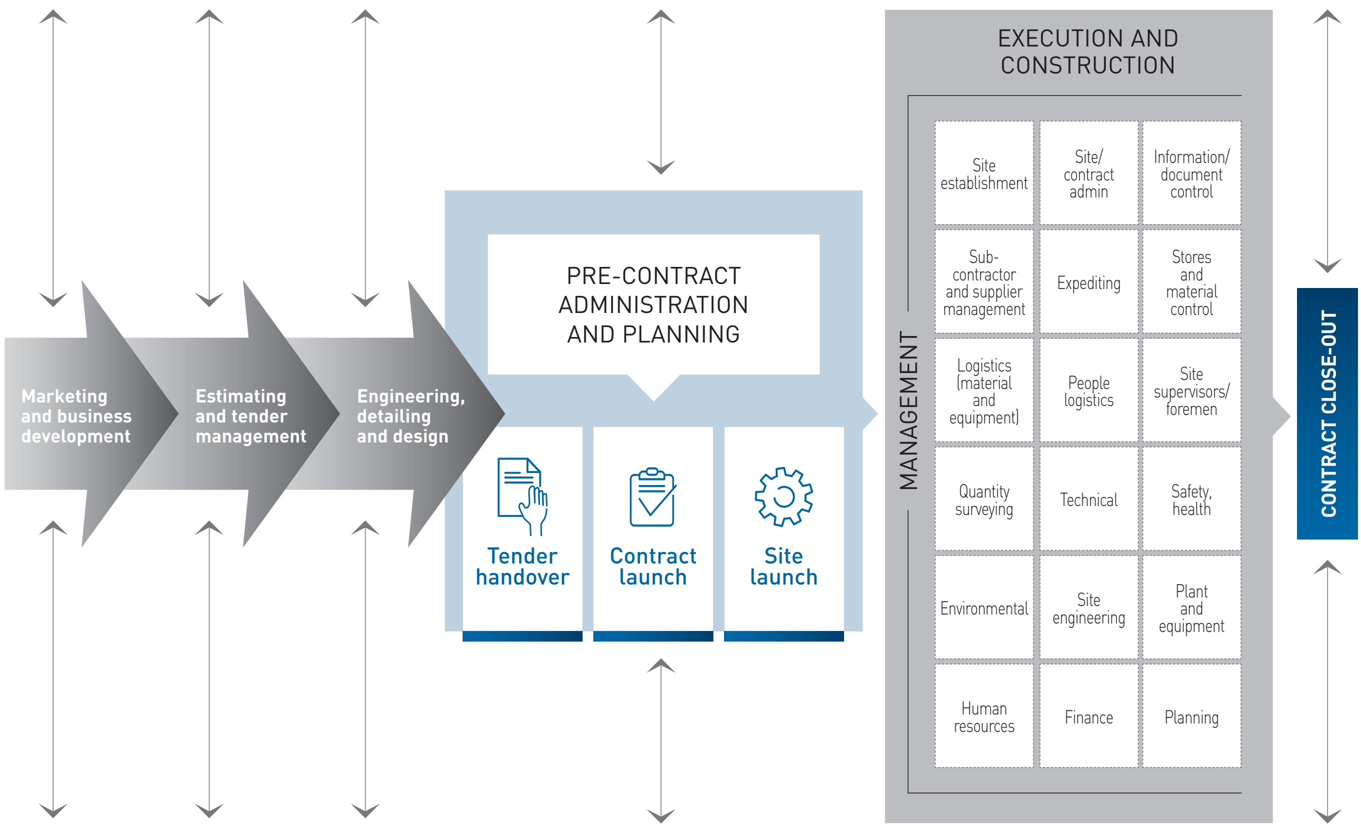
THE VOLATILE CONDITIONS DURING THE YEAR CONTINUED TO INDICATE THAT ALTHOUGH WE HAVE VERY GOOD RISK SYSTEMS IN PLACE, OUR PEOPLE'S ADHERENCE TO THESE ARE SOMETIMES LACKING.

DURING THE YEAR, WE TOOK ADDITIONAL STRINGENT ACTION, AS OUTLINED IN THIS REPORT. SEVERAL PEOPLE WERE DISCHARGED FOR NON-ADHERENCE TO RISK PROCEDURES.

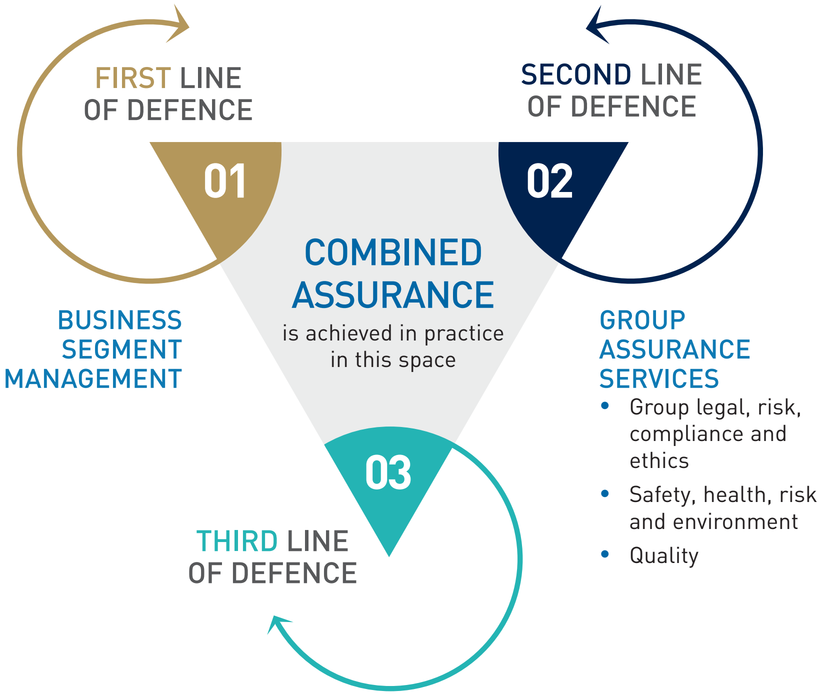
The group's risk management framework is focused on managing risks at three levels.

RISK MANAGEMENT PROGRESSION

Although the contract lifecycle (CLC) has been fully embedded into our daily operating procedures, our people's adherence to processes sometimes requires attention. To address this, we have enhanced our monitoring controls at contract level and implemented more stringent accountability. The diagram below depicts the CLC procedure.



The CLC requires a contract to pass through a number of internal hurdles within the business development and estimating and tender management phases before the contract sponsor is granted the mandate to pursue the contract. The CLC process allows for a full interrogation of the contract. This includes financial and over-border regulatory aspects through the contract process.



EXTERNAL ASSURANCE SERVICES

- Internal audit
- External audit
- External industry/discipline certification

THE COMBINED ASSURANCE MODEL

During the year under review, we continued with the implementation and roll out of the combined assurance model.

THE GROUP RISK FUNCTION CONTINUES TO FACILITATE THE COMBINED ASSURANCE EFFORTS ACROSS CLUSTERS AND BUSINESS SEGMENTS TO ENSURE A COORDINATED APPROACH.

This enables us to present a consolidated view of the key strategic and operational risks to the board.

We have also been able to segregate roles and responsibilities between our assurance providers. The combined assurance plans are submitted quarterly to the board for review and approval.

The governance, risk, compliance and assurance officer (GRCA) facilitates the process to assess the completeness of the risks being assured and the adequacy of the mitigation actions implemented by the business. However, when a material risk emerges during these sessions, they are dealt with immediately by the GRCA in conjunction with the CEO and relevant executive and operational teams. The output and findings of these sessions are presented to the risk committee at the quarterly board meetings to assess the effectiveness of procedures and to support the appropriateness of the financial results.

The combined assurance meetings/sessions seek to achieve the following:

- Discuss key risks reflected in the combined assurance risk plan to ensure the risk plan is valid, accurate and complete
- Finalise assurance providers
- Finalise the extent of assurance required from each level of defence
- Eliminate unnecessary duplication of effort between parties
- Evaluate the outcome of assurance provider assessments from the previous reporting date and determine whether key risks and controls are effectively managed and mitigated, as well as applying corrective action where required

The combined assurance process involves cluster executives who are executive committee members, as well as representatives responsible for the implementation and review of the combined assurance plans.

Internal audit as the third line of defence has a crucial role to provide assurance on the effectiveness of risk management activities performed by the first and second lines of defence. First and second lines of defence include business segments, which own and manage risk and various risk management and compliance activities, such as risk management, compliance, legal, and safety, health, environment and quality (SHEQ).

The combined assurance plans have resulted in a number of improvements, including the quality of controls used to mitigate identified risks and quarterly tracking of the effectiveness of implemented controls. However, a number of combined assurance initiatives have been implemented at the contract level to ensure effective, real-time risk responses..

RISK-BEARING CAPACITY

The risk-bearing capacity (RBC) model is one of the tools used to determine the group's risk capacity against its risk appetite.

It acts as a rigid financial capacity measuring tool.

The RBC methodology determines what capacity is still available in the group to take on new contracts, investments or opportunities and clearly quantifies the monetary value of current trading based on the group's balance sheet.

The group's credit rating also influences the RBC and is taken into consideration when making both operational and strategic decisions.

Our value at risk (VaR) for current contracts, which is a statistical technique, is used to measure and quantify the level of financial risk within the group.

LOSS-/PROFIT-MAKER RATIO

Although significant focus was placed on improving site performance and execution on contracts, our loss-/profit-maker ratio continued to deteriorate. Our Kpone contract had the worst impact on the group, leading to a total loss ratio of 76%. Excluding Kpone, the ratio was 36%, which indicate that our processes on sites are still not translating to a consistently improved performance. As reported, the group is reducing its focus on construction towards developments and investments.

PROTECTION OF ASSETS

Key assets in the group are protected under a comprehensive insurance portfolio that is jointly managed by the chief financial officer (CFO) and the governance risk compliance and assurance officer (GRCA officer). Cover for the different categories of insurance is assessed annually and amended for business activities. We have not experienced inadequate insurance cover and believe that the nature and value of the group cover is adequate to safeguard our assets.

The classes of insurance are outlined below. This excludes individual contract-specific cover which is required in terms of the group's prescribed policies for particular kinds and sizes of contracts.

CATEGORIES OF INSURANCE

1 ASSETS

All-risk insurance for property, machinery, stock in trade, as well as business interruption/loss of profit insurance for Manufacturing segments.

2 COMMERCIAL CRIME/FIDELITY GUARANTEE

Provides insurance to the group for the theft of money or loss incurred through collusion or fraud by employees.

3 PUBLIC LIABILITY

General liability covering 14 classes of public liability cover.

4 PROFESSIONAL INDEMNITY

Provides insurance for errors and omissions in design and detailing by a suitably-qualified professional.

5 PLANT ALL RISKS

All-risk cover for plant and equipment (excluding vehicles classified as motor) owned or hired by Group Five.

6 CONTRACT WORKS

Covers contract works.

7 MOTOR

Damage and third-party liability insurance for all vehicles owned, leased or hired by Group Five.

8 DIRECTORS' AND OFFICERS' LIABILITY

Protection of directors and officers in their personal capacity for wrongful acts on behalf of the group.

9 SASRIA

Insurance against riots, public disorder and terrorism for the following classes of insurance:

- Assets
- Plant
- Motor
- Contract works

CORPORATE GOVERNANCE REVIEW

The board functions within the ambit of a written charter through which it maintains oversight of the management and control structure of the group. The board retains full and effective control of the group and is ultimately accountable and responsible for the performance of the group.

This includes the responsibility for reviewing and guiding corporate strategy through the establishment of key policies and objectives, understanding the key risks faced by the group, determining the risk appetite, tolerance and preferences of the group and the processes to mitigate these. In discharging its responsibilities, the board is supported by various board committees and senior management.

THE BOARD OF GROUP FIVE WAS RECONSTITUTED IN JULY 2017 FOLLOWING SHAREHOLDER ACTION. THE NEW BOARD FACED EXTREMELY VOLATILE TRADING CONDITIONS AND SIGNIFICANT INTERNAL CHALLENGES THIS YEAR. THE GROUP ALSO HAD TO BE RECAPITALISED TO ADEQUATELY MEET ITS WORKING CAPITAL REQUIREMENTS IN THE SHORT TERM.

As indicated on page 6, stakeholder engagement was impacted, as the board and management had to focus on the business-critical crises. The board was required to focus on certain immediate challenges, such as the Kpone contract and various group-wide funding partners to ensure it remains a going concern.

As a board we have committed to review the group's stakeholder engagement processes to formulate a framework that promotes improved communication.

Please refer to the chairperson's letter in the integrated annual report for additional information.

BOARD INDUCTION

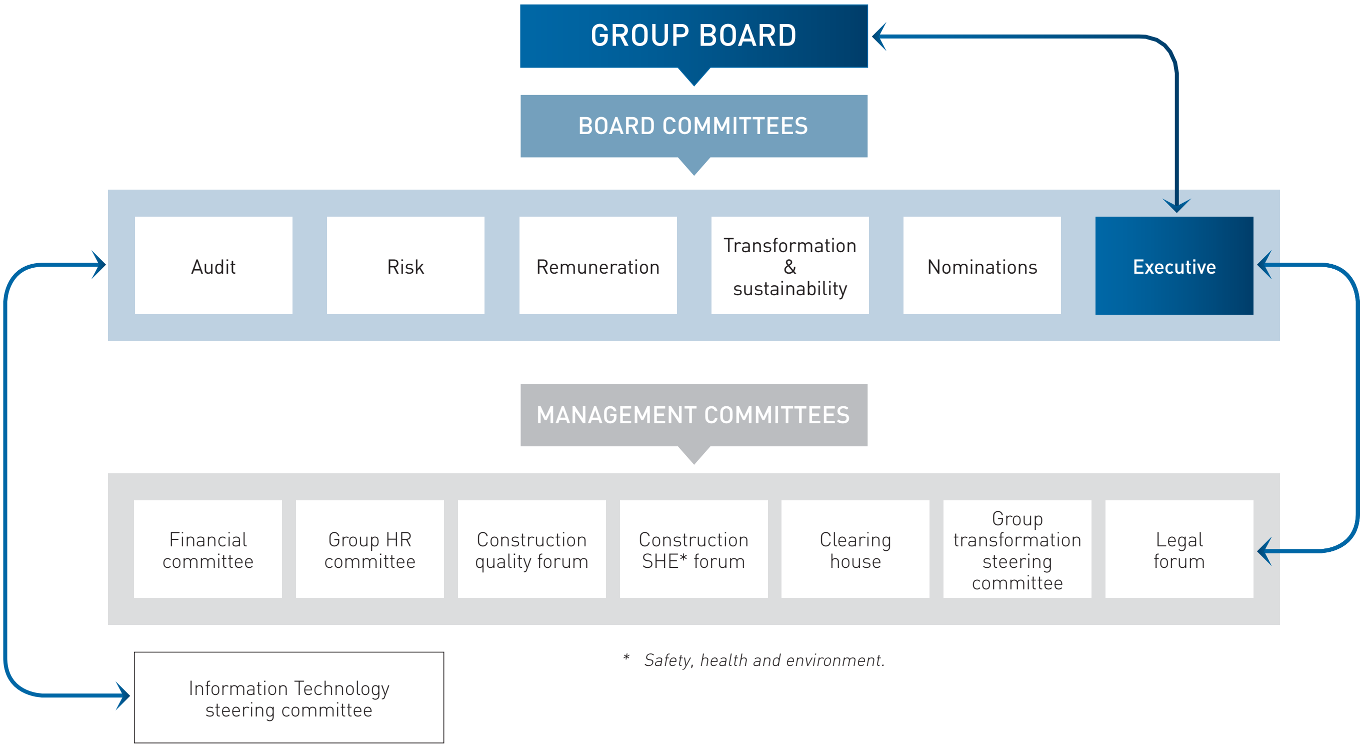
An induction programme was conducted for the newly-appointed non-executive directors on 1 August 2017. This entailed presentations by the executive and senior management on their respective areas of responsibility and their roles for strategy execution. The board was informed of the structure, policies and procedures that represent the governance framework of the group. It also held its inaugural meeting with the external auditors without management present to gain independent assurances on the status of the group.

Based on operational challenges and the weak financial performance of the Construction cluster disclosed during the induction programme, the board called for a review of the strategy. This commenced in October 2017, and continued during the year and post year-end.

GOVERNANCE STRUCTURE

The group's governance structure remains intact and continues to promote Group Five's compliance with laws, regulations and codes of best practice in all countries within which the group operates, including the South African Companies Act 2008 (as amended) (the Act), the JSE Listings Requirements and the requirements of the King Report on Governance for South Africa (King IV).

The diagram below depicts the group's governance structure through which governance processes are implemented.



BOARD PROCESSES

The board continued to amend board processes to improve effectiveness during F2018.

Examples of improvements made to governance during the year include:

- Review and approval of the group's corporate structure and strategy. This remains a work in progress due to continued poor performance
- Establishment of an independent board to effectively manage expressions of interests received by the group and to communicate developments to stakeholders
- Adoption and approval of a governance, risk and compliance management framework to improve risk management procedures, operational weaknesses at contract development/tendering stage and to enhance general compliance and governance processes
- Review of the senior employee share option scheme in line with the amended strategy to ensure closer alignment with shareholder return on investment performance targets
- Review and approval of a non-executive director fee policy to ensure adoption of binding general rulings issued by SARS in February 2017 (effective 1 June 2017) and to promote its efficient administration
- Review of management membership to board committees to align to the new corporate structure and to enhance oversight processes of the board and it committees
- Review of the financial reporting management systems to comply with the Extensible Business Reporting Language (XBRL) reporting requirements of the Companies and Intellectual Property Commission (CIPC) that came into effect on 1 July 2018
- Outsourcing of the internal audit function to an external professional service provider

APPLICATION OF KING IV

The board reviewed the group's application of King IV. Refer to pages 52 to 56 for the application of the principles.

BOARD EVALUATION

In terms of the board charter, all directors are required to participate in the annual internal evaluation of the board's performance. This is a questionnaire-based process that covers specific performance areas that are deemed critical to promote efficiencies of the board's governance processes. This includes assessments of the performance of the chairperson, chief executive officer and the company secretary. In last year's report we indicated that an independent evaluator will be used to facilitate the board evaluation process. Due to the recent reconstitution of the board and its focus on the immediate pressures on the group, the inaugural performance evaluation of the board and its committees was not conducted. This will be completed in the coming year.

ASSESSMENT OF INDEPENDENCE

The assessment of the independence of non-executive directors is one of the key elements of the board evaluation process. Directors are required to disclose the nature and extent of existing relationships, if any, that may impinge on their standard of independence and also to ascertain whether the independence of other directors remains unimpaired. In addition to the assessment of participation and effectiveness at meetings, consideration of the directors' independence of behaviour and judgement, as well as the impact and influence, is made by the board to determine the independence of the director being evaluated. Directors are required to declare any existing external interests which are placed on record to monitor potential conflicts of interest. As the board was reconstituted during the financial year, with assessments on each non-executive director's state of independence conducted on appointment, another review was not conducted.

CHANGES IN DIRECTORSHIP

Outside of the changes in directorships emanating from the 24 July 2017 extraordinary general meeting (EGM) of shareholders, as disclosed in the F2017 integrated annual report, no additional resignations and appointments occurred in the F2018 year. Post year-end, Dr John Job and Cristina Freitas Teixeira resigned. It is reaffirmed as follows:

RESIGNATIONS – F2018

NAME	OFFICE(S) HELD	EFFECTIVE DATE
Philisiwe Mthethwa	Independent non-executive director and chairperson of the board	24 July 2017
Kalaa Mpinga	Lead independent non-executive director and risk committee chairperson	
Justin Chinyanta	Independent non-executive director	
Willem Louw	Independent non-executive director and transformation & sustainability committee chairperson	
Vincent Rague	Independent non-executive director	

RESIGNATIONS – F2019

NAME	OFFICE(S) HELD	EFFECTIVE DATE
Dr John Job	Independent non-executive director	1 August 2018
Cristina Freitas Teixeira	Executive director	1 October 2018
Nazeem Martin	Independent non-executive director	31 December 2018

APPOINTMENTS

Following the conclusion of the EGM of shareholders in July 2017, shareholders appointed eight non-executive directors on 24 July 2017. From that date, the board comprised eight non-executive directors and two executive directors:

NAME	OFFICE(S) HELD	EFFECTIVE DATE
Cora Fernandez	Independent non-executive director	24 July 2017 at the extraordinary general meeting of shareholders
Jackie Huntley	Independent non-executive director	
Dr John Job	Independent non-executive director	
Dr Thabo Kgogo	Independent non-executive director	
Nonyameko Mandindi	Independent non-executive director	
Nazeem Martin	Independent non-executive director	
Michael Upton	Non-executive director	
Edward Williams	Independent non-executive director	
Themba Mosai	CEO – executive	23 May 2017
Cristina Freitas Teixeira	CFO – executive	1 June 2008

BOARD COMPOSITION

At a board meeting held on 11 August 2017, the newly-appointed board considered and debated the constitution of the board of directors and its committees. The board accordingly passed resolutions for the reconstitution of the board and its committees. Where applicable, these resolutions were tabled for shareholder approval at the 7 November 2017 annual general meeting. The board opted to terminate the office of the lead independent director based on the level of independence of the board. The composition of board chairpersons of committees for the current reporting period was as follows:

NAME	OFFICE(S) HELD	EFFECTIVE DATE
Nonyameko Mandindi	Chairperson of the board and nominations committee chairperson	
Cora Fernandez	Audit committee chairperson	
Edward Williams	Risk committee chairperson	11 August 2017
Nazeem Martin	Remuneration committee chairperson	
Jackie Huntley	Transformation & sustainability committee chairperson	

The table below outlines the members and invited attendees of the committees:

AUDIT	RISK	NOMINATIONS	REMUNERATION	TRANSFORMATION & SUSTAINABILITY
Cora Fernandez[1]	Edward Williams[1]	Nonyameko Mandindi[1]	Nazeem Martin[1]#	Jackie Huntley[1]
Dr John Job*	Cora Fernandez	Dr Thabo Kgogo	Jackie Huntley	Nazeem Martin#
Dr Thabo Kgogo	Dr Thabo Kgogo	Nazeem Martin#	Dr John Job*	Edward Williams
Nazeem Martin#	Michael Upton		Themba Mosai[3]	Themba Mosai[2]
Michael Upton	Themba Mosai[2]		Judith Nzimande[3]	Judith Nzimande[2]
Themba Mosai[3]	Guy Mottram			Cristina Freitas Teixeira[3]^
Cristina Freitas Teixeira[3]^	Cristina Freitas Teixeira[3]^			Guy Mottram[3]
Guy Mottram[3]	Mark Humphreys[3]			

1 *Chairperson.*
2 *Executive member.*
3 *Invitee.*
* *Resigned on 10 August 2018.*
^ *Resigned on 1 October 2018.*
# *Resigned with effect from 31 December 2018.*

FOCUS FOR F2019

The focus for the coming year will be to:

- Stabilise the group and ensure a more successful future in conjunction with the executive management team
- Review the amended strategy and implementation by the executive to improve performance and enhancement of value to shareholders
- Improve communications to stakeholders, in particular shareholders, after a very tough year for the group
- Monitor and stay abreast of any legislative and regulatory changes to formulate policies and procedures
- Continue to improve governance processes and board efficiency
- Implement a non-executive development programme and board evaluation process
- Prepare administrative processes for the revised long term incentive plan, once approved

OPERATIONAL REVIEW

THE CONTINUED TRANSFORMATION OF THE LEGISLATIVE, REGULATORY AND BEST PRACTICE STANDARDS IN THE CORPORATE GOVERNANCE ENVIRONMENT IN SOUTH AFRICA OBLIGES COMPANIES TO CONTINUOUSLY REVIEW CORPORATE GOVERNANCE POLICIES AND PROCEDURES. THIS SECTION OUTLINES THE PROCESSES IMPLEMENTED BY THE GROUP TO RESPOND TO THESE CHANGES.

THE BOARD

Group Five continues to maintain a unitary board governance framework that is supported by five standing committees. Its composition ensures the balance of power and authority and precludes any director from domineering decision-making. In the current year, an independent board working group was created to assist the independent board with the evaluation and appropriate management of expressions of interest received. This committee focused on evaluating expressions in an aim to ensure the best interests of the company and shareholders.

During the year, the board maintained a composition of eight non-executive directors and two executive directors, being the chief executive officer (CEO) and the chief financial officer (CFO).

The duties, responsibilities and powers of the board, the delegation of authority and matters reserved for its authority are all set out in a written charter which is available on the group's website.

The board charter is subject to the provisions of the Companies Act, the JSE Listings Requirements, the group's memorandum of incorporation (MoI) and all other applicable legislation. The committees of the board also operate in accordance with the parameters set out in written terms of reference. A review of the charter and terms of reference of board committees for alignment with the recommendations of King IV will be completed in the coming year.

The group's strategy is set by the board in conference with the executive committee (exco). At least two formal meetings are scheduled annually where the board and the exco meet to deliberate and conclude on the strategy of the group and to approve management's business plans in support of the implementation of the strategy. The board is afforded the opportunity to review and agree the group's strategic intent, as well as areas of focus and growth. The board has delegated the operational responsibility of the group to the exco, which, under the stewardship of the CEO, is accountable for the ongoing management of the business. In the period under review, four strategy review sessions were held by the board with the exco to extensively interrogate the group's strategy and structure in response to the significant changes in the landscape of the local construction industry, as well as internal challenges.

Several special board meetings were also held to address challenges in the group.

ROTATION AND ELECTION OF DIRECTORS

In accordance with the company's MoI and the provisions of the Companies Act, at least one third of directors has to retire from the board each year. They may, however, offer themselves for re-election at the appropriate annual general meeting (AGM). In this reporting period, N Mandindi, M Upton and N Martin will retire. N Mandindi and M Upton offer themselves for re-election by shareholders at the next AGM.

Full CVs of directors outlining their qualifications and skills are provided on pages 57 to 59.

THE CHAIRPERSON

The chairperson leads the board and is responsible for ensuring its effectiveness in the discharge of its duties. The chairperson is reappointed annually in accordance with King IV, with the results of the annual performance evaluation guiding this process. Due to the fact that the board was appointed during this financial year and the requirement to focus on business-critical issues, the annual performance evaluation was not performed during the year. The board expects to conduct this in F2019 on stabilisation of the business.

The board operated under the chairpersonship of Nonyameko Mandindi for the current financial year. Mrs Mandindi is an independent non-executive chairperson. The roles and responsibilities of Mrs Mandindi were documented and approved by the board and are separate from those of the CEO.

Mrs Mandindi chairs the nominations committee and is not a chairperson of any other board committee. On the recommendation of the nominations committee, the board approved the appointment of Mrs Mandindi as a member of the remuneration committee with effect from 21 September 2018.

Through membership of the nominations committee, the chairperson is also responsible for the annual appraisal of the CEO's performance, together with the chairperson of the remuneration committee. She also participates in the succession planning of executive directors. An appraisal of the CEO's performance was conducted by the chairpersons of the remuneration and nominations committees. Through this process, the CEO's expertise, experience and performance was considered to be appropriate.

NON-EXECUTIVE DIRECTORS

The following non-executive directors were appointed on 24 July 2017: Cora Fernandez, Jackie Huntley, Dr John Job, Dr Thabo Kgogo, Nonyameko Mandindi, Nazeem Martin, Michael Upton and Edward Williams. Apart from Mr Upton, all directors were confirmed as independent on assessment as at the date of appointment. Mr Upton's state of independence was impinged by the legislative and regulatory three-year cooling-off period after being the company's CEO. This period concluded at the end of October 2017, from which time Mr Upton met the independence criteria.

The non-executive directors are individuals of high calibre and credibility who contributed significantly to the board's deliberations and decisions. The directors are diverse in their academic qualifications, industry knowledge and experience, race and gender. This diversity enabled them to provide the board with the relevant judgement to work effectively when conducting and determining the business affairs of the group. Non-executive directors are required to devote sufficient time to the affairs of the group. Whilst 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 the acceptance of additional commitments which may affect the time directors can devote to the group. As outlined in the board attendance register, significant time was required from directors this year due to the challenges experienced in the group.

CHIEF EXECUTIVE OFFICER (CEO)

The board defines the group's levels of authority, reserving specific powers for the board, whilst delegating others to management. The group's CEO reports to the board and is responsible for the execution of the group's strategy. The CEO chairs the executive committee (exco) that comprises six members and is responsible for the day-to-day management of the group's affairs. Themba Mosai continued to serve on the board as an executive director and CEO of Group Five for F2018.

As CEO, Themba is responsible for formulating and recommending strategies and policies to the board and plays a critical role in the operations and success of the group. He is also accountable to the board to achieve the group's goals within the framework of delegated authority.

The CEO's performance appraisal was conducted by the nominations and remuneration committees of the board.

CHIEF FINANCIAL OFFICER (CFO)

Cristina Freitas Teixeira continued to serve on the board as an executive director and CFO of the group.

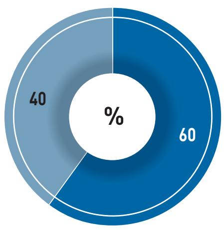
The board has assessed the CFO's performance and considers her expertise and experience appropriate.

Cristina resigned on 1 October 2018.

BOARD DIVERSITY PERFORMANCE INDICATORS

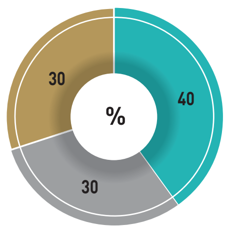
KING IV EMPHASISES THAT THE BOARD SHOULD COMPRISE THE APPROPRIATE BALANCE OF KNOWLEDGE, SKILL, EXPERIENCE, DIVERSITY AND INDEPENDENCE TO DISCHARGE ITS GOVERNANCE RESPONSIBILITIES OBJECTIVELY AND EFFECTIVELY.

The previous board adopted and approved a gender and diversity policy endorsing a voluntary gender target of 30% female representation on the board. The reconstitution of the board in July last year resulted in an outperformance of this target. A further analysis of the board's performance against the balance of diversity measures indicates that we meet the King IV diversity recommendations. The board therefore believes it is appropriately balanced to enhance value creation without compromising sustainability and promoting the long term competitiveness of the group.



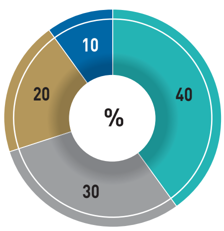
GENDER DIVERSITY

- Male
- Female



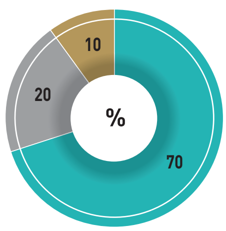
RACE DIVERSITY

- Black
- White
- Coloured



AGE DIVERSITY

- Age 40 to 50
- Age 50 to 60
- Age 60 to 70
- Age 70 to 75



SKILLS DIVERSITY

- Technical
- Financial
- Legal

THE COMPANY SECRETARY

The company secretary is responsible for developing, implementing and maintaining effective processes and procedures to support the board and its committees in the discharge of defined duties and responsibilities. The company secretary is available to the directors to provide assistance, guidance or advice in line with King IV and the JSE Listings Requirements. The company secretary is not a director of the group and has an arm's length relationship with the board. She is responsible for the submission of the annual compliance certificate to the JSE Limited, the filing of statutory documents, as prescribed by legislation, and for ensuring compliance with the Listings Requirements. She also administers the group's employee share schemes and is the secretary of all the board committees.

The performance of the company secretary, as well as her relationship with the board, is assessed on an annual basis. During the year, she ensured that the board was effectively serviced during a challenging period for the group.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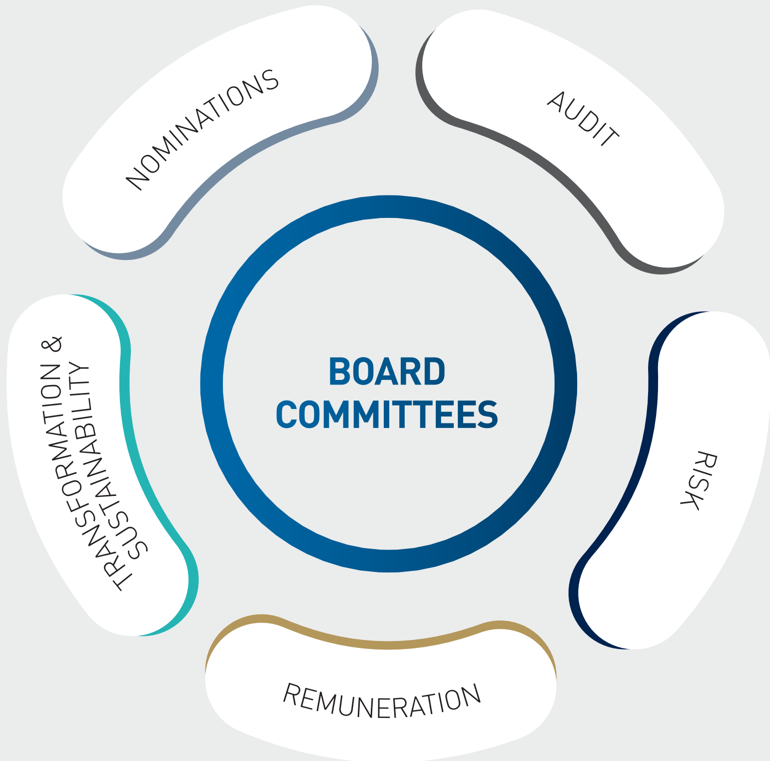
BOARD COMMITTEES

The board had five permanent committees and one ad hoc working group, the independent board working group, through which it operated this year. The permanent committees are audit, risk, remuneration, nominations and transformation & sustainability.



THE BOARD DELEGATES SPECIFIC RESPONSIBILITIES TO COMMITTEES TO FACILITATE THE DISCHARGE OF ITS DUTIES THROUGH OVERSIGHT OF THE RESPECTIVE SPECIALIST AREAS.

The composition of committees is determined by the board. Each committee is chaired by an independent non-executive director and is governed by terms of reference which are annually reviewed by the board. The respective chairpersons of the committees report formally to the main board after each committee meeting on all matters within the scope of their responsibilities, including recommendations on required action items. The minutes of committee meetings are also made available to the board.

BOARD COMMITTEE MANDATES

The tables list the key areas of focus for each of the board's committees:

AUDIT COMMITTEE

PURPOSE

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

- Reviewing the principles, policies and practices adopted in preparing the financial statements of the group and ensuring that the interim and annual financial statements of the group and any other formal announcements relating to the group's financial performance comply with statutory and regulatory requirements
- Maintaining oversight of stakeholder engagement relating to the group's accounting, auditing, internal control and financial reporting practices
- Considering the continued independence of the current external auditor
- Recommending the appointment of the external auditors, determining their fees and overseeing the results of the external audit process and obtaining all decision letters and/or explanations issued by IRBA and summaries relating to monitoring procedures and/or deficiencies issued by auditors
- Setting principles for the use of the external auditors for non-audit services
- Assessing the experience of the finance function and the chief financial officer
- Going concern status
- Combined assurance
- Information Technology governance
- Group finance function monitoring
- Ensuring that appropriate financial reporting procedures exist and that these are working

QUORUM

A majority of members present in person or through videoconferencing, closed circuit television or telecommunications facilities.

MEETING FREQUENCY AND REPORTING

Meets at least four times a year.

Cora Fernandez served as chairperson for the period under review.

RISK COMMITTEE

PURPOSE

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

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

QUORUM

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

MEETING FREQUENCY AND REPORTING

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

Edward Williams served as chairperson for the period under review.

REMUNERATION COMMITTEE

PURPOSE

Acts in line with board-approved terms of reference to assist with:

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

QUORUM

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

MEETING FREQUENCY AND REPORTING

Meets at least four times a year and whenever required to make recommendations relating to the remuneration of executive committee members and non-executive directors.

Nazeem Martin served as chairperson for the period under review.

TRANSFORMATION & SUSTAINABILITY COMMITTEE

PURPOSE

Acts in line with board-approved terms of reference to monitor the group's activities in terms of:

- Social and economic development aligned to the Companies Act
- Integrated and sustainability reporting
- Transformation
- Labour and employment
- Organisational integrity/ethics
- Compliance and legal
- Corporate citizenship

QUORUM

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

MEETING FREQUENCY AND REPORTING

Meets at least four times a year.

Jackie Huntley served as chairperson for the period under review.

NOMINATIONS COMMITTEE

PURPOSE

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

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

QUORUM

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

MEETING FREQUENCY AND REPORTING

Meets at least twice a year when required.

Nonyameko Mandindi served as chairperson for the period under review.

INDEPENDENT BOARD WORKING GROUP

An independent board working group (IBWG) was established as an operational arm of the independent board to assist with the administration of the expressions of interest received by the group. As an ad hoc forum, the IBWG assisted the independent board with the identification of corporate advisory services required for the management of these expressions. Recommendations of the IBWG were accordingly tabled to the independent board for consideration and endorsement.

Under the leadership of the chairperson of the independent board, the IBWG comprised of Cora Fernandez and Nazeem Martin with the CEO and the CFO having a standing invitation to attend the meetings of this forum.

BOARD AND COMMITTEE MEETINGS AND ATTENDANCE

CLASSIFICATION OF ENGAGEMENTS FOR THE PERIOD

	Board meetings	Audit committee	Risk committee	Remuneration committee	Nominations committee	Transformation & sustainability committee
Quarterly board meetings	4	4	4	4	–	2
Contract review meetings	3	–	5	–	–	–
Strategy review meetings	4	–	–	–	–	–
Special meetings	16	2	–	–	–	–
Independent board meetings	3	–	–	–	–	–
Independent board working group meetings	5	–	–	–	–	–
Board induction	1	–	–	–	–	–

ATTENDANCE TO QUARTERLY BOARD AND COMMITTEE MEETINGS

Board meetings	Audit committee	Risk committee	Remuneration committee	Nominations committee	Trans-formation & sustainability committee	First appointed	Term of service**
N Mandindi							
4/4*	2/4 (BI)	2/4 (BI)	n/a	0 /0*	n/a	24 July 2017	11 months
T Mosai (CEO)							
4/4	4/4 (BI)	4/4	3/4 (BI)	n/a	1/2	23 May 2017	1 year, 2 months
CM Teixeira (CFO)							
4/4	4/4 (BI)	4/4 (BI)	n/a	n/a	0/0 (BI)	1 June 2008	10 years, 2 months
C Fernandez							
4/4	4/4*	4/4	n/a	n/a	n/a	24 July 2017	11 months
J Huntley							
4/4	2/4 (BI)	1/4 (BI)	3/4	n/a	2/2*	24 July 2017	11 months
Dr JL Job							
4/4	4/4	2/4 (BI)	4/4	n/a	n/a	24 July 2017	11 months
Dr TC Kgogo							
4/4	4/4	4/4	n/a	0/0	n/a	24 July 2017	11 months
N Martin							
4/4	4/4	3/4 (BI)	4/4*	0/0	2/2	24 July 2017	11 months
M Upton							
4/4	4/4	3/4	n/a	n/a	1/2 (BI)	24 July 2017	11 months
EB Williams							
3/4	2/4 (BI)	3/4*	n/a	n/a	1/2	24 July 2017	11 months

** Chairperson.*
BI = by invitation.
*** As at year end of 30 June 2018.*

ATTENDANCE TO SPECIAL BOARD AND COMMITTEE MEETINGS

In addition to the quarterly meetings, the board and its committees had to convene regularly to consider various operational issues that threatened the implementation of the approved strategy of the group, as well as its continued existence. These additional engagements were often held at short notice, which prevented full attendance of all non-executive directors. Decisions taken at these engagements were, in line with the standard procedure, tabled at the following board meeting for consideration and endorsement. The table details directors' attendance at special board meetings:

Board induction programme	Special board meetings	Strategy review meetings	Special audit committee meetings	Board contract review meetings	Risk committee contract review meetings	Inde-pendent board meetings	Inde-pendent board work group meetings	First appointed	Term of service***
N Mandindi									
1/1	16/16*	4/4*	1/1 (BI)	1/3	1/5 (BI)	3/3*	5/5	24 July 2017	11 months
T Mosai (CEO)#									
1/1 (BI)	16/16	4/4	1/1 (BI)	3/3	5/5	3/3 (BI)	5/5	23 May 2017	I year, 2 months
CM Teixeira (CFO)#^									
1/1 (BI)	16/16	4/4	1/1 (BI)	3/3	3/5 (BI)	3/3 (BI)	5/5	1 June 2008	10 years, 2 months
C Fernandez									
1/1	15/16	4/4	1/1*	1/3	3/5	1/3	5/5	24 July 2017	11 months
J Huntley									
1/1	13/16	4/4	1/1 (BI)	1/3	1/5 (BI)	2/3	n/a	24 July 2017	11 months
Dr JL Job**									
1/1	11/16	4/4	1/1	2/3	2/5 (BI)	3/3	n/a	24 July 2017	11 months
Dr TC Kgogo									
1/1	9/16	3/4	1/1	2/3	3/5	2/3	n/a	24 July 2017	11 months
N Martin									
1/1	13/16	4/4	1/1 (BI)	0/3	2/5	3/3	5/5	24 July 2017	11 months
M Upton									
0/1	13/16	3/4	1/1	2/3	5/5	2/3	n/a	24 July 2017	11 months
EB Williams									
1/1	11/16	4/4	1/1	3/3	5/5	3/3	n/a	24 July 2017	11 months

*Chairperson.
Executive members.
** Resigned 10 August 2018.
^ Resigned 1 October 2018.
*** As at year end of 30 June 2018.

DIRECTORS' FEES

During the year, the board adopted and approved a non-executive director (NED) fee policy. This was required to ensure alignment with the general binding rulings issued by SARS on the tax treatment of non-executive directors' fees, which came into effect on 1 June 2017.

The policy accordingly established and endorsed the following:

- Committee meeting attendance fees are payable exclusively to committee members
- The criteria of services qualifying for payment at the ad hoc hourly rate is now defined
- A R23 000 fee deduction for non-attendance of a quarterly board and/or committee meeting is now reinforced
- The payment process in compliance with the tax rulings on NED fees has now been implemented

In addition, NEDs are now required to raise valid invoices based on the fee note issued by the company secretary. The practice of remitting NED fees through the company's payroll system has therefore been abolished to ensure compliance with the new tax obligation. The table details the NED fees paid during F2018:

	Basic fees R	Ad hoc fees R	Expenses R	Penalty fee R	Total (excluding VAT) R	VAT* R	Total (including VAT) R
N Mandindi	1 092 750.00	346 000.00	–	0.00	1 438 750.00	106 777.50	1 545 527.50
C Fernandez	603 000.00	344 000.00	9 517.21	0.00	956 517.21	–	956 517.21
J Huntley	467 000.00	279 000.00	–	(23 000.00)	723 000.00	–	723 000.00
JL Job	475 000.00	298 000.00	35 416.18	–	808 416.18	–	808 416.18
TC Kgogo	475 000.00	258 000.00	–	–	733 000.00	–	733 000.00
N Martin	582 500.00	309 000.00	4 807.00	–	896 307.00	34 650.00	930 957.00
M Upton	452 750.00	384 000.00	11 614.33	(46 000.00)	802 364.33	–	802 364.33
EB Williams	509 000.00	412 000.00	0.00	(69 000.00)	852 000.00	–	852 000.00

* *Only certain directors are VAT registered.*

CHANGES IN EXECUTIVE MANAGEMENT

The following changes in the directorship of a major subsidiary of the group was reported in the period under review and post year-end:

APPOINTMENTS

NAME	OFFICE(S) HELD	EFFECTIVE DATE
Judith Nzimande	Executive committee member – Human resources	9 October 2017
Abel Madau	Executive committee member – Operations & Maintenance	1 September 2018

RESIGNATIONS

NAME	OFFICE(S) HELD	EFFECTIVE DATE
Cristina Freitas Teixeira	Chief financial officer	1 October 2018

DEALING IN SECURITIES

The group has defined a policy of conduct for directors and employees in terms of dealing in the group's securities. The policy dictates that directors, executive management and the company secretary obtain clearance to trade in Group Five shares from the board. This clearance may not be granted during a closed period, as defined by the Listings Requirements of the Johannesburg Stock Exchange Limited (JSE). The policy also classifies any period where the group is trading under cautionary announcement as a closed and prohibited period. Directors and senior executives are further required to report any dealings in the group's securities by either themselves or their associates to the company secretary for public disclosure on the stock exchange news service, SENS.

CONFLICTS OF INTEREST

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

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

The process for disclosing real or perceived conflicts to the board is outlined in the board charter. A record of all disclosures made in pursuit of this process is maintained by the company secretary and made available for information at each board meeting. There were no conflicts of interest disclosed in the year.

INDEPENDENCE ASSURANCE

Oversight of the group's assurance processes rests within the remit of the audit committee. Both the internal audit department and the external auditors observe the highest standards of business and independence. The head of the internal audit department reports functionally to the chairperson of the audit committee and administratively to the chief financial officer. In line with the internal audit charter, the function of the internal audit department is approved by the audit committee. In the period under review, the board endorsed the outsourcing of the group's internal audit function in line with its cost reduction drive to improve the operational efficiencies of the group. This function will continue to be managed by the head of internal audit. Internal audit forms an integral part of the combined assurance model and focuses on adding value to the operations of the organisation. The head of the internal audit department attends audit committee meetings to deliver the quarterly executive summary on internal audit.

PricewaterhouseCoopers Inc. (PwC) is the external auditor of the group. The engagement partner responsible for the audit rotates every five years in line with audit partner rotation requirements. External audit fees are set annually in advance by the audit committee in a manner that does not impact on the scope of the audit. Non-audit services rendered by PwC are limited to ad hoc advice and other assurance-related services. Details of amounts paid to the external auditor are included in the annual financial statements. The board is satisfied that PwC acted with independence during the year. The external auditor attends the AGM of shareholders.

TIP-OFFS ANONYMOUS LINE

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

THE GROUP HAS A FORMAL CODE OF ETHICS AND A TIP-OFFS ANONYMOUS LINE.

The number is:

0800 00 48 11

IT IS AN INDEPENDENTLY MANAGED SERVICE TO ENSURE CONFIDENTIALITY.

APPLICATION OF KING IV REPORT ON GOVERNANCE FOR SOUTH AFRICA 2016 (KING IV)

This document has been prepared in terms of the JSE Listings Requirements and sets out the application of the 17 corporate governance principles by Group Five Limited (Group Five) as recommended by the King Report on Corporate Governance for South Africa 2016 (King IV). The positions disclosed herein reflect an assessment governed from the group's performance on the King III principles. This document is thus intended to expand on the governance-related disclosures in the 2018 integrated annual report and AFS. It should therefore not be read in isolation, as attempts were specifically made not to duplicate information in the different reports.

PRINCIPLE 1:

THE GOVERNING BODY SHOULD LEAD ETHICALLY AND EFFECTIVELY

The board of Group Five was reconstituted in July 2017 following shareholder action. The board is committed to the good corporate governance principles as outlined in King IV, as these are the overarching principles for an ethical foundation at Group Five. The board collectively, and each director individually, subscribes to the ethical characteristics of integrity, competence, responsibility, accountability, fairness and transparency. The Group Five Code of Conduct is the cornerstone that guides us on how we do business, how we conduct ourselves and how we engage with our stakeholders. This policy framework applies to all directors to ensure that Group Five maintains the highest level of integrity and ethical conduct, of which the application thereof and other arrangements are monitored. The Code of Conduct covers the following areas:

- Anti-competitive behaviour
- People and safety
- The environment and communities
- Ethical business practices
- Use of Group Five assets and resources
- Stakeholder engagement

The board charter documents the board's roles, responsibilities, and accountability (including those relating to corporate governance). Each board and executive committee (exco) member is appointed, subject to legislative fit and proper criteria and is required to regularly declare conflicts of interest.

PRINCIPLE 2:

THE GOVERNING BODY SHOULD GOVERN THE ETHICS OF THE ORGANISATION IN A WAY THAT SUPPORTS THE ESTABLISHMENT OF AN ETHICAL CULTURE

The board is responsible for the governance and monitoring of ethics through its transformation & sustainability committee. The committee was established with documented terms of reference and reviewed to align with King IV. Through consideration of appropriate documents and agenda items, the TASC satisfies itself that corruption, criminal activities and unethical employee behaviour is appropriately and effectively detected and managed within the organisation. Group Five is a values-based organisation and has developed various policies to maintain its commitment to high standards of integrity. The adopted Group Five Code of Conduct is published on the corporate website.

Refer to page 18 for statistics on ethical-related investigations and whistle-blowing.

PRINCIPLE 3:

THE GOVERNING BODY SHOULD ENSURE THAT THE ORGANISATION IS AND IS SEEN TO BE A RESPONSIBLE CORPORATE CITIZEN

The transformation & sustainability committee primarily oversees the group's approach to corporate citizenship, as well as the policies governing corporate citizenship.

As a responsible corporate citizen, the group is committed to adherence with all legislation and regulations, and aspires to apply and comply with codes of good practice. The TASC ensures that measurable programmes and policies are developed and implemented. The TASC does not only consider financial performance, but also the impact of the group's operations on society and the environment. Careful consideration is given to the utilisation of energy, water and other environmental resources to ensure an effective contribution to sustain the environment for the future. In line with this, the group has voluntarily submitted information to the Carbon Disclosure Project (CDP) for the last ten years.

PRINCIPLE 4:

THE GOVERNING BODY SHOULD APPRECIATE THAT THE ORGANISATION'S CORE PURPOSE, ITS RISKS AND OPPORTUNITIES, STRATEGY, BUSINESS MODEL, PERFORMANCE AND SUSTAINABLE DEVELOPMENT ARE ALL INSEPARABLE ELEMENTS OF THE VALUE CREATION PROCESS

The weak trading environment of the local construction industry vis-à-vis the challenges in performance experienced by the group has necessitated increased focus on strategy and the allocation of capital. Several strategy engagements have therefore been held in the period under review where the closure of unsustainable businesses in the Construction cluster and the disposal of businesses that are not aligned to the new strategic intent of the group was approved. Exco is the custodian of the Group Five strategy and is tasked with the execution of the strategy by the board. It is envisaged that the overall business performance and sustainability wil be measured against the execution of the strategy, which will form the foundation upon which executive performance will be measured.

PRINCIPLE 5:

THE GOVERNING BODY SHOULD ENSURE THAT REPORTS ISSUED BY THE ORGANISATION ENABLE STAKEHOLDERS TO MAKE INFORMED ASSESSMENTS OF THE ORGANISATION'S PERFORMANCE, AND IT'S SHORT, MEDIUM AND LONG TERM PROSPECTS

The board is committed to communicating openly and transparently to all stakeholders through various engagements held during the year, as well as through its integrated annual report. The board is assisted by the audit committee to review the integrity of the integrated annual report issued by Group Five. This report includes all relevant information to enable stakeholders to make an informed assessment of Group Five's performance in the short, medium and long term.

PRINCIPLE 6:

THE GOVERNING BODY SHOULD SERVE AS THE FOCAL POINT AND CUSTODIAN OF CORPORATE GOVERNANCE IN THE ORGANISATION

The board serves as the focal point and custodian of corporate governance in the organisation, and acts in the best interests of Group Five and its stakeholders. The board is supported by five standing committees which have delegated responsibility to assist it to fulfil certain and/or specific functions. The chairperson of each board committee is required to account on the execution of its, committee's responsibilities to the board at every quarterly meeting.

The board charter and board committees' terms of reference underpin the board's responsibility for good corporate governance. In the current year, an independent board working group was created to assist the independent board with the evaluation and appropriate management of expressions of interests received. This committee focused on evaluating expressions in an aim to ensure the best interests of the company and shareholders.

PRINCIPLE 7:

THE GOVERNING BODY SHOULD COMPRISE THE APPROPRIATE BALANCE OF KNOWLEDGE, SKILLS, EXPERIENCE, DIVERSITY AND INDEPENDENCE FOR IT TO DISCHARGE ITS GOVERNANCE ROLE AND RESPONSIBILITIES OBJECTIVELY AND EFFECTIVELY

The board was reconstituted in July 2017 following shareholder action which the group communicated at the time. The nominations committee and board are pleased with the diversity of the new board, in particular the newly-appointed independent board chairperson who is a woman. She is only one of very few women chairing JSE-listed companies. All new directors underwent a formal, independent fit and proper evaluation at the time of nomination and appointment. The terms of their appointment are detailed in a formal letter of appointment and they have completed detailed induction sessions, which enabled them to contribute optimally to the group.

Their breadth and depth of skills and experience, as well as diversity in age, gender and race, and balance of independence are discussed in more detail on pages 57 to 59.

PRINCIPLE 8:

THE GOVERNING BODY SHOULD ENSURE THAT ITS ARRANGEMENTS FOR DELEGATION WITHIN ITS OWN STRUCTURES PROMOTE INDEPENDENT JUDGEMENT, AND ASSIST WITH BALANCE OF POWER AND THE EFFECTIVE DISCHARGE OF ITS DUTIES

The board acknowledges the need to delegate certain matters to board committees to ensure more comprehensive oversight of all governance matters. However, despite the delegation, the board retains full accountability for all oversight, other than in respect of the risk and audit committees' statutory responsibilities. The board has delegated the operational responsibility of the group to the exco, which, under the stewardship of the CEO, is accountable for the ongoing management of the business.

The board is confident that the establishment of the existing standard and ad hoc committees assists in ensuring good performance and effective control over legislated and material issues. Refer to page 37 for a diagram of our governance structure and committees and management committee inter-relationships. Formal terms of reference have been established for all board committees.

During any particular quarterly board cycle, committee meetings are held over the first two days, culminating in the board meeting on the third day. Where possible, draft committee minutes are included in the board meeting that immediately follows.

Notwithstanding inclusion of the minutes, all committee chairpersons report back on matters dealt with at the committees, in particular on any matters recommended to the board for approval. There is significant overlap of directors on the various committees and particularly independent non-executive directors. This ensures matters are not considered in isolation, but also in the broader context of other matters delegated by the board.

All committees consist of at least three directors. Non-committee directors, as well as appropriate management representatives, are standing invitees. Composition and attendance disclosures are included in the integrated annual report.

PRINCIPLE 9:

THE GOVERNING BODY SHOULD ENSURE THAT THE EVALUATION OF ITS OWN PERFORMANCE AND THAT OF ITS COMMITTEES, ITS CHAIR AND ITS INDIVIDUAL MEMBERS, SUPPORT CONTINUED IMPROVEMENT IN ITS PERFORMANCE AND EFFECTIVENESS

In terms of the board charter, all directors are required to participate in the annual internal evaluation of the board's performance. This is a questionnaire-based process that covers specific performance areas that are deemed critical to promoting efficiencies of the board's governance processes. This includes assessments of the performance of the chairperson, chief executive officer and the company secretary. In last year's report we indicated that an independent evaluator will be used to facilitate the board evaluation process. Due to the recent reconstitution of the board and its focus on the immediate pressures on the group, the inaugural performance evaluation of the board and its committees was not conducted.

This will be completed in the coming year.

PRINCIPLE 10:

THE GOVERNING BODY SHOULD ENSURE THAT THE APPOINTMENT OF, AND DELEGATION TO, MANAGEMENT CONTRIBUTE TO ROLE CLARITY AND THE EFFECTIVE EXERCISE OF AUTHORITY AND RESPONSIBILITIES

The appointment of the CEO is a matter for consideration by the board as a whole. The board defines the group's levels of authority, reserving specific powers for the board, whilst delegating others to management. The collective responsibility of the executive management vests with the CEO, who regularly reports to the board on the group's objectives and strategy. The CEO is mandated to appoint executives who will serve as ex officio members of the governing body of major subsidiaries and to make other executive appointments. The nominations committee is mandated to oversee a formal succession plan for the board, CEO and certain senior executive appointments. The board maintains oversight on the group's key management functions through the committees that are mandated to perform annual competence assessments and that account to the board.

PRINCIPLE 11:

THE GOVERNING BODY SHOULD GOVERN RISK IN A WAY THAT SUPPORTS THE ORGANISATION IN SETTING AND ACHIEVING ITS STRATEGIC OBJECTIVES

The board's responsibility for risk governance is expressed in the board charter, the terms of reference of the risk and audit committees, as well as the risk policy and plan. The risk committee is primarily responsible for governing risk in a manner that ensures operations' adherence to the approved risk management framework and supports Group Five in achieving its strategic objectives. The audit committee is on the other hand, responsible for signing off risk processes insofar as these have a bearing on the group's internal control environment and/or financial performance. In the period under review, the group risk register and combined assurance plan were tabled to the risk and audit committees for consideration and approval. The group risk function continues to facilitate the combined assurance efforts across clusters and business units to ensure a coordinated approach. The volatile conditions during the year continued to indicate that the performance of defined risk governance systems is underplayed by the poor adherence to stated policies and procedures of employees. The risk committee has assessed and considered the effectiveness of the group's risk-bearing capacity model and has requested management to revise this to take cognisance of the operational challenges of the current trading environment. The board approved the amalgamation of the roles of internal audit and risk into a governance, risk and compliance (GRC) function. This will ensure a more focused approach to risk and compliance going forward.

PRINCIPLE 12:

THE GOVERNING BODY SHOULD GOVERN TECHNOLOGY AND INFORMATION IN A WAY THAT SUPPORTS THE ORGANISATION SETTING AND ACHIEVING ITS STRATEGIC OBJECTIVES

The board is assisted by the audit committee to oversee the governance of Information and Technology (IT) by, inter alia, reviewing the group's IT governance process, including information security, disaster recovery plans (and testing) and data governance. Further to this, an IT steering committee has also been established and is governed by its charter.

The primary duty and responsibility of this committee is to optimise Group Five's investment in IT, as well as data management and protection.

PRINCIPLE 13:

THE GOVERNING BODY SHOULD GOVERN COMPLIANCE WITH APPLICABLE LAWS AND ADOPTED, NON-BINDING RULES, CODES AND STANDARDS IN A WAY THAT SUPPORTS THE ORGANISATION BEING ETHICAL AND A GOOD CORPORATE CITIZEN

The board is assisted by the transformation & sustainability committee to oversee the governance of compliance. The board has delegated compliance management, through this committee, to the newly-appointed governance risk compliance and assurance officer (GRCA officer) who facilitates management of compliance through analysing regulatory requirements, and monitoring their implementation and execution together with compliance functions of the various business units. The Group Five compliance function is responsible for the compliance strategy of the group and is accountable for managing and reporting identified compliance risks.

PRINCIPLE 14:

THE GOVERNING BODY SHOULD ENSURE THAT THE ORGANISATION REMUNERATES FAIRLY, RESPONSIBLY AND TRANSPARENTLY SO AS TO PROMOTE THE ACHIEVEMENT OF STRATEGIC OBJECTIVES AND POSITIVE OUTCOMES IN THE SHORT, MEDIUM AND LONG TERM

The board is assisted by the remuneration committee to oversee the governance of all remuneration matters with the objective of ensuring that directors and employees are remunerated fairly, responsibly, transparently and in line with industry standards. This committee ensures that the group's remuneration policy is aligned with its strategy and that this policy, together with the implementation report, is tabled at the annual general meeting for separate non-binding advisory votes.

Refer to the integrated annual report.

PRINCIPLE 15:

THE GOVERNING BODY SHOULD ENSURE THAT ASSURANCE SERVICES AND FUNCTIONS ENABLE AN EFFECTIVE CONTROL ENVIRONMENT, AND THAT THESE SUPPORT THE INTEGRITY OF INFORMATION FOR INTERNAL DECISION-MAKING AND OF THE ORGANISATION'S EXTERNAL REPORTS

The audit committee, with the assistance of the GRCA officer and the outsourced internal audit function, reviews Group Five's combined assurance approach. Both the internal audit department and the external auditors observe the highest standards of business and independence. The GRCA Officer reports functionally to the chairperson of the audit committee and administratively to the CEO. In line with the internal audit charter, the function of the internal audit department is approved by the audit committee. In the period under review, the board endorsed the outsourcing of the group's internal audit function in line with its cost reduction drive to improve the operational efficiencies of the group. This function will continue to be managed by the GRCA officer. Internal audit forms an integral part of the combined assurance model and focuses on adding value to the operations of Group Five. The GRCA officer attends audit committee meetings to deliver the quarterly executive summary on internal audit.

PRINCIPLE 16:

IN THE EXECUTION OF ITS GOVERNANCE ROLE AND RESPONSIBILITIES, THE GOVERNING BODY SHOULD ADOPT A STAKEHOLDER-INCLUSIVE APPROACH THAT BALANCES THE NEEDS, INTERESTS AND EXPECTATIONS OF MATERIAL STAKEHOLDERS IN THE BEST INTERESTS OF THE ORGANISATION OVER TIME

The board understands the risk of reputation, and there is regular engagement with Group Five stakeholders through various platforms and forums. As indicated on page 6, stakeholder engagement was impacted, as the board and management had to focus on business-critical crises. The board was required to focus on certain immediate challenges, such as the Kpone contract and various group-wide funding partners to ensure it remains a going concern. The board has committed to review the group's stakeholder engagement processes to formulate a framework that promotes improved communication.

Please refer to the chairperson's letter in the integrated annual report for additional information.

PRINCIPLE 17:

THE GOVERNING BODY OF AN INSTITUTIONAL INVESTOR ORGANISATION SHOULD ENSURE THAT RESPONSIBLE INVESTMENT IS PRACTISED BY THE ORGANISATION TO PROMOTE THE GOOD GOVERNANCE AND THE CREATION OF VALUE BY THE COMPANIES IN WHICH IT INVESTS

Not applicable. Group Five Limited is not an institutional investor.

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

NONYAMEKO MANDINDI – 52

CHAIRPERSON

Chairperson of the main board and nominations committee

BSc (Quantity Surveyor) (University of Natal); Executive Masters in Positive Leadership and Strategy IE (Spain)

Nonyameko is a professional quantity surveyor and has worked for two of the listed construction companies in her career. She was also a partner and executive chairperson of one of the largest professional quantity surveying firms in South Africa, LDM, for ten years. During that time, the firm grew to become one of the influential players in the industry.

She has played various roles in the construction sector, including advising government on procurement reform and the introduction of public private partnerships in South Africa. She was involved in ground-breaking public infrastructure contracts, such as the Gautrain, Mangaung Prison, Maputo Corridor, Orlando Stadium and OR Tambo Airport expansions. She has had extensive experience in infrastructure and property investments in several countries in the rest of Africa.

She was the business line director of Royal HaskoningDHV for the South and Eastern Africa portfolio. She served on the Global Executive Council of Royal HaskoningDHV and chaired a number of the group subsidiary boards. Nonyameko has served on several corporate boards as a non-executive director and in leadership positions in a number of professional and business organisations. She is the recipient of the prestigious Women's Property Network Five Star Award, which recognises women leaders in the property sector.

She serves on the boards of Hudaco Industries Limited, Hudaco Trading (Pty) Ltd, Hyprop Investments Limited and ITISA (Pty) Ltd in non-executive capacities. She is also an executive director of her property development and investment venture, and a women investment company.

CORA FERNANDEZ – 44

INDEPENDENT NON-EXECUTIVE DIRECTOR

Chairperson of the audit committee, member of the risk committee

BCom (University of Cape Town); BCompt (Hons) (UNISA); CA

Cora has served on a number of boards and committees, which included the audit and risk committees of Sanlam Employee Benefits, as well as the investment committee of Sanlam Private Equity and Sanlam Investment Management Corporate Governance Unit. She has also previously served on the board of the South African Venture Capital and Private Equity Association (SAVCA) for two years and was elected chairperson. She currently serves on the board of Sphere Holdings Ltd and is also chairperson of the Sphere Holdings remuneration committee. In 2006, Cora was awarded the top private equity dealmaker award by ABSIP and in 2008, was a recipient of the Sanlam CEO's award.

JACKIE HUNTLEY – 54

INDEPENDENT NON-EXECUTIVE DIRECTOR

Chairperson of the transformation & sustainability committee, member of the remuneration committee

BProc and LLB (Wits); M.A.P. (Wits Business School)

Jackie obtained her BProc and LLB Degrees at the University of the Witwatersrand and her M.A.P. at Wits Business School. Jackie was admitted as an attorney of the High Court of South Africa during 1998. In 1999, Jackie founded the firm Huntley Inc, which in 2006, was merged into the Mkhabela Huntley Adekeye Inc (MHA) as it is known today.

Jackie is the chairperson of the board of MHA. She is a non-executive director at Telkom SA Limited and Capitec Bank Limited. Jackie was previously a non-executive director at Blue Label Telecoms Limited, PetroSA (Pty) Ltd and Air Traffic Navigation Services (Pty) Ltd.

DR THABO KGOGO – 42

INDEPENDENT NON-EXECUTIVE DIRECTOR

Member of the audit, risk and nominations committees

PhD, Petroleum Engineering (Imperial College London); MSc, Petroleum Engineering (University of London); Diploma of Imperial College, Petroleum Engineering (Imperial College London); BSc, Chemical Engineering (University of Cape Town)

Thabo has held the position of CEO of Efora Energy Limited (formerly, a JSE-listed company, since 2014. In his capacity at Efora, Thabo developed a new strategy for the organisation which saw it grow in its ambition to be an integrated oil and gas company with a focus on Africa.
He has also been instrumental in the development of governance structures at Efora and has improved cash flow generation. Prior to joining Efora, he held various managerial positions at PetroSA, South Africa since 2003, including acting chief operating officer and executive Vice President: Operations. Thabo previously served on the PetroSA Ghana board and currently serves as an executive director of SacOil Holdings Limited and a non-executive director of AfricOil. He also served as the chairperson for the Society of Petroleum Engineers (SPE) Southern Africa Chapter: 2009 to 2011.

BOARD OF DIRECTORS CONTINUED

NAZEEM MARTIN – 56

INDEPENDENT NON-EXECUTIVE DIRECTOR

Chairperson of the remuneration committee, member of the nominations, audit and transformation & sustainability committees

BA and Diploma in Higher Education (University of Cape Town); M. Urban Planning (Hunter College, City University of New York); Advanced Management Program (Harvard Business School)

Nazeem has extensive knowledge of and experience in small and medium enterprise (SME) and entrepreneurial business finance, having worked for Business Partners Limited (BPL), an on-scale provider of risk capital, technical assistance and real estate solutions for SMEs in South Africa and selected sub-Saharan Africa countries. In 2016, after more than 18 years, he retired as managing director of BPL and CEO of Business Partners International (Pty) Ltd, the subsidiary through which BPL conducts business outside South Africa.

Prior to BPL, Nazeem held executive positions in the public, NGO and private sectors, including stints as Deputy Director General of Public Works in the Nelson Mandela government, with The Urban Foundation, and with Old Mutual Properties.

Nazeem currently consults to and advises entrepreneurial financiers and service providers on raising, establishing and managing SME funds in Africa and the Middle East. He also mentors and trains SME fund managers for the International Finance Corporation. Together with close friends, he founded the Wallflower Group in 2016, seeking to build interests in the food and aquaculture, short-stay health facilities, real estate and private education sectors.

Nazeem has served as a director on company boards for more than 20 years, including BPL, TerraSan Limited, the SA Private Equity Association, V&A Waterfront Properties (Pty) Ltd and the Metropolitan Trading Company (Pty) Ltd. Currently, he serves as a non-executive director of BPL and E-Squared (Pty) Ltd (an equity investor in high impact businesses). He is also a member of the investment committee of the South African SME Fund – an initiative by CEOs of top businesses to boost economic growth in South Africa. Nazeem will be stepping down from the board on 31 December 2018.

MICHAEL UPTON – 63

NON-EXECUTIVE DIRECTOR

Member of the audit and risk committees

First appointed to the board of Group Five: March 2007

BSc Electrical Engineering; Management Development Programme (MDP); Pr Eng, SAIEE

Michael obtained a BSc Electrical Engineering Degree (University of Cape Town) and is a Professional Registered Engineer (Pr Eng) with the Engineering Council of South Africa. Michael further obtained a Business Management Diploma (Newcastle, UK) and is a Fellow of the South African Institute of Electrical Engineers (SAIEE).

Michael is a former CEO of Group Five and retired in November 2014 in accordance with the group's employment policy. Michael joined Group Five in 2002 and was appointed as chief executive officer in 2007.

During Michael's tenure as CEO, he strategically repositioned Group Five as an integrated engineering, construction and concessions group, driving the group's expansion into Africa and new capabilities such as power and oil and gas. Michael focused strongly on skills and empowerment development during his tenure, creating the Group Five Academy in 2006. He initiated Group Five's proactive approach to the Competition Commission investigation and encouraged industry peers into dialogue with the voluntary rebuilding programme (VRP) agreement with government in 2016. During Michael's time as CEO, Group Five received recognition as best employer for five consecutive years. He nurtured and maintained good relationships between the board and executive committee until his retirement. Prior to joining Group Five, Michael gained over 20 years' experience in manufacturing, engineering, commercial marketing and international technology partnerships, construction and services across the African continent and Middle East with NEI (Rolls Royce Industries) and ABB.

EDWARD WILLIAMS – 62

INDEPENDENT NON-EXECUTIVE DIRECTOR

Chairperson of the risk committee, member of the transformation & sustainability committee

Pr Eng, BSc Civil Engineering (University of North Carolina at Charlotte) (USA), 1991; Diploma in Industrial Drafting Technology (USA), 1982; Associate Degree – Civil Engineering Technology (USA), 1989

Edward has held the position of executive chairperson for Phumaf Consulting Engineers since 2008. Prior to this, he was the managing director of Phumelela Africa Professional Engineers. He became a managing member of Asigang Investments cc, a position that he still holds. Edward has South African and global construction experience, including leading projects relating to sewage and water reticulation, hydraulics and hydrology, public transport and street design. Edward is a member of the SA Institution of Civil Engineering, SA Institution of Municipal Engineering, SA Association of Consulting Engineers and SA Black Technical & Allied Careers Organisation.

EXECUTIVE DIRECTORS

THEMBA MOSAI – 42

CHIEF EXECUTIVE OFFICER

Executive committee member, member of the risk and transformation & sustainability committees

BSc Electrical Engineering; MBA (Cum Laude)

Themba was appointed as interim CEO in March 2017 and permanent CEO in May 2017. Since taking over the leadership role, he has focused on stabilising the team after significant changes and working with the team on addressing the loss-making Construction business. Before becoming CEO, Themba was appointed to the exco during F2015 to lead the Developments team. In this role he made great strides in further enhancing the group's position across target African geographies and its profile with both public sector and private sector clients, as well as securing new work and resolving legacy matters in key markets. Prior to joining the exco, Themba was the managing director of Intertoll Africa, successfully having led the company for the previous seven years. During his time at Intertoll Africa, Themba was very successful in driving growth into new markets in Africa, including Zimbabwe. Themba is a strong relationship builder and has a good ability to match client aspirations to the realities of developing, financing, constructing and operating infrastructure assets across Africa. Themba is technical and practical, supported by his Electrical Engineering qualification, as well as tactical, business-minded and strategic, supported by his MBA Degree.

CRISTINA FREITAS TEIXEIRA – 45

OUTGOING CHIEF FINANCIAL OFFICER

Executive committee member

BCom; BCompt (Hons); CA(SA); AMP (Insead France)

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

Cristina was awarded the Business Women Association's Corporate Business Woman: Year Award in 2013. She is a non-executive director of digitalME (Pty) Ltd.

Cristina has resigned and will leave the group in December 2018.

COMPANY SECRETARY

NONQABA KATAMZI – 48

COMPANY SECRETARY

BA Law; LLB

Nonqaba joined Group Five as company secretary in 2009. Before joining the group, she served as company secretary for a number of listed organisations. She is a practised legal advisor who has been admitted to the High Court of Swaziland. Nonqaba has more than ten years' experience in her field.

EXECUTIVE COMMITTEE

THEMBA MOSAI – 42

CRISTINA FREITAS TEIXEIRA – 45

The chief executive officer and chief financial officer are main board members. Their CVs are contained on page 59.

MARK HUMPHREYS – 51

EXECUTIVE COMMITTEE MEMBER – CONSTRUCTION

NH Dip Quantity Surveying (1991); CMP (Stellenbosch University, 1999); EDP (GIBS 2008)

Mark joined Group Five in 1988 as a student. During the last 30 years, he has developed extensive construction and project leadership experience and led numerous large multi-disciplinary contracts on the African continent. He became the managing director of Projects in 2007 and was instrumental in establishing Group Five's footprint in the rest of Africa, in particular within the mining sector. In 2014, he was promoted to operations director for the Engineering & Construction cluster. He has been the chief operating officer of the cluster for the last three years, leading the drive to implement best practice and lessons learnt between the construction segments and facilitating the improvement of the construction lifecycle and the recent new systems and processes to address the poor performance of the cluster. Mark was appointed to the exco in March last year and became the head of the newly-restructured Construction cluster in F2018.

KUSHIL MAHARAJ – 48

EXECUTIVE COMMITTEE MEMBER – INVESTMENTS & CONCESSIONS

MBA; BSc Civil Engineering

Kushil first joined the group in 1994 in the Construction cluster before moving to the Investments & Concessions cluster in 2004. He has expertise in the investment, structuring and development of projects within the infrastructure, power and real estate segments. He left the group to join the Absa Development Company in 2007 where he structured and developed large-scale integrated mixed-use real estate projects. He re-joined Group Five in 2011 to concentrate on property development, with particular expertise in capital raising and property transactions in sub-Saharan Africa. Under his leadership the property business was rebranded into G5 Properties and he successfully grew this business' asset base and project pipeline. In May 2017, he was appointed to the exco as the head of Investments & Concessions where he is responsible for the Intertoll Europe and Africa businesses, the G5 Properties real estate business and the infrastructure development and investment business segments.

GUY MOTTRAM – 52

EXECUTIVE COMMITTEE MEMBER – EPC

Member of risk committee

BCom; LLB

GUY joined Group Five in 2001 and was appointed to the exco in 2005. His focus area was group risk management. He was also responsible for group quality, risk, safety, health, environment and commercial, legal and regulatory compliance until March 2018 when he was appointed as Executive Director of our EPC business. He will manage the winding down of this cluster. Guy has more than ten years' experience in his field.

ABEL MUDAU – 42

EXECUTIVE COMMITTEE MEMBER – OPERATIONS & MAINTENANCE

MBA, B.Sc. Chemical Engineering, Post Graduate Diploma (UCT), CMP (Stellenbosch University), Executive Development Programme (GE Management Development Institute, USA)

Abel was appointed as the head of Operations & Maintenance in September 2018. Abel joined Group Five in 2015 as Group Transformation Director and successfully implemented processes and systems which resulted in an improved B-BBEE Scorecard from a level 4 to the current industry-leading level 1. Before his recent appointment, Abel spent the last 18 months with the Construction cluster, first as Regional Director for the Inland business and then as Head of Construction: South Africa. He was involved in the major restructuring process to improve cost optimisation and operations efficiencies in this cluster.

Abel brings extensive experience to his new role. His career started as a Gold Extractive Metallurgist at AngloGold Ashanti. He then spent four years at Accenture Consulting as a Business Intelligence and Strategy Consultant before moving to Standard Bank where he was a Strategic Planning Manager. Abel returned to AngloGold Ashanti in 2007 where he occupied several middle to senior management positions, building a solid track record as a transformation professional, with a particular interest in the development and implementation of the transformation strategies and programmes over the entire business value chain. He spent the majority of his time gaining experience in dealing with various stakeholders at different levels, both in government and the private sector, in South Africa and other African countries.

JUDITH NZIMANDE – 45

EXECUTIVE COMMITTEE MEMBER – HUMAN RESOURCES

BCom (Hons) in Human Resource Management; Masters in Commerce; MBA; Global Executive Development Programme; Strategic Negotiations Programme.

Judith joined Group Five in 2017 as the executive director responsible for human capital management. Judith is a seasoned HR professional with extensive knowledge and more than 20 years' experience in HR-related fields. Amongst many of her qualifications, Judith has a BCom (Hons) Degree in Human Resource Management (BCom) with the University of KwaZulu-Natal, where she later obtained her Masters in Commerce Degree in Human Resources (MCom). She has attained a Masters in Business and Administration (MBA) with Jack Welch Management Institute at Strayer University, and a Global Executive Development Programme (GEDP) from the Gordon Institute of Business Science (GIBS). She has concluded a Strategic Negotiations Programme with Harvard University. She is currently studying towards a PhD in Philosophy. Judith is also a Golden Key Member based on her academic excellence. Judith has received a number of awards, including the Institute of People Management (IPM) HR Director of the Year in 2015 and the KwaZulu-Natal: Richards Bay Business Woman of the Year under the corporate category.

JOHN WALLACE – 60

INVITEE TO EXCO

BCom; Hons Programme in Advanced Marketing; Executive Management Programme

John retired from the group during F2018, but remains in a strategic role, as well as managing Manufacturing until its sale. He continues to attend exco meetings, now as a permanent invitee. John has been with Group Five Manufacturing for 16 years. John joined Group Five in 2002 and was appointed to the exco in 2004. He led the turnaround of Everite in the group. Prior to joining Group Five, he was managing director of several organisations involved in plastic packaging, chemicals and related fields where he repositioned and turned around poorly-performing entities. John has 30 years' experience in leading strategy and the restructuring of businesses. John retired this year, but remains at the group in an advisory capacity.

LABOUR PRACTICES AND DECENT WORK	1 Employment	2 Labour/ management relations	3 Health and safety	4 Training and education	5 Diversity and equal opportunity

DELIVERY ON F2018 FOCUS AREAS:

IN THE GROUP'S F2017 INTEGRATED ANNUAL REPORT, WE OUTLINED A NUMBER OF FOCUS AREAS. THE TABLE INDICATES HOW WE DELIVERED AGAINST THESE:

FOCUS AREAS FOR F2018	DELIVERY
Review our employee benefits offering and assess the equality of the offering across the different employee categories, as well as identify the duplication of benefits offered by numerous service providers to optimise benefits and save costs for employees and the group.	• This was done. For example, employees at our Intertoll Africa business who were on limited duration contracts for longer than three months were converted into permanent status and offered benefits similar to all other permanent employees. We have also implemented a number of cost-saving initiatives
Review the definition of pensionable earnings to select risk cover in line with individual employee requirements and their particular life stages instead of the current standard offering.	• A review was done of our pension fund, which resulted in changes in the asset allocation to result in higher returns in the current volatile conditions
Stabilise the current workforce and re-energise our people after the restructuring.	• We have used communication channels such as CEO communication forums to update employees on the business' status. Unfortunately, as restructuring continues, employees remain unsettled
Integrate the new leadership from a change management perspective.	• Talent management was introduced to integrate with change management

INTRODUCTION

CONDITIONS IN THE INDUSTRY HAVE BEEN VERY CHALLENGING, WHICH RESULTED IN A GROUP ORGANISATIONAL RESTRUCTURE AND RETRENCHMENTS.

Consultation processes that complied with the legal requirements in terms of the Labour Relations Act (LRA) were followed. In addition to LRA requirements, employees were offered counselling and support to assist in dealing with the transition. Following significant retrenchments in the previous year, this year 602 permanent people were retrenched.

Against these tough conditions, people were unfortunately extremely uncertain about their future. To address this, we attempted to communicate with remaining employees about the future of the group and their role in it.

BENEFITS TO FULL-TIME EMPLOYEES

The table below outlines key benefits provided to permanent employees over and above cash remuneration:

BENEFITS TO PERMANENT EMPLOYEES		
LIFE ASSURANCE	Group life assurance	• Death benefit – three times annual pensionable earnings
		• Tuition fees from pre-school to tertiary education in the event of death
		• Funeral cover for the employee, spouse and dependants
		• Additional funeral cover at reduced group-negotiated rates for immediate and extended family members
	Group personal accident insurance	• Death benefit following an accident of three times annual income
DISABILITY/INCOME PROTECTION	Total temporary disability	• Up to 70% of pensionable income (tax-free), plus retirement fund waiver of 15.5% to 16.5%
	Medical aid contribution protector	• 12 months' medical aid premiums
	Mortgage protector	• Certain members can claim three to 24 months' bond instalments depending on their medical aid status
	Group personal accident – injury recuperation cover	• 100% of income for a maximum of six months
		• Permanent disability – three times annual guaranteed earnings • Temporary total and partial disability benefit – benefit paid as a percentage of income on a sliding scale of severity of disabling injury
	Group personal accident – injury on duty and road accident cover assistance	• Assistance with submission of claims and additional supporting documents and advice
HEALTHCARE	Various service providers	• 27 plan options (Members: 1 639)
		• Low-cost scheme for permanent employees in the construction industry (Members: 172)
		• Emergency evacuation for employees travelling over-border
HIV MANAGEMENT PROGRAMME	Various service providers	• This is included in scheme benefits. The employer is fully funded for uncovered lives
MEDICAL INSURANCE COVER	Gap cover	• Funds the shortfall of in-hospital cover up to 500% above the medical aid scheme rate and co-payments for a schedule of procedures
		• 12-month premium waiver in the event of disability, death or retrenchment
		• Includes dental insurance options
RETIREMENT FUNDING	Provident fund	• Defined contribution fund (15.5% to 16.5% of retirement funding income), plus additional 1% employer-funded contribution for middle to top management
		• Life-stage default investment range plus three opt-out investment portfolios to choose from
	Pension fund	• Defined benefit fund

BENEFITS TO PERMANENT EMPLOYEES CONTINUED

MATERNITY BENEFITS	Three months' leave	• 100% of income after ten months' service
	Four months' leave	• 75% of income or three months at 100% income and month four at 75% after ten months' service
LONG SERVICE BENEFITS	After five years	• Additional three days' annual leave per annum
		• Certificate of recognition
	After ten years	• Additional two days per annum and once-off five days' leave every ten years thereafter
		• Cash benefit paid every ten years, ranging from R2 000 to R8 000
EMPLOYEE ASSISTANCE PROGRAMME	Counselling and advice	• All employees, including their families and anyone residing with them
DIVIDEND PAYMENTS	Staff trust that pays out dividends bi-annually	• All black, coloured and Indian employees from technically qualified to middle management levels, with a good performance rating
TRAVEL ALLOWANCE	Certain travel categories	• Qualifying employees
EDUCATION BENEFIT	Travel benefit every three to five years depending on seniority to encourage senior management to attend international conferences and seminars to stay abreast of trends and provide relevant exposure	• All top and senior management (Paterson D4 and higher)

FUNERAL COVER

The funeral cover remains unchanged from the previous year. The benefit for permanent salaried employees is R20 000 per member, R15 000 for a spouse and a child at no additional cost to the member.

INCOME CONTINUATION

The group's income continuation policy was amended in F2014 to shorten the time for claiming disability, as well as relaxing the definition. This change has resulted in a cost saving to the group as the waiting period was historically funded by the employer before inception of the policy.

PROVIDENT FUND

The management committee of the Group Five Provident Fund meets quarterly to review its performance.

During the financial year, we reviewed the investment portfolio which had contributed to lower returns in the current market conditions. We remained with the current life stages investment, but reviewed the asset allocation. The change in the investment strategy has yielded positive results.

Employees at a particular salary threshold, as defined in the Labour Relations Act, are covered by their respective bargaining councils after three months of employment.

A detailed review of this requirement revealed that employees remunerated below this threshold are covered by the appropriate bargaining council or one of the bargaining arrangements applicable across the group.

MEDICAL AID

Last year, we introduced a more cost-effective medical aid. During the year, it was expanded to include more employees, in particular from Intertoll Africa.

BLACK PROFESSIONALS STAFF TRUST

The Black Professionals Staff Trust was introduced in F2013. It offers black employees in junior and middle management voting rights on certain group issues, as well as dividends earned on 10% of the group's share issue. Eligible employees receive dividend pay-outs twice a year, which assists with the retention of our skilled and performing equity candidates.

BLACK PROFESSIONALS STAFF TRUST

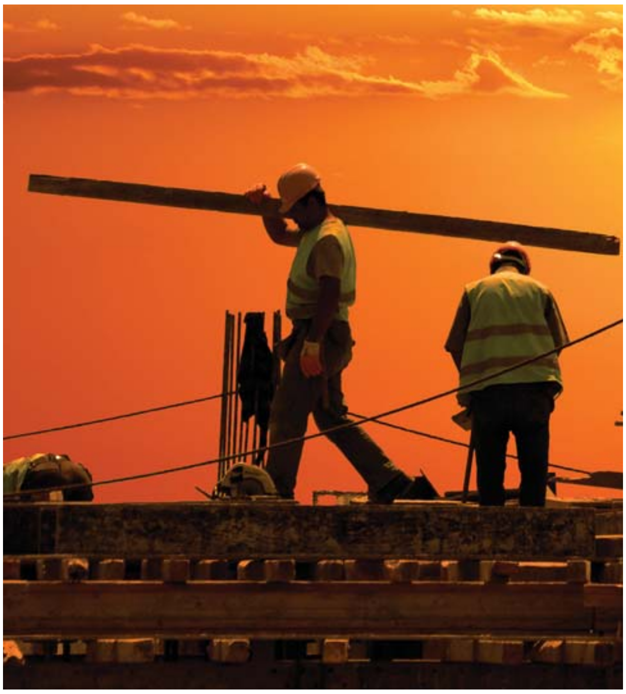
Average dividends paid to participating employees to date:

Management level	Paterson grade	**F2018**	F2017	F2016	F2015
Technically qualified/supervisory	C2	**R715**	R2 034	R2 774	R1 316
	C3	**R1 574**	R4 475	R6 104	R2 892
Junior management	C4	**R2 289**	R6 509	R8 878	R4 209
	C5	**R4 578**	R13 018	R17 756	R8 384
Middle management/professionals/specialists	D1	**R4 578**	R13 018	R17 756	R8 428
	D2	**R8 584**	R24 409	R33 292	R15 700

DISCIPLINARY AND GRIEVANCE POLICY/ PROCEDURES

The group's disciplinary policy and procedures provide clear instructions on how managers should deal with cases of misconduct and unsatisfactory performance. The disciplinary code provides directives on how offences warrant progressive discipline and where more serious penalties such as dismissals are required.

The group's grievance policy allows an employee to raise and express any dissatisfaction with management's conduct or treatment and facilitates conflict resolution between employees at the same level. If the grievance remains unresolved after the first engagement, the employee may escalate the grievance to senior management for a final ruling on the matter. Once management has ruled on a grievance, the employee has the right to refer disputes to the Commission for Conciliation, Mediation and Arbitration (CCMA) for final resolution.



FORMAL PERFORMANCE MANAGEMENT SESSIONS

An improved performance management template was rolled out across the group. The comprehensive feedback on employees' compliance and adherence to the group's values and the impact of employees' attitudes on their efficiency and productivity has resulted in greater collaboration between line managers and their direct reports in performance improvement plans.

TALENT MANAGEMENT SESSIONS

Training was provided to management and employees prior to the launch and implementation of the improved talent management process in February and March 2018. This process ensures that quality people are placed in critical positions and that they are developed and deployed in line with succession plans.

CURRENT EXECUTIVE AND SENIOR MANAGEMENT SPLIT

As part of our employee value proposition, the group provides career and personal development opportunities to all our employees. Unfortunately, the promotions and appointments at senior management and executive level were impacted by retrenchments and other employee reduction programmes, as can be seen in the table below. Only one promotion and one new appointment took place at these levels. One black woman was appointed at executive level and one black male was promoted to executive level.

	Female						Male					
	AIC*		White		Total		AIC*		White		Total	
Category	**F2018**	F2017	**F2018**	F2017	**F2018**	F2017	**F2018**	F2017	**F2018**	F2017	**F2018**	F2017
External appointment	**1**	9	**–**	1	**1**	10	**–**	8	**1**	20	**1**	38
Internal appointment	**–**	7	**–**	11	**–**	18	**1**	30	**–**	33	**1**	81
Total	**1**	16	**–**	12	**1**	28	**1**	38	**1**	53	**2**	119

* *African, Indian and coloured.*

BREAKDOWN BY GEOGRAPHY AND GENDER

(PERMANENT AND CONTRACT-SPECIFIC EMPLOYEES)

The table below indicates the split of our workforce between permanent employees and those employed on a contract-specific or limited duration basis in South Africa and over-border. Both the international and South African workforce declined by 30% and 13% respectively. The decline in contract employees was due to contract closures. With permanent employees, the reduction was due to contract closures and the group's restructure and rationalisation.

	Male				Female				Total			
	F2018	%	F2017	%	**F2018**	%	F2017	%	**F2018**	%	F2017	%
International	**2 219**	37	2 551	37	**431**	29	446	27	**2 650**	36	2 997	35
Contract-specific	**1 620**	73	1 838	72	**169**	40	139	31	**1 789**	68	1 977	66
Permanent employees	**599**	27	713	28	**262**	60	307	69	**861**	32	1 020	34
South Africa	**3 685**	63	4 281	63	**1 059**	71	1 194	73	**4 744**	64	5 475	65
Contract-specific	**1 690**	48	1 799	42	**329**	31	507	42	**2 019**	44	2 306	42
Permanent employees	**1 995**	52	2 482	58	**730**	69	687	58	**2 725**	56	3 169	58
Total	**5 904**	80	6 832	81	**1 490**	20	1 640	19	**7 394**	100	8 472	100

TERMINATIONS

The tough trading conditions resulted in a decline in our workforce and unfortunate levels of involuntary terminations due to forced retrenchments and limited duration contract terminations.

Unfortunately, most of the employees affected by the retrenchments were from designated groups, as the majority of terminations was in the skilled and semi-skilled categories.

VACANCY ANALYSIS

The table below indicates that the vacancy rate was slightly higher than the previous year. Of the 2 347 hires, only 54 were permanent. There were only two permanent appointments in the international business and 52 appointments in South Africa. Of the South African appointments, only two were senior management and executive appointments.

%	**F2018**	F2017	F2016	F2015
Vacancy analysis	**0.29**	0.3	0.1	2.2

FOCUS FOR F2019

- Stabilise the current workforce and re-energise employees post restructuring
- Clarify roles and alignment of all positions within the restructured clusters
- Review our employee equality on income and benefits across the different employee grades and categories
- Focus on developing women into more senior roles
- Integration and development of additional and current black, coloured and Indian employees into the business

LABOUR PRACTICES AND DECENT WORK

1 Employment | 2 **Labour/management relations** | 3 Health and safety | 4 Training and education | 5 Diversity and equal opportunity

DELIVERY ON F2018 FOCUS AREAS:

IN THE GROUP'S F2017 INTEGRATED ANNUAL REPORT, WE OUTLINED A NUMBER OF FOCUS AREAS. THE TABLE INDICATES HOW WE DELIVERED AGAINST THESE:

FOCUS AREAS FOR F2018	DELIVERY
Working closely with communities around our sites to ensure that socio-political unrest does not spill over onto our operations. We will engage with community leaders in an attempt to achieve this.	• Prior to the start-up of any contract, the IR representative, in conjunction with the community liaison officer (CLO), has discussions with the community leaders and Department of Labour to ensure acceptance and participation by everyone. This has ensured a stable climate and operational workforce
Use the lessons learnt from CCMA referrals by employees to further improve our IR processes and procedures to ensure industrial harmony throughout our operation.	• IR resources were consolidated to ensure the effective utilisation of available skills to deal with disputes at the CCMA. Although overall CCMA cases increased, we were able to limit our use of legal firms to deal with disputes

INTRODUCTION

THE EMPLOYEE RELATIONS FUNCTION IS LED BY THE GROUP EXECUTIVE DIRECTOR OF HR AND IS SUPPORTED AT A CORPORATE LEVEL BY THE GROUP IR SPECIALIST WHO IS A QUALIFIED LABOUR ATTORNEY.

We achieved pleasing progress following the creation of our multi-disciplinary industrial relations leadership group structure in F2016.

During the year, we further refined our IR policies and procedures, with the roll out of an updated disciplinary policy and procedure.

This simplified our processes and ensured fair treatment.

The group continues to be represented on all major industry negotiating forums.

LEVEL OF UNIONISATION OF THE TOTAL WORKFORCE (both local and international (last five years))

This year, our union membership increased to 1 424 members compared to last year's 1 345 members. Our union percentage of total employees increased from 16% to 21% due to a lower base following retrenchments.

LEVEL OF UNIONISATION OF THE TOTAL WORKFORCE – BOTH LOCAL AND INTERNATIONAL (F2014 – F2018):

	F2018	F2017	F2016	F2015	F2014
Total employee headcount (all employees)	**7 394**	8 472	9 313	12 178	14 485
Number of unionised employees	**1 454**	1 345	1 422	2 115	2 494
Union membership as % of total workforce	**19**	16	15	17	17

PROPORTIONAL UNION REPRESENTATION AS A PERCENTAGE OF THE SOUTH AFRICAN WORKFORCE

	AMCU	BCAWU	BWAWUSA	GIWUSA	NTM	NUM	NUMSA	SACWU	SATAWU	**Total**
% Split										
F2018	**–**	**1.30**	**–**	**1.37**	**1.68**	**6.00**	**4.22**	**–**	**3.00**	**19***
F2017	–	1.94	0.53	1.79	0.90	9.13	4.33	–	3.54	16
F2016	–	1.63	0.38	1.37	–	8.94	0.74	0.57	3.01	15
F2015	1.96	1.46	0.29	1.20	–	9.46	2.22	0.42	2.58	17
F2014	0.07	2.42	0.29	1.34	–	11.33	3.01	0.34	2.36	17

AMCU – Allied Mining and Construction Union
BCAWU – Building Construction and Allied Workers Union
BWAWUSA – Building, Wood and Allied Workers Union of South Africa
GIWUSA – General Industries Workers Union of South Africa
NUM – National Union of Mineworkers
NUMSA – National Union of Metalworkers of South Africa
SACWU – South African Chemical Workers Union
SATAWU – South African Transport and Allied Workers Union

* *Exclude Unions in Zimbabwe 1%.*

INCIDENCES AND IMPACT OF STRIKES

The number of strikes decreased by 42% from last year and was a combination of protected and unprotected strikes in terms of the Labour Relations Act.

We experienced strikes in the Investments & Concessions (I&C), Manufacturing and Construction: South Africa clusters. The strike action in Manufacturing involved a union march against country-wide corruption.

The strike action in the I&C cluster related to wage negotiations in the Intertoll Africa segment.

The strikes in Construction: South Africa were unprotected as employees demanded a site to be closed at Grootegeluk to attend a funeral.

The priority in the coming year is to manage the risk of strikes, as well as the involvement of the surrounding communities where we operate. Certain strikes during the year were due to service delivery issues in the wider socio-political environment rather than issues linked to our operations. We are embarking on increased community liaison to prevent unrelated community issues from impacting our operations.

The table below reflects the incidences and impact of strikes in man days lost across the clusters.

INCIDENCES AND IMPACT OF STRIKES IN MAN DAYS LOST

GROUP FIVE – INVESTMENTS & CONCESSIONS, MANUFACTURING AND CONSTRUCTION

	Number of strikes	Man days lost
Investments & Concessions	1	5 132
Manufacturing	1	11
Construction	3	306
Total	5	5 449

CCMA CASES

Although we adhered to both legislated and internal policies and practices, CCMA referrals increased from 28 to 42. Some cases were referred outside of the prescribed timeframes of the Labour Relations Act, CCMA and Labour Court practice rules, which resulted in extended periods of concluding each case.

	F2018	F2017	F2016	F2015	F2014
Referrals (number of cases)	**42**	28	70	73	108

At year end, 24% of the referred cases were closed, with the remaining cases ongoing. Out of closed cases, 60% were settled in monetary terms and the rest were ruled in favour of the group, with the cases withdrawn.

EMPLOYEE ENGAGEMENT

The group has an engagement policy to maintain industrial harmony during site demobilisation and operational reorganisation. This is outlined below.

LIMITED DURATION CONTRACT EMPLOYEES (LDCS)

As our tendered contract-based work often makes it difficult to predict the precise number of employees required, the group makes extensive use of flexible LDCs. These employees are treated in the same manner as our permanent employees whilst they are in our employ. They are regularly informed of the duration and continuity of their employment to allow for planning in terms of contract completion times.

PERMANENT EMPLOYEES

Non-unionised employees

Employees are kept informed of organisational challenges through regular briefings, with a minimum of one month's notice given to allow employee input and consultation.

Consultations take place in accordance with the Labour Relations Act section 189 and/or 189A over a prescribed minimum period of one and two months respectively. The purpose of these consultations is to try to avoid job losses and/or reach consensus on issues such as severance payment and the timing of exit.

Unionised employees

Collective bargaining agreements specify the processes to be followed when operational requirements lead to job losses. The group is a signatory to agreements with the Steel and Engineering Industries Federation of South Africa, the South African Forum of Civil Engineering Contractors, the Bargaining Council of the Civil Engineering Industry, the Construction Industry Bargaining Council, the Gauteng Building Voluntary Bargaining Forum and various regional bargaining councils.

Where we operate outside the jurisdiction of a collective agreement or bargaining council, we enter into recognition and procedural agreements with organised labour to establish the optimal processes.

FOCUS FOR F2019

- Use the lessons learnt from the increased CCMA referrals by employees to further improve our IR processes and procedures
- Apply the experience from the strikes to educate employees to enhance our processes
- Create ongoing awareness of our procedures and policies

HEALTH

This section addresses both occupational health and employee wellness issues.

DELIVERY ON F2018 FOCUS AREAS:

IN THE GROUP'S F2017 INTEGRATED ANNUAL REPORT, WE OUTLINED A NUMBER OF FOCUS AREAS. BELOW WE INDICATE HOW WE DELIVERED AGAINST THESE:

FOCUS AREAS FOR F2018	DELIVERY
Implement health risk and occupational hygiene assessments, including noise, dust, vibration, ergonomics, psychological and biological monitoring.	• The programme progressed in line with objectives and continued to save costs due to identifying priority areas
Prepare job-specific occupational risk profiles to supplement medical fitness certificates.	• This was completed
Prepare job-specific occupational risk profiles to supplement medical fitness certificates.	• The group now has job specifications for all employees. The job-specific occupational risk profiles allowed us to determine employee fitness for work, initial health evaluations and personal protective equipment requirements
Ensure that the investigations of occupational-related diseases, the reporting of the diseases and the follow-ups are completed.	• The investigation allowed us to identify and separate any pre-existing diseases from work-related diseases and to refer the latter for follow up
Provide effective primary healthcare and the follow up of all pre-existing conditions that exacerbate occupational injuries and diseases.	• The primary healthcare programme has allowed employees to access a wide variety of health services. These include preventive care and screenings and care for chronic conditions such as hypertension, diabetes and poor lung function
Improve the overall wellness programme by prioritising occupational health.	• The wellness programme was decentralised and is now integrated into the occupational health programmes on site. This has encouraged employee participation at site level
Address fatigue management and increase awareness campaigns around conditions such as hypertension, cholesterol and substance abuse.	• The occupational health awareness campaigns have now been incorporated into site induction programmes to create increased understanding

INTRODUCTION

THE GROUP'S HEALTH AND WELLNESS PROGRAMME OFFERS INTEGRATED HEALTHCARE TO EMPLOYEES. IT COVERS OCCUPATIONAL HEALTH, WELLNESS, THE EMPLOYEE ASSISTANCE PROGRAMME AND LIMITED PRIMARY HEALTHCARE.

It aims to prevent diseases and where prevention fails, to proactively identify and manage health conditions.

Despite the group's tough financial conditions during the year, it continued to offer employees access to the employee assistance programme (EAP) through our external service provider. The EAP is designed to assist employees with the early identification and resolution of personal life issues, such as stress and financial problems, which often become more prevalent in tough economic conditions. However, despite the efforts made to assist the employees through the EAP, the take-up of the offering is still disappointing. This is receiving attention.

OCCUPATIONAL HEALTH

Group Five recognises the importance of protecting employees, contractors and other stakeholders, as well as managing occupational illnesses. We identify health risks associated with work processes and implement and monitor measures to manage these risks.

During F2018, the group worked with an external accredited medical service provider to develop risk-based medical surveillance programmes. These programmes address the hazardous nature of work undertaken by the various business segments in the group. The risk-based medical surveillance comprises pre-employment, periodic/annual, exit and fitness to work examinations. Outcomes from these medical surveillance examinations are closely monitored and interventions implemented to ensure employees are placed in appropriate positions.

MEDICAL EXAMINATIONS

The information below outlines the number of occupational employee medicals conducted during the year, with the main issues identified.

During the year, 5 497 medical assessments were undertaken compared to 5 780 in F2017. The decline was attributable to the decrease in the number of contracts. Sub-contractor medicals declined significantly from 787 in F2017 to 314 in F2018 due to most contractors using their own preferred service providers.

During medical assessments, the following predominant diseases were identified:

Noise-induced hearing loss	61
Hypertension	24
Decreased lung function	38
Raised body mass index (BMI)	6
Poor vision	18
High glucose level	21

MEDICAL EXAMINATIONS – GROUP

	Pre-employment medicals	Periodical medicals	Exit medicals	Travel medicals	Contractor medicals
F2017/F2018	**722**	**2 674**	**1 765**	**32**	**314**
F2016/F2017	1 484	1 708	1 652	149	787
F2015/F2016	1 738	1 965	3 328	82	2 727
F2014/F2015	2 685	2 886	2 091	60	–
F2013/F2014	4 809	2 980	1 605	75	–
F2012/F2013	2 765	1 748	973	90	–

MEDICAL EXAMINATIONS

	Pre-employment medicals	Periodical medicals	Exit medicals	Follow-up medicals	Contractor medicals	Travel medicals
Central Business Services	–	–	8	3	–	–
Investments & Concessions	9	49	178	23	–	8
Manufacturing	52	175	16	100	28	–
Construction: South Africa	661	2 450	1 563	9	286	24
	722	2 674	1 755	135	314	32

KEY OCCUPATIONAL HEALTH RISKS

Decreased lung function, noise-induced hearing loss and poor vision continue to be the most commonly reported occupational diseases. The increases are due to higher exposure levels following a number of start-up contracts where there are higher dust levels at the excavation stage. Unfortunately, in some cases we also found evidence of non-compliance with the use of personal protective equipment in both the Construction and Manufacturing clusters. We continue to monitor leading and lagging indicators to guide health and wellness initiatives.

We refer all employees who are diagnosed with possible occupational health diseases to a medical practitioner for further evaluations. Our medical service provider has implemented a monitoring programme that ensures all referrals and follow-ups are complied with.

In the current year, there were no cases submitted for compensation in terms of occupational health-related diseases. This is attributed to significant effort by all business segments and contract sites to enhance our partnerships with our medical service providers.

MALARIA MANAGEMENT

We experienced a significant reduction in malaria cases this year due to less over-border contracts and continuous prevention measures through employee education and robust site management. All our employees travelling to countries that are affected by malaria undergo medical examinations before departure. Prevention medication is also provided.

NUMBER OF MALARIA CASES

F2018	F2017	F2016	F2015	F2014	F2013
10	22	41	139	253	176

HIV/AIDS MANAGEMENT

In accordance with the group's policy, operations have established HIV/AIDS programmes which are run in conjunction with various medical service providers. These aim to control, prevent and reduce the impact of HIV/AIDS on our workforce. Our policy and its contents are communicated to employees through the intranet, internal magazines, bulletin boards and employee representatives. We continue to encourage employees to know their status. The focus during the year was on targeting newly-established sites.

We also incorporated HIV/AIDS awareness as part of site induction and toolbox talks. This initiative aims to create an atmosphere of acceptance, non-discrimination and co-operation at site level by addressing the impact of the HIV/AIDS epidemic on our sites and communities in which we operate. The initiative has already reached more than 3 000 workers at various sites. During the year, our medical service providers continued to work closely with those employees that tested positive. Wherever possible, they were placed on the government's antiretroviral programme.

In line with our commitment made in F2017 to provide more opportunities for HIV counselling and testing, the overall number of workers tested for HIV on site was 1 331. Whilst this number is still low when compared to the 5 497 opportunities offered, it is an improvement from the previous year when only 378 employees took up the offer.

EMPLOYEE ASSISTANCE PROGRAMME (EAP)

The key objective of our EAP is to ensure our employees' wellbeing and the early identification and resolution of personal issues, such as stress and financial problems. The overall engagement for F2018 included the use of all services provided, such as on-site post-trauma debriefing and counselling, face-to-face consultations, substance abuse awareness sessions and manager referrals.

OVERALL ENGAGEMENT

During the year, 162 people were counselled as part of the EAP.

The group is focused on increasing the number of employees using the counselling services to 5% or more of the South African headcount. Increased awareness of the services being offered and referrals will continue to be driven through managers and supervisors.

ENGAGEMENT TYPE

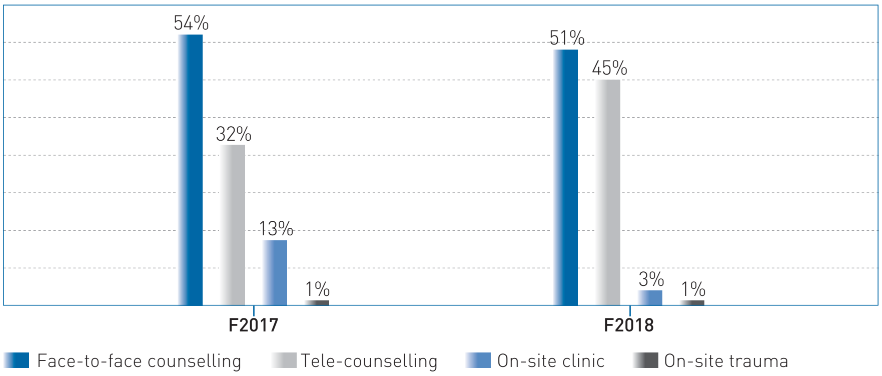
Face-to-face counselling remains the preferred medium for employees, with telephonic counselling the second most preferred.

Employees who have utilised face-to-face counselling were offered access to accredited professional psychologists and social workers. The table below outlines some of the key preferred mediums for consultation. Although the take-up was down to 162 from 208, each case is allocated an average of four counselling sessions depending on the treatment required.

TABLE 1: KEY PREFERRED MEDIUMS OF CONSULTATION

Engagement type	**F2018**	F2017
Face-to-face counselling	**83**	112
Tele-counselling	**73**	67
On-site clinic	**5**	27
On-site trauma counselling	**1**	2
Total	**162**	208

COUNSELLING TYPES (year-on-year comparison)



OVERALL ENGAGEMENT RATES

During the year, 771 employees used the EAP compared to 985 last year. The main decrease was due to less employees using the SMS facility despite the monthly wellness-related messages that are sent to all employees with cellular numbers. These communications focus on appropriate topics and wellness themes and are aimed at increasing awareness levels of the EAP.

TABLE 2: OVERALL ENGAGEMENT RATE

Overall engagement	**F2018**	F2017
Total points of contact	**771**	985
Telephone	**165**	192
E-mail	**19**	27
E-support	**–**	–
Meetings	**7**	318
SMS	**24**	4
Training	**5**	5
Website	**480**	437
Wellness days	**71**	2

PRESENTING CATEGORIES

The highest presenting categories during F2018 were personal, legal and inter-personal (remained unchanged at 14%).

The top five categories during the year were personal stress, followed by legal advice, bereavement, couple relationship issues and armed robbery and burglary. The programme focuses on building resilience against challenging situations.

TABLE 3: PRESENTING CATEGORIES

	Number of cases	
Presenting category	**F2018**	F2017
Personal	**65**	82
Legal	**29**	37
Inter-personal	**23**	29
Trauma	**17**	18
Occupational	**12**	12
Financial	**8**	14
Wellness and health	**8**	16
Total	**162**	208

AREAS FOR IMPROVEMENT

During the year, areas for improvement of the EAP were identified. These include:

- Improved communication of the offering to current and new employees through ongoing training and induction to increase the take-up
- Creating awareness of the new location of an on-site clinic at Construction's new offices and tracking of utilisation following the relocation of the central office
- Training of managers on the EAP to ensure teams are aware of the benefits and referral procedures for employees who require the services

GROUP FIVE EMPLOYEE WELLNESS

The nature of work performed by Group Five requires a focus not only on office-based but also on site-based employees. The employee health and wellness programme is therefore designed to create an enabling environment by providing health and wellness services that enhance mental health, support positive lifestyle change, coping skills, and healthy relationships to ensure improved employee well-being, productivity and morale.

This section outlines our employees' health concerns following wellness testing.

LIFESTYLE RISK FACTORS

FOUR MAIN LIFESTYLE RISK FACTORS OFTEN LEAD TO FOUR MAJOR CHRONIC CONDITIONS. THESE CONDITIONS ARE RESPONSIBLE FOR 60% OF GLOBAL DEATHS.

These are physical inactivity, poor nutritional choices, smoking and high alcohol consumption.

OVERVIEW OF EMPLOYEES TESTED

410

EMPLOYEES

TOTAL NUMBER OF EMPLOYEES WHO ATTENDED A WELLNESS DAY EVENT, DID A VITALITY CHECK ASSESSMENT AT REGISTERED PROVIDERS AND/OR COMPLETED A VITALITY INTERACTIVE PERSONAL HEALTH REVIEW.

GROUP FIVE EMPLOYEE LIFESTYLE RISKS

The following risks were identified amongst those tested:

SCREENING RESULTS SHOWING EMPLOYEES WHO WERE AT RISK

Health indicator showing employees at risk	Number of employees	Percentage of employees	Industry average	Scheme	Percentage change
VITALITY AGE	290	70.7%	72.2%	71.2%	↓ 60.9%
SMOKING	53	12.9%	11.6%	12.2%	↓ 45.9%
ALCOHOL CONSUMPTION	40	9.8%	11.2%	9.6%	↓ 48.1%
GLUCOSE	15	3.7%	6.3%	5.1%	↓ 34.8%
PHYSICAL EXERCISE	210	51.2%	48.8%	48.8%	↓ 63.5%
MENTAL ILLNESS	60	14.6%	8.1%	10.9%	↓ 70.4%
BLOOD PRESSURE	87	21.2%	18.9%	16.3%	↓ 70.5%
BMI	284	69.3%	69.7%	66.7%	↓ 58.8%
CHOLESTEROL	101	24.6%	26.5%	27.1%	↓ 58.9%
FRUIT AND VEGETABLE INTAKE	291	71.0%	35.5%	42.0%	↓ 60.8%

KEY FOR SCREENING CATEGORIES

BEHAVIOURS AND AT-RISK DEFINITION

Physical activity
Less than 150 minutes of moderate to vigorous activity each week

Nutrition
Less than five servings of fruit or vegetables per day

Smoking
Currently smoking

Alcohol consumption
More than two alcoholic drinks per day

Depression
Kessler stress score of 20 or more

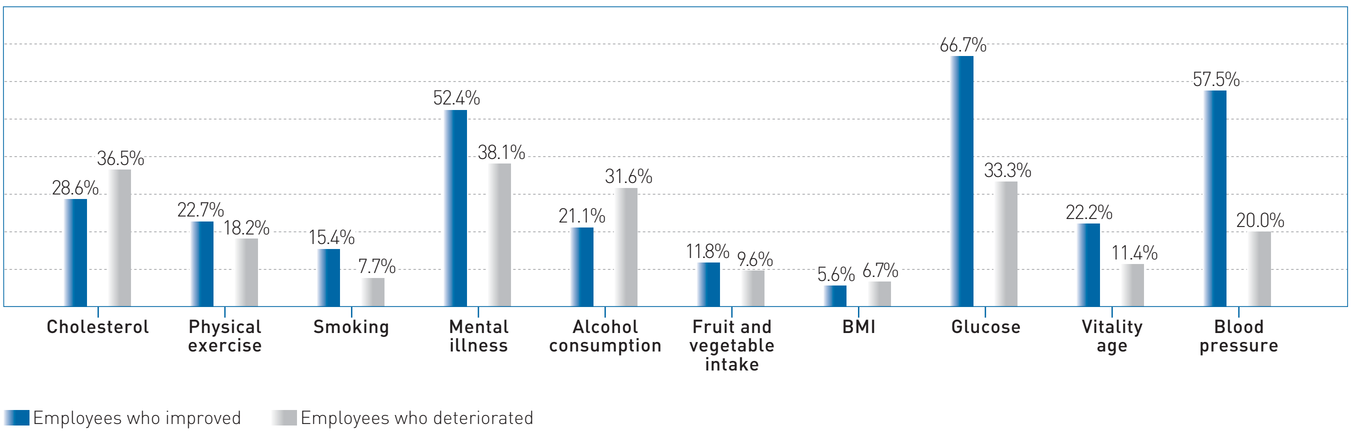
Blood pressure
More than 140/90 mmHg

Cholesterol
More than 5 mmol/L

Glucose
More than 7.8 mmol/L

Overweight
BMI more than or equal to 25

The bar chart below tracks how the high risk behaviour of our employees changed over time between this year and the same period last year:



It is pleasing to report that the most improved results year-on-year were blood pressure and glucose results, which were areas of concern for the company and key focus areas for improvement. This is attributed to the continued increase in communication during F2018. Despite the notable improvement in most of the identified lifestyle risks, there is still a need to continue to create greater awareness, as these risks are still unacceptably high. We will continue to encourage employees to change their lifestyles and to attend regular medical screenings.

FOCUS FOR 2019

- Continue to conduct occupational health awareness training throughout our operations to increase the basic understanding of occupation-related illnesses
- Further enforce compliance to our medical surveillance programme through a focus on increasing the provision of mobile clinics for remote sites
- Increase opportunities to screen for HIV, tuberculosis, noise-induced hearing loss, hypertension, decreased lung function, poor vision and other chronic diseases
- Analyse the emerging health profiles from medical screenings to assist employees to implement preventive actions to mitigate the risks

SAFETY

DELIVERY ON F2018 FOCUS AREAS:

IN THE GROUP'S F2017 INTEGRATED ANNUAL REPORT, WE OUTLINED A NUMBER OF FOCUS AREAS. THE TABLE INDICATES HOW WE DELIVERED AGAINST THESE:

FOCUS AREAS FOR F2018	DELIVERY
PROVIDE STRONG LEADERSHIP	
Health and safety to be increasingly discussed at senior management team meetings to remain top of mind and to track safety performance.	• The senior management team meetings now start with safety and cover a wide variety of safety aspects. The group's safety performance is tracked and discussed, with relevant feedback from the senior management team to the line managers and employees
ACTIVELY MANAGE HEALTH AND SAFETY	
Line managers will now have health and safety performance included in their performance agreements. Employees and contractors have to familiarise themselves with and follow the guidance outlined in health and safety policies. Employees and contractors have to report any work-related accident, ill health or near-miss on or off sites. Employees and contractors have to report any deterioration of the provided protective equipment and work environment.	• Line managers are now actively monitoring health and safety at an operational level • The unsafe incidents and fatality this year all involved human error and could have been prevented. In light of this, we have taken firm action by disciplining employees in cases of unsafe behaviour. We also conducted thorough accident investigations to learn from each accident or near-miss that occurred • Accidents and near-misses are reviewed for root cause analysis to improve safety procedures and prevent future incidents • Site management conduct regular site safety inspections to uncover safety risks caused by unsafe behaviour and to correct them before they cause an accident
STRICT MEASURING AND MONITORING OF HEALTH AND SAFETY	
Site managers have to report health and safety issues which may be of importance to the group safety committee. Site safety officers have to continue providing comprehensive reports of their health and safety activities. Segment safety, health and environmental managers have to review all health and safety site audits and discuss future recommendations with segment management.	• As outlined, we have taken firm action by disciplining employees in cases of unsafe behaviour. We also conducted thorough accident investigations to learn from each accident or near-miss that occurred
STRICT MEASURING AND MONITORING OF HEALTH AND SAFETY	
All accidents, incidents and near-miss reports have to be accurately recorded. Trends should be increasingly analysed to develop a risk profile to identify key risks across the group.	• The prompt reporting of incidents through site participation has allowed us to record accidents and incidents accurately and recognise trends of incidents for management to address

THE GROUP IS COMMITTED TO A STRONG SAFETY CULTURE THAT PROTECTS ITS EMPLOYEES, PROPERTY AND THE PUBLIC FROM ACCIDENTAL LOSS.

SAFETY PERFORMANCE

The group has a structured risk-based approach to safety management and strives to improve the culture of safety across all of its operations. We recognise that we can only achieve the safety vision of "Zero Harm" if each employee adopts it as a personal value and if leaders visibly demonstrate their commitment to safety.

We measure progress towards our goal of zero injuries through the lost-time injury frequency rate (LTIFR) and recordable case rate (RCR) which include data for employees and sub-contractors. These measures include any injury that has resulted in fatalities, lost time and medical treatment.

Despite our continuing emphasis on compliance with all rules and regulations, sadly and extremely unacceptably, we suffered another sub-contractor fatality this year in the Construction cluster following the two of last year and four of the previous year. This marks three years of fatalities in the group, confirming that although we have the correct procedures in place, people still often do not adhere to these. Any injury remains unacceptable and the group has taken disciplinary action against employees and contractors who were found to have violated safety rules and procedures or who, by their actions, disregard safety.

To ensure that our people and sub-contractors remain informed, we regularly communicate safety matters and consult our employees and sub-contractors across all our operations. We have improved our specific safety awareness programmes to engage, support and develop our people at all levels. We also recognise the critical role that our supervisors play to ensure a safe and healthy workplace and have enhanced our training to develop their skills and guide their behaviour.

During the year, although our lost-time injury frequency rate (LTIFR) for employees and sub-contractors combined remained within our target of 0.2 at 0.18 (F2017: 0.15) our employee LTIFR deteriorated to 0.30 (F2017: 0.20), whilst the sub-contractor LTIFR improved to 0.07 (F2017: 0.10). These incidents all involved human error and could have been prevented. In light of this, we have taken firm action by disciplining employees for unsafe behaviour and conducted thorough accident investigations to learn from each accident or near-miss that occurred.

OVERVIEW OF FATALITY

MR JABULANI SHANDU – SUB-CONTRACTOR EMPLOYEE

19 September 2017
Building segment (Construction: South Africa)

On 19 September 2017, Mr Jabulani Shandu, a sub-contractor employee, lost his life due to a safety incident that occurred at our Building Waterfall Corporate Campus contract in Gauteng. The employee was struck by a tower crane hook-block that fell whilst the crane was being dismantled.

Unfortunately, a piece of the crane fell and struck Mr Shandu who had crossed into a prohibited barricaded area.

We provided support and counselling to the family and colleagues affected by this event. We conducted an in-depth investigation and ensured that the conclusions were communicated across the group.

ACTIONS TAKEN

- Trauma counselling for employees and the deceased's family was provided on the same day
- Use of hard barricades or barriers at all sites to prevent entry into a lift area of the crane
- Use of an additional spotter to ensure that no person can gain access to a crane's lift area
- Improved communications to employees and contractors on site to inform them of the planned dismantling of tower cranes and confirm the danger of entering barricaded areas

SAFETY STATISTICS

Key indicators	**F2018**	F2017	F2016
Fatalities – Group Five employees	**–**	2	–
Fatalities – Sub-contractor employees	**1**	–	4
Total number of fatalities	**1**	2	4
LTIFR – Group Five employees	**0.30**	0.20	0.21
LTIFR – Sub-contractor employees	**0.07**	0.10	0.07
Combined LTIFR	**0.18**	0.15	0.13

SAFETY INCIDENT OVERVIEW

CUMULATIVE FROM JULY 2017 TO JUNE 2018 (12 MONTHS ROLLING)

Clusters/ Business segments	Man hours	First-aid cases	FAFR**	Non-lost-time injury cases	NLTI FR	Lost-time injury cases	Occupational diseases reported	Fatal injuries	Current LTIFR*	Environ-mental incidents reported	Site inspections conducted	Near-misses
CORPORATE												
Corporate & business services	440 668	–	–	–	–	1	–	–	0.45	–	–	–
Cluster total	440 668	–	–	–	–	1	–	–	0.45	–	–	–
INVESTMENTS & CONCESSIONS												
Intertoll Africa	1 958 863	–	–	5	0.51	2	–	–	0.20	1	326	17
G5 Property	41 536	–	–	–	–	–	–	–	0.00	–	–	–
Cluster total	2 000 399	–	–	5	0.50	2	–	–	0.20	1	326	17
MANUFACTURING												
Everite (Fibre Cement)	2 025 020	51	5.04	3	0.30	5	–	–	0.49	1	33	792
BRI	284 120	13	9.15	1	0.70	2	–	–	1.41	–	11	63
Pipe	187 795	3	3.19	–	–	–	11	–	–	–	–	–
Cluster total	2 496 935	67	5.37	4	0.32	7	11	–	0.56	1	44	855
CONSTRUCTION												
Coastal	11 386 355	99	1.74	16	0.28	4	–	–	0.07	7	1015	603
Building	5 237 149	191	7.29	–	–	3	–	1	0.15	7	241	1893
Housing	1 082 305	2	0.37	1	0.18	1	–	–	0.18	–	53	134
Civil Engineering	3 517 318	2	0.11	1	0.06	1	–	–	0.06	–	6	–
Plant & Equipment	407 295	16	7.86	–	–	3	–	–	1.47	1	45	10
SMEIP: Projects	5 488 535	53	1.93	14	0.51	6	27	–	0.22	17	153	836
EPC	4 377 425	8	0.37	5	0.23	4	–	–	0.18	2	84	135
Cluster total	31 496 383	371	2.36	37	0.23	22	27	1	0.15	34	1 597	3 611
Group total	**36 434 404**	**438**	**2.40**	**46**	**0.25**	**32**	**38**	**1**	**0.18**	**36**	**1 967**	**4 483**

Abbreviations:

FAFR — *First-aid frequency rate*
LTIFR — *Lost-time injury frequency rate*
Occ dis — *Occupational diseases*
Site insp — *Site inspections*
NLTIFR — *Non-lost-time frequency rate*
Env inc — *Environmental incidents*

* *Lost-time injury frequency rate (LTIFR) refers to the rate of occurrence of incidents that resulted in an employee's inability to work the next full working day. In Group Five the number is calculated per 200 000 hours worked. First-aid and near-misses are managed on site and corrective actions are taken to prevent any lost-time injuries.*
** *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.*

LOST-TIME INJURY FREQUENCY RATE (LTIFR)

Our total man hours worked decreased from 40 901 678 in F2017 to 36 434 404 in F2018 due to the decline in the number of contracts. The overall lost-time injury frequency rate (LTIFR) deteriorated from 0.15 in F2017 to 0.18 in F2018. The number of lost-time incidents (LTIs) increased from 28 in F2017 to 32 in F2018. Sub-contractor man hours decreased from 21 259 660 in F2017 to 18 889 376 in F2018 due to the decline in the number of contracts. The number of sub-contractor LTIs improved from ten in F2017 to five in F2018. The sub-contractor LTIFR improved from 0.10 in F2017 to 0.07 in F2018.

Although the worsening of some of the ratios is due to a decline in both the number of contracts and man hours that serve as a base for calculating the ratio, it also indicates that we are still unable to reduce the number of unsafe incidents.

To address this, we have enhanced safety awareness training to all our employees and contractors and have encouraged them to come forward with ways to improve safety at our operations. We have also strengthened our non-negotiable safety rules. These provide guidelines for disciplinary action against employees and contractors who violate safety rules and procedures or who disregard safety. Disciplinary action is taken where there is a deliberate breach of these rules. During the year, disciplinary action was taken against 77 people who were found to have violated safety rules and procedures. Of the 77 employees, 64 received warnings and 13 were dismissed.

%	**F2018**	F2017	F2016	F2015
LTIFR (employees)^	**0.30**	0.20	0.21	0.23
LTIFR (sub-contractors)	**0.07**	0.10	0.07	0.09
Combined[#]	**0.18**	0.15	0.13	0.15

^ *Employees in South Africa and the rest of Africa and Europe.*
\# *Total number of lost-time injury cases for the group x 200 000/total hours for the group.*

RECORDABLE CASE RATE (RCR)

During the year, 79 recordable injuries on duty were reported. This resulted in an RCR of 0.43 (F2017: 0.57). This is still within our target of 1.0 and improved due to the decline in both the man hours and the number of medical treatment cases recorded during this financial year.

%	**F2018**	F2017	F2016	F2015
RCR – Combined[#]	**0.43**	0.57	0.51	0.75

\# *Recordable case rate (RCR) or recordable injury frequency rate (RIFR) is the number of fatalities, lost-time injuries, cases or substitute work and other injuries requiring medical treatment by a medical professional per 200 000 hours worked. This is in contrast to the lost-time injury frequency rate (LTIFR), which is limited to the number of fatalities and lost-time injuries per 200 000 hours worked.*

OHSAS 18001:2007 CERTIFICATION – OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT STANDARD

All segments within the group continue to hold certification against the OHSAS 18001:2007 management standard. No major non-conformances were raised during the re-certification process this year.

FOCUS FOR 2019

- Eliminate workplace fatalities and recordable injuries through increased focus on providing leadership, training and skills development to employees and contractors
- Enforce our non-negotiable safety rules through disciplinary hearings
- Avoid the repeat of similar incidents through a focus on learning from audit and incident investigation findings
- Enhance our safety awareness training to all our employees and contractors in accordance with established safety rules, procedures and instructions
- Continue to work with our contractors to ensure they understand our safety requirements and assist them to enhance their skills and expertise to improve their safety performance

DELIVERY ON F2018 FOCUS AREAS:

IN THE GROUP'S F2017 INTEGRATED ANNUAL REPORT, WE OUTLINED A NUMBER OF FOCUS AREAS. THE TABLE INDICATES HOW WE DELIVERED AGAINST THESE:

FOCUS AREAS FOR F2018	DELIVERY
Grow our internal and external training.	• In line with the cost containment strategy and based on a cost/benefit analysis, a decision was taken to close the group's Training Academy and to outsource the service going forward
Roll out our young professional development programme to the remainder of the nominated delegates.	• Our young professional development programme was launched. The programme kicked off with 31 delegates
Embed the Invocom® methodology across all operational levels in the group to ensure a consistent approach to site-based execution.	• The Invocom® methodology was embedded across the operational levels in the group. During the training process, one additional trainer was certified in the Construction cluster
Closely align the business to the new Construction Sector Charter scorecard to achieve the maximum points for skills development.	• Maximum points were achieved
Launch a leading supply chain management development programme to unlock additional value in the supply chain.	• The planned programme did not take place due to cost pressures

INTRODUCTION

THE TOUGH TRADING CONDITIONS RESULTED IN A DECISION TO CLOSE THE ACADEMY AND OUTSOURCE THE SERVICES GOING FORWARD. PRIOR TO THE CLOSURE TOWARDS THE END OF THE FINANCIAL YEAR, WE IMPLEMENTED SOME OF OUR PROGRAMMES, AS OUTLINED IN THIS REPORT.

During F2018, the Academy focused on certain priority training initiatives, such as our quantity surveying school and the launch of our young professional development programme. Over and above these, the Academy rolled out our established and successful management development programmes such as the Programme for Project Managers (PPM) and the Generic Management programme (G5B3).

We also continued to invest in the completion of our learnership in Production Technology (NQF Level 2) and Build and Civil learnership (NQF Level 2).

OVERALL EXPENDITURE PER CATEGORY OF SPEND

A NUMBER OF OUR PROGRAMMES, SUCH AS OUR LEARNERSHIP IN PRODUCTION TECHNOLOGY AND NATIONAL CERTIFICATE PROGRAMMES, CONCLUDED IN THIS REPORTING PERIOD.

Categories – R million	**F2018**	F2017	F2016	F2015	F2014
Skills development	**10,6***	11,5*	5,4*	8,9*	13,2*
Technical and professional competence development	**1,2**	9,0	10,1	9,1	10,4
Leadership and management development	**0,5**	1,7	2,5	8,1	6,9
Student management (bursaries)	**1,9**	6,6	7,9	8,4	7,2
Training support costs	**3,06**	4,8	5,9	5,7	7,4
Total	**17,2**	33,6	31,8	40,2	45,1

These numbers include overhead costs for our Construction Skills Training Academy.

SPEND PER OCCUPATIONAL CATEGORY

Following our decision to concentrate on critical training initiatives, there was a decrease in spend in our professional, middle management, skilled and unskilled occupational categories.

At these levels, we focused our attention on shorter technical and core competency workshops by using our own internal resources to facilitate and present externally-accredited programmes. For our top and senior management levels, our expenditure was in line with our skills development and employment equity targets to train black employees.

	F2018		F2017		F2016		F2015		F2014	
Categories	**Number of training initiatives**	**Annual spend R'000**	Number of training initiatives	Annual spend R'000	Number of training initiatives	Annual spend R'000	Number of training initiatives	Annual spend R'000	Number of training initiatives	Annual spend R'000
Top management	**3**	**2**	10	12	8	4	33	70	22	22
Senior management	**7**	**57**	55	238	109	64	120	48	86	267
Professional and middle management	**92**	**1 362**	1 031	1 870	1 723	2 009	1 856	3 949	1 704	4 635
Skilled	**205**	**2 206**	3 863	4 688	5 960	8 318	5 370	9 735	6 505	8 604
Semi-skilled	**154**	**3 049**	5 974	4 851	6 385	4 665	4 088	3 796	4 176	2 800
Unskilled	**69**	**862**	1 518	544	2 513	634	1 666	1 239	1 614	857
Total	**530**	**7 540**	12 451	12 203	16 698	15 694	13 133	18 837	14 107	17 185

THE ACADEMY HAS FOUR FOCUS AREAS:

1 BURSARY PROGRAMME AND LEADERSHIP

	F2018	F2017	F2016	F2015	F2014
Annual bursary expenditure – R million	**1,9**	6,6	7,9	8,4	7,2
Number of bursary students	**27**	88	118	136	111

We currently support 27 bursary students across the group.

In line with current market conditions, we will not appoint any new students onto our bursary programme next year. Our current students will meet our resource requirements until F2019. We will continue to review this on an annual basis.

DEMOGRAPHICS OF BURSARY STUDENTS

	Black				White				Total			
	F2018		F2017		**F2018**		F2017		**F2018**		F2017	
	M	**F**	M	F	**M**	**F**	M	F	**M**	**F**	M	F
Number of students	**10**	**12**	49	39	**5**	**–**	1	–	**15**	**12**	49	39

M = Male F = Female

LEARNERSHIPS AND APPRENTICESHIPS

Effective learnership and apprenticeship programmes continue to be a key requirement for successfully tendering in the public sector. Our market-leading performance in this area has resulted in public sector and parastatal players requesting our learnership and apprenticeship programmes as part of the skills development offering to the surrounding communities where our contracts are executed. For example, we are currently offering learnership opportunities to unemployed individuals around our N1 South contract in Gauteng in compliance with SANRAL's tender requirements. We also have a number of learnerships at Everite.

SPEND AND NUMBER OF LEARNERS

	F2018	F2017	F2016	F2015	F2014
Annual spend on learnerships and apprenticeships – R million	**1,5**	6,2	5,4	7,2	5,1
Total number of learners on learnership and apprenticeship programmes and AET*	**76**	154	170	186	174
Number of unemployed learners registered on learnership and apprenticeship programmes	**59**	134	140	130	120
Number of employed learners registered on learnership and apprenticeship programmes and AET*	**17**	20	28	45	54
Number of disabled unemployed learners registered on learnership programmes	**–**	15	15	11	11

* *AET was formerly known as ABET.*

Scope and demographics

LEARNERSHIPS 2018

	NQF level	Black		White				
		Male	Female	Male	Female	Employed	Unemployed	**Total**
Production Technology – Everite	2	21	8	–	–	–	29	**29**
Production Technology – BRI	4	1	–	–	–	1	–	**1**
Building and Civil Engineering (Civils – Tippler contract)	3	9	7	–	–	–	16	**16**
NC: Professional Driving Learnership (Intertoll)	3	16	–	–	–	16	–	**16**
NC: Customer Service Learnership (Intertoll)	3	4	6	–	–	–	10	**10**
		51	21	–	–	17	55	**72**

APPRENTICESHIPS

	Black		White				
F2018	Male	Female	Male	Female	Employed	Unemployed	**Total**
Fitter (Apprenticeship – Projects) – Unemployed	1	–	–	–	–	1	**1**
Electrical (Apprenticeship – BRI) – Unemployed	–	1	–	–	–	1	**1**
Fitter (Apprenticeship – BRI) – Unemployed	2	–	–	–	–	2	**2**
	3	1	–	–	–	4	**4**

2 ORGANISATIONAL DEVELOPMENT

The improved version of our performance management tool was rolled out. This is to align it to our changing business strategy and enhance employee engagement and commitment.

The Invocom® methodology is now operational on most sites across the group. This effective communication tool allows for sites to increase productivity. An in-house resource was appointed to embed the methodology throughout the group.

	Attendees					Costs				
	Black		White			Black		White		
F2018	M	F	M	F	**Total**	M	F	M	F	**Total**
Performance management	6	6	2	4	**18**	766,00	766,00	255.00	513.00	**2 300**
Invocom®	440	94	124	12	**670**	683 175	145 951	192 531	18 632	**1 040 289**
Talent management	13	17	13	19	**62**	0	0	0	0	**0**
Total	**459**	**117**	**139**	**35**	**750**	**683 941**	**146 717**	**192 786**	**19 145**	**1 042 589**

3 LEADERSHIP AND MANAGEMENT DEVELOPMENT

The group continued with its leadership programmes. Due to the tough conditions within the industry and the group, both spend and number of students declined. We managed to roll out the Group Five Building Business Basics (G5B3), as well as continue with the Programme in Project Management in conjunction with the University of Pretoria. The G5B3 first-line management programme to develop first-time managers' skills continued. During the time between workshops, practical projects are applied in the working environment, with the support of a line manager. The attendance rate for this financial year reduced due to market conditions and only 11 delegates participated in the programme this year.

The participation in the Programme in Project Management with the University of Pretoria continued this year, with a lower attendance of students.

	F2018	F2017	F2016	F2015	F2014
Total annual spend – R million	**0,5**	1,7	2,5	8,1	6,9
Number of students on leadership programmes	**64**	95	96	28	8

4 TECHNICAL SKILLS DEVELOPMENT

Construction Skills Training Academy (CSTA)

The major restructuring of the Construction cluster resulted in a review of the CSTA value proposition. Based on a cost/benefit analysis, a decision was taken to close the CSTA and outsource the service going forward. The group will enforce strict service level agreements and quality assurance mechanisms to ensure that training and safety remain key priorities.

SKILLS PROGRAMMES

	Black				White				Total				Total	
	F2018		F2017		**F2018**		F2017		**F2018**		F2017		**F2018**	F2017
	M	**F**	M	F	**M**	**F**	M	F	**M**	**F**	M	F		
Employed learners	**2 179**	**750**	782	96	**87**	**6**	91	6	**2 266**	**756**	873	102	**3 022**	975
Unemployed learners	**–**	**–**	449	32	**–**	**–**	20	1	**–**	**–**	469	33	**–**	502
Over-border employed learners	**669**	**–**	38	1	**–**	**–**	–	–	**669**	**–**	38	1	**669**	39
Sub-contractors	**102**	**10**	305	22	**28**	**–**	13	–	**130**	**10**	318	22	**140**	340
Bursary students														
External entities	**41**	**8**	140	10	**2**	**–**	7	1	**43**	**8**	147	11	**51**	158
Total	**2 991**	**768**	1 714	161	**117**	**6**	131	8	**3 108**	**774**	1 845	169	**3 882**	2 014

M = Male F = Female

Technical and professional competence development

Although the spend declined in the year, we continued with a number of technical programmes. We used the expertise of retired and in-house mentors as facilitators.

SPEND AND NUMBER OF STUDENTS

	F2018	F2017	F2016	F2015	F2014
Total annual spend – R million	**1,2**	9,0	10,1	9,1	10,4
Number of students on Programme in Project Management	**5**	19	19	49	38
Number of students on professional registration development programmes	**15**	73	124	222	71
Short technical workshop attendance	**1 448**	3 268	4 838	8 645	10 267
Number of students on engineering school programmes*	**–**	13	90*	–	–
Number of students on quantity surveying development programme*	**11**	6	16*	–	–
Foreman development programme*	**–**	18	20*	–	–

* *New technical programmes launched in F2016.*

AVERAGE ANNUAL HOURS OF TRAINING PER EMPLOYEE BY EMPLOYEE CATEGORY

Although overall training numbers declined, our average hours trained were consistent with our previous reporting periods due to only hours of training counted in this section and not the amount of people. The main focus was on technical one- or two-day interventions.

	F2018 Average hours	**F2018 Average hours Female**	**F2018 Average hours Male**	F2017 Average hours	F2017 Average hours Female	F2017 Average hours Male
Top management	**8**	**–**	**8**	8	–	16
Senior management	**9**	**8**	**10**	14	19	10
Professional and mid-management	**13**	**7**	**18**	17	10	24
Skilled	**9**	**8**	**11**	28	42	14
Semi-skilled	**12**	**8**	**16**	19	20	19
Unskilled	**8**	**8**	**8**	10	9	11

OVER-BORDER TRAINING

Over-border training continued, mainly at our DRC, Burkina Faso and New Guinea operations.

Our focus areas in these countries remain health and safety training, as well as legal and compliance offerings.

OVER-BORDER TRAINING

Number of training initiatives	**F2018**	F2017	F2016
Namibia	**–**	–	987
DRC	**213**	123	445
Ghana	**–**	256	358
Burkina Faso	**273**	–	58
Mozambique	**–**	–	16
Liberia	**–**	47	–
Botswana	**0**	–	–
Guinea	**183**	–	–
Total	**669**	426	1 864

FOCUS FOR 2019

- Ensure that we work successfully with our external partners to continue the effective training programmes we established during the Academy's existence
- Align the business to the new Construction Sector Charter scorecard to achieve the maximum points for skills development

LABOUR PRACTICES AND DECENT WORK

1 Employment | 2 Labour/management relations | 3 Health and safety | 4 Training and education | 5 **Diversity and equal opportunity**

DELIVERY ON F2018 FOCUS AREAS:

IN THE GROUP'S F2017 INTEGRATED ANNUAL REPORT, WE OUTLINED A NUMBER OF FOCUS AREAS. THE TABLE INDICATES HOW WE DELIVERED AGAINST THESE:

FOCUS AREAS FOR F2018	DELIVERY
Continue the progress made in terms of diversity, especially at management levels.	• Reorganisation of the Construction clusters resulted in the appointment of a black head of operations
Further build on the progress achieved by the Basadi Forum.	• Targets were brought in line with equity targets

INTRODUCTION

THE YEAR WAS DOMINATED BY HEADCOUNT REDUCTIONS IN LINE WITH THE REDUCED OPERATIONS IN ESPECIALLY THE CONSTRUCTION CLUSTER. THIS UNFORTUNATELY AFFECTED THE BLACK, INDIAN AND COLOURED REPRESENTATION ACROSS THE BANDS WITHIN THE GROUP.

MANAGEMENT

The appointments at the board and executive levels have increased equity representation by almost 50%. The senior management levels were impacted by the retrenchments and resignations, especially with the resignation of two black women at the senior management level.

Middle management improved by 4% even though we lost 50% of equity representation and over 40% of white representatives. However, the company managed to retain scarce skills, as well as meet diversity objectives against reducing our numbers in line with our operations.

Coaching was implemented for all new appointees. This assisted them to quickly settle into their new roles, especially in the leadership component of their roles.

SOUTH AFRICAN WORKFORCE**

	F2018				F2017			
	White	**AIC***	**Total**	**AIC* % of total**	White	AIC*	Total	AIC* % of total
Executive								
Executives and board	**6**	**10**	**16**	**63**	5	3	8	38
Senior management								
Segment directors and group directors	**12**	**4**	**16**	**25**	19	8	27	30
Middle management								
Segment directors, department heads and skilled professionals	**164**	**99**	**263**	**38**	255	134	389	34

** African, Indian and coloured.*
*** Management levels only.*

EMPLOYMENT EQUITY

A key priority this year was to ensure that retrenchments did not impact the improvements seen in previous years. This was unfortunately not achieved, with a decline in equity representation across the board from 87% in F2017 to 85% in F2018. This was mainly due to the retrenchments across the board.

Pleasingly, there was a significant increase in AIC representation at executive level from 38% to 63%. This was mainly due to new appointments and promotions. There was a reduction in equity representation at the senior management level from 30% to 25% due to ongoing retrenchments and market demand for these skills, which resulted in a number of external offers we could not match in the current financial constraints of the group.

The table below outlines the demographic distribution and composition of the South African workforce:

SOUTH AFRICAN WORKFORCE – PERMANENT EMPLOYEES ONLY

	F2018				F2017			
	White	AIC*	Total	AIC* % of total	White	AIC*	Total	AIC* % of total
Executive								
Executives and board	6	10	16	63	5	3	8	38
Senior management								
Segment directors and group directors	12	4	16	25	19	8	27	30
Middle management								
Segment directors and department heads and skilled professionals	164	99	263	38	255	134	389	34
Junior management/skilled	225	630	855	74	384	1 124	1 508	75
Semi-skilled	6	1 373	1 379	100	40	2 418	2 458	98
Unskilled	–	177	177	100	9	1 076	1 085	99
Total	412	2 313	2 725	85	712	4 763	5 475	87

* *African, Indian and coloured.*

DEMOGRAPHIC DISTRIBUTION – SOUTH AFRICAN EMPLOYEES

%	F2018	F2017	F2016	F2015	F2014
White	15	13	12	11	11
African	73	72	74	76	80
Coloured	6	10	10	9	5
Indian	6	5	4	4	4

The rightsizing of the company through retrenchment programmes meant that most of the available positions were contract-based for the South African employees.

GENDER DISTRIBUTION – SOUTH AFRICAN EMPLOYEES

%	F2018	F2017	F2016	F2015	F2014
Female	27	22	19	16	12
Male	73	78	81	84	88

THE REPRESENTATION OF WOMEN INCREASED FROM 22% IN 2017 TO 27% IN F2018 THROUGH A FOCUS ON THE TARGETED EMPLOYMENT OF WOMEN. THE MOST NOTABLE APPOINTMENT WAS THAT OF A BLACK WOMAN AT EXECUTIVE LEVEL.

AGE AND GENDER DEMOGRAPHICS – ALL EMPLOYEES

The group's executive and senior management teams are split between the age categories of 31 to 50 and 51 to 65. Segment management teams are predominantly in the 31 to 50 age category range, which provide a strong pool of successors.

EXECUTIVE COMMITTEE

Age and gender diversity	Male	Female	Total
Age 31 to 50	3	2	5
Age 51 to 60	3	–	3
Total	6	2	8

MANAGING DIRECTORS

Age diversity	Male	Female	Total
Age 31 to 50	11	–	11
Age 51 to 60	5	–	5
Total	16	–	16

SEGMENT DIRECTORS

Gender diversity	Male	Female	Total
Age 31 to 50	45	13	58
Age 51 to 60	27	1	28
Total	72	14	86

ALL EMPLOYEES – EXCLUDING INTEROLL EUROPE AND MAURITIUS

	F2017						
	Male		Male	Female		Female	
Gender diversity	Abled	Disabled	Total	Abled	Disabled	Total	Total
Age 18 to 30	1 254	–	1 254	474	2	476	1 730
Age 31 to 50	4 381	10	4 391	1 029	10	1 039	5 430
Age 51 to 65	1 132	5	1 137	118	2	120	1 257
Age >65	50	–	50	5	–	5	55
Total	6 817	15	6 832	1 626	14	1640	8 472

	F2018						
	Male		**Male**	**Female**		**Female**	
Gender diversity	**Abled**	**Disabled**	**Total**	**Abled**	**Disabled**	**Total**	**Total**
Age 18 to 30	**1 095**	**–**	**1 095**	**455**	**2**	**457**	**1 552**
Age 31 to 50	**3 418**	**10**	**3 428**	**739**	**6**	**745**	**4 173**
Age 51 to 65	**924**	**3**	**927**	**108**	**1**	**109**	**1 036**
Age >65	**36**	**–**	**36**	**–**	**–**	**–**	**36**
Total	**5 473**	**13**	**5 486**	**1 302**	**9**	**1 311**	**6 797**

EMPOWERMENT OF WOMEN

According to Statistics South Africa, the construction industry in South Africa employs 1,4 million people. Women in the sector constitute only 11% of the total workforce. This is unfortunately also decreasing due to ongoing job shedding in the sector against depressed economic conditions. The number of women-owned construction businesses was also significantly affected, as most construction companies have been battling to survive.

THE GROUP FIVE BASADI PROGRAMME, WHICH WAS FIRST LAUNCHED IN 2011, CONTINUES TO BE SUPPORTED BY THE GROUP DESPITE THESE CHALLENGING TIMES.

The programme focuses on increasing women's participation in the company, whilst also seeking to influence the rest of the construction sector.

However, retaining talent was challenging this year, as our business went through very uncertain times. Although we were unable to roll out a number of our Basadi courses due to restructuring, we maintained our focus on mentorship of women and providing access to external networking platforms to link with other professional women.

Additionally, through our enterprise development programme, targeted mentorship and financial support was provided to a number of black women-owned companies to ensure their inclusion in the construction value chain either as suppliers, sub-contractors or as joint venture partners.

The following milestones were achieved:

- Group Five joined 30% Club Southern Africa, an organisation committed to ensuring the increase of women in leadership and decision-making positions at organisations
- More than 1 500 women at junior and middle management levels trained
- A mentorship programme of 25 women at junior management level was launched at our Manufacturing entity Everite
- Female representation increased by 18% and 16% respectively at professional and junior management levels
- 36% of our enterprise development partners are women
- The CEO Basadi Awards Programme involved more than 20 women from our various business segments who were nominated by their peers and line mangers for outstanding performance. Other award categories recognised female role models in terms of conduct in the workplace, commitment to mentorship of others and skills transfer
- Our three-year financial support and mentorship programme of 14 high school girls as part of the Future of the African Daughter (FOTAD) came to an end. 80% of the girls are pursuing further studies at tertiary institutions this year
- Our construction sector employer body SAFCEC this year appointed a black woman from Group Five as its very first female president in its history of 79 years

FOCUS FOR F2019

- Ensure a holistic change management process during the group restructure
- The development of a quality performance management system and roles that are aligned with the new strategy and structure
- Develop and implement a talent management and succession planning framework
- Define a set of behaviours and drive the right culture for the group
- Ensure fair and equitable treatment of men and women, with parity in remuneration, workplace policies and practices free from gender-based discrimination
- Increase opportunities for education, training, mentorship and coaching for women
- Increase enterprise development and supplier development interventions targeting women-owned businesses

PREFERENTIAL PROCUREMENT

DELIVERY ON F2018 FOCUS AREAS:

IN THE GROUP'S F2017 INTEGRATED ANNUAL REPORT, WE OUTLINED A NUMBER OF FOCUS AREAS. THE TABLE INDICATES HOW WE DELIVERED AGAINST THESE:

FOCUS AREAS FOR F2018	DELIVERY
Further implement procurement processes that comply with supply chain best practice.	• We improved our procurement processes
Save costs and improve processes.	• We achieved this, with particularly significant savings following the award of a stationary contract across the group to a single black-owned supplier
Integrate the group's procurement strengths into our supply chain to optimise the supply to the group from a cost perspective.	• We continue to leverage our combined procurement spend by concluding contracts with selected suppliers to reduce cost. A good example is our fuel spend that is now with a single supplier, which reduced overall group costs
Further strengthen our team of supply chain professionals through appropriate training initiatives.	• We continued to improve the skills of our team

FOCUS DURING THE YEAR

Despite the tough trading conditions, the group continued to show improvements in terms of preferential procurement. This included increasing the number of companies we deal with that have valid Broad-Based Black Economic Empowerment (B-BBEE) certificates and are B-BBEE compliant.

The transformation of our supply chain is ongoing, with our overall preferential procurement spend at 76.1% against a target of 80%.

During the year, we also evaluated opportunities to support 100% black-owned suppliers with supply contracts. In line with this, we awarded our group stationary contract across the South African operations and corporate office to a single 100% black-owned entity. This increased the income for this supplier and improved their credentials to approach other major companies.

B-BBEE SCORECARD – PREFERENTIAL PROCUREMENT PERFORMANCE

The procurement of goods and services from black-owned and black women-owned businesses continued to increase. The black women-owned spend increased from 13.8% in F2017 to 20.8%, whilst the black-owned spend grew from 35.0% to 54.5% during the year. We achieved or exceeded all our targets in each measurement element.

B-BBEE Generic Code				Historical Performance				
Measurement principle	Points	**F2018 Target**	**Actual F2018[4]**	Measurement principle	F2017 Target	Actual F2017[1]	Actual F2016[2]	Actual F2015[3]
Preferential spend with all suppliers	6	**80.0%**	**76.1%**	Preferential spend with all suppliers	80%	85.2%	71.0%	73.1%
Preferential spend with qualifying small enterprises (and emerging micro-enterprises)	3	**15.0%**	**19.7%**	Preferential spend with qualifying small enterprises (and emerging micro-enterprises)	15%	21.0%	24.3%	23.3%
Preferential spend with emerging micro-enterprises	3	**15.0%**	**11.9%**		15%	19.5%		
Preferential spend with enterprises that are more than 51% black-owned	4	**20.0%**	**42.1%**	Preferential spend with enterprises that are more than 50% black-owned	40%	35.0%	21.1%	18.2%
Preferential spend with enterprises that are more than 30% black women-owned	3	**12.0%**	**11.9%**	Preferential spend with enterprises that are more than 30% black women-owned	12%	13.8%	5.6%	4.4%
Weighted score	19		**18.1**	Weighted score		23.9	19.40	19.10

1 As audited by BEE Verification Agency cc for the year ended 30 June 2018 (Group Five).
2 As audited by BEE Verification Agency cc for the year ended 30 June 2017 (Group Five).
3 As audited by BEE Verification Agency cc for the year ended 30 June 2016 (Group Five).
4 As audited by BEE Verification Agency cc for the year ended 30 June 2015 (Group Five).

FOCUS FOR F2019

- Focus on including additional black-owned and black women-owned suppliers in the supply chain
- Align procurement strategies to build awareness and compliance in line with the amended Construction Sector Code
- Maintain an updated supplier base that meets our required compliance levels to achieve our transformation objectives
- Promote supplier development strategies that reduce risk, add value, build capacity and create measurable returns to meet the amended Construction Sector Code
- Further strengthen our team of supply chain professionals through appropriate training initiatives

ENTERPRISE AND SUPPLIER DEVELOPMENT

DELIVERY ON F2018 FOCUS AREAS:

IN THE GROUP'S F2017 INTEGRATED ANNUAL REPORT, WE OUTLINED A NUMBER OF FOCUS AREAS. THE TABLE INDICATES HOW WE DELIVERED AGAINST THESE:

FOCUS AREAS FOR F2018	DELIVERY
Continue to evaluate the viability of each enterprise development relationship and adjust our strategies to cater for market dynamics.	• This year was a huge challenge for the construction sector and Group Five. Although this resulted in limited activities with our enterprise development partners, we added five new partners. We also engaged certain partners in joint venture relationships on contracts and shared work where they could participate
Exiting relationships that are not yielding the intended outcomes, whilst at the same time bringing in new partners that show the potential to grow and transform the landscape within our sector.	• We did not have to exit any relationships. However, we managed to engage five new enterprise development partners. One was in Construction, two in our Steel Manufacturing business and two in Investments & Concessions

INTRODUCTION

The revised Construction Sector Code was gazetted on 1 December 2017. Our 2018 Broad-Based Black Economic Empowerment (B-BBEE) audit was concluded in September 2018 and our new score is a market leading level 1 and based on the new code and not the Generic Scorecard as in the last two years.

OUR OVERALL B-BBEE LEVEL 1 ACHIEVEMENT POSITIONED US AMONGST THE MOST TRANSFORMED IN THE CONSTRUCTION SECTOR.

STRATEGIC FOCUS

As communicated in our F2017 integrated annual report, enterprise development opportunities have been broadened from only our Construction operations to a wider spectrum of initiatives and partners.

Some of the strategic partnerships we maintained during F2018 are outlined in this section.

PROPERTY DEVELOPMENT

Group Five Properties (GFP) identified a small black company (100% black-owned) in the property development sector to assist them with growth. We are currently working with them to develop a property into a residential settlement.

GFP also plans to share 20% to 30% of the total construction value of most of its residential developments in Gauteng with this partner. The Glen Acre project in Midrand has started with the construction phase and our partner was awarded a number of sub-contracting opportunities on this contract.

PALLET MANUFACTURING

The Everite pallet manufacturing business has now been sold and fully transferred to a 100% black-owned business. The business is receiving supplier development assistance from Everite to assist in generating acceptable levels of return. Everite will remain a key client for the foreseeable future. This business currently generates revenue of about R15 million per year and is expected to grow further by targeting more clients in this area.

We facilitated funding of R1,6 million with the Small Business Finance Agency (SEFA) for our black partners to acquire the stake and to use the balance as working capital to grow the business.

BARNES REINFORCING INDUSTRIES (BRI)

A Credit Insurance Guarantee facility of about R30 million from SEFA remains in place and is currently being used for our Barnes Reinforcing Industries (BRI) business in our Manufacturing cluster. This facility is supporting small black businesses with their working capital. This partnership also allows BRI to access new markets. BRI assists these small businesses with business development services.

This transaction continues to show significant impact, with almost R24 million in credit insurance guarantees to nine companies. These companies have managed to achieve more than R105 million of sales since the programme started in F2017. Almost 70 direct and another 70 indirect jobs have been created through this programme. There is still enough scope to include more companies and to increase the guarantees, as the need arises. Both BRI and SEFA consider this programme to be a great success.

ENTERPRISE AND SUPPLIER DEVELOPMENT PARTNERSHIPS

The table below outlines our current development partners and reflects their development from the time they were incorporated into our programme in calendar 2008.

DURING THE YEAR, WE MET ALL ENTERPRISE AND SUPPLIER DEVELOPMENT REQUIREMENTS IN TERMS OF THE B-BBEE CONSTRUCTION SECTOR CODES. THIS MARKS THE TENTH CONSECUTIVE YEAR OF FULL COMPLIANCE WITH THE REQUIREMENTS OF THIS ELEMENT.

Since inception of the group's enterprise development programme, six of our partners improved their Construction Industry Development Board (CIDB) registration. Five of our partners have reached the targeted CIDB Level 8, with one of our partners, UMSO, achieving a Level 9 status.

ENTERPRISE AND SUPPLIER DEVELOPMENT PARTNERSHIPS

Enterprise development partners	Black ownership	Women ownership	Date joined	CIDB level on joining	Current CIDB level	B-BBEE level
Inkanyeli Projects (Pty) Ltd	100%	–	2009	4GB	8GB	4
Thukuhlo Projects (Pty) Ltd	100%	100%	2016	1GB	5GB	1
Uvuko Civils and Construction	100%	100%	2012	8GB 7CE	8GB 7CE	7
B.L. Williams Construction (Pty) Ltd	88%	48%	2009	6GB	8GB	8
ENM Trading CC	100%	–	2010	6GB	8GB 8CE 7ME	1
WillpowerWorx (Pty) Ltd	100%	100%	2016	*	*	1
Pan African Development (Pty) Ltd	100%	40%	2009	6GB	8GB 8CE	2
Tanguliza Construction (Pty) Ltd	100%	100%	2016	4CE	6CE 1GB	1
Bhunga Trading Projects CC	100%	–	2016	*	*	1
Enzani Technologies (Pty) Ltd	82%	53%	2009	5EP	8EP 1ME 1CE	3
Bafokeng Plumbing (Pty) Ltd	100%	–	2015	*	*	1
Keabetswe Construction (Pty) Ltd	100%	90%	2016	5GB	5GB	1
UMSO Construction (Pty) Ltd	78%	8.7%	2008	6CE	9CE 8GB	1
Eyethu Reinforcing (Pty) Ltd	100%	40%	2015	*	*	1
Mamokete Projects (Pty) Ltd	100%	100%	2017	1GB 1CE	5GB 5CE	1
Thulanda Consultants (Pty) Ltd	100%	–	2017	1GB 1CE 1ME 1EP	1GB 1CE 1ME 1EP	1
Nsimbi (Pty) Ltd	100%	–	2017	*	*	1
F2017/F2018 NEW PARTNERSHIPS						
Muthanyi Technologies & Projects Specialists (Pty) Ltd	100%	–	2017	*	*	1
Kerlisource (Pty) Ltd	51%	–	2017	*	*	1
Henerasyon Construction & Engineering CC	100%	–	2017	1GB	1GB 1CE 1EB	1
L&R Building & Civils Construct (Pty) Ltd	100%	100%	2017	7CE 8GB	8GB	1
Wisemen Civil Construct & Developers CC	100%	–	2017	1GB	1GB	1

CE – Civil engineering
EP – Electrical engineering works (infrastructure)
GB – General building works
ME – Mechanical engineering works
PE – Potential emerging
** – Not CIDB graded*

EMPOWERED JOINT VENTURES

The table below outlines the significant joint venture projects entered into with emerging and empowered organisations during the year:

	Name of partner/ development entity	Contract/development	Effective partner % holding in venture	Total value of contract R'000	Commence-ment date of contract
ENGINEERING & CONSTRUCTION					
Partner (P)/development entity (DE)					
DE	Umsimbiti Civils (Pty) Ltd	Construction of Main Road P577 in Kwadebeka – KwaZulu-Natal	15%	195 119	Oct 2011
		Construction of Ethekwini BRT on route C3B Umgeni River to Pinetown along provision road Main Road P577	15%	205 880	Sep 2011
P	ENM CC	Building of Bophelong Psychiatric Hospital Phase 2 – North West	30%	221 774	Nov 2015
		Building of Bophelong Psychiatric Hospital – North West	30%	516 000	Nov 2012
		Jouberton Community Centre – North West		146 867	Sep 2016
		Legislature Building – North West		199 939	Dec 2016
		Staff accommodation at Brits District Hospital – North West	30%	165 743	May 2017
		Construction of Guardhouse – North West	30%	4 133	Jun 2018
P	Trencon Construction (Pty) Ltd Imbani Construction (Pty) Ltd	Construction of Tshwane House – Gauteng	36.25%	1 085 419	Mar 2015

FOCUS FOR F2019

- Identify new opportunities within our contract lifecycle to develop sustainable black- and black women-owned businesses in line with the amended Construction Sector Code
- Further amend our strategies to ensure full compliance with the new code
- Ensure alignment with government initiatives for job creation and small business development to provide additional opportunities to our enterprise development partners

SOCIETY

DELIVERY ON F2018 FOCUS AREAS:

Despite the tough trading conditions, Group Five continued to support socio-economic development (SED).

Spend decreased from R2,4 million to R1,2 million due to the group being under huge financial pressure. However, we continued to support all our programmes during the year.

IN THE GROUP'S F2017 INTEGRATED ANNUAL REPORT, WE OUTLINED A NUMBER OF FOCUS AREAS. THE TABLE BELOW INDICATES HOW WE DELIVERED AGAINST THESE:

FOCUS AREAS FOR F2018	DELIVERY
The SED and community strategy will remain focused on supporting effective initiatives that foster sustainable development in the communities around our operations.	• We have successfully implemented our strategy of actively engaging communities in the catchment areas of our operational sites • This has involved providing employment to local people, developing skills through our People at the Gate programme that has been running for over 12 years and learnerships and cause initiatives such as Nelson Mandela Day
Increased effort will be placed on group initiatives, such as mobile science laboratories for high schools in Mpumalanga, initiatives that empower young girls and women, as well as other initiatives currently near our recently-awarded Grootegeluk (GG6) expansion contract.	• We continued to support five schools close to our contract/s in the outlying areas of Nelspruit. These schools were provided with a mobile science laboratory with a fully-qualified science educator • Our successful eight-year sponsorship of the University of Johannesburg's Women in Engineering & Built Environment Programme ended this year

COMMUNITY ENGAGEMENT

Our engagements with communities this year were significantly reduced due to lower contract levels. However, we have been able to recruit labour from communities close to our construction sites at various stages of contract implementation. Our community liaison officers (CLOs) on each project, with the help of local traditional leaders, councillors and the Department of Labour, always ensure a carefully-managed recruitment process. The CLOs are trained to deal with the community in a transparent way to align all interest groups. Our CLOs receive regular training to ensure engagement is at the level required to address the tensions often seen in communities.

EMPLOYEE VOLUNTEERISM, GIFTS IN KIND/PAYROLL GIVING

The group continues to encourage and support involvement of its employees in community development. In F2018, employees were allowed time during their normal working hours to become involved in various group community programmes and to promote skills transfer and mentoring of community organisations and emerging enterprises.

One example was 30 women from Group Five who volunteered their time and were involved in supporting the 16 Days of Activism against Violence on Women & Children.

SOCIAL IMPACT ASSESSMENT

Through consultations with local community representatives, government and other key stakeholders before investing in social initiatives, the group ensures the implementation of relevant programmes with long term impact.

The group's sponsorship of five high schools in Mpumalanga amounts to almost R1 million per year and covers the cost of a fully-equipped mobile laboratory and a trained facilitator/teacher who tutors the learners and their science educators on a weekly basis. The schools' performance in mathematics and science has consistently improved since this intervention in 2012.

Our beneficiary organisations, which often do not have adequate training and capacity, are also provided with additional skills and resources to ensure effective management.

Accountability is ensured through service level agreements with the organisations, as well as regular progress reports to the board through the transformation & sustainability committee.

PROJECTS IN SOUTH AFRICA

SALDANHA SKILLS DEVELOPMENT CENTRE

Last year, we reported that Group Five was appointed as the principal contractor for the Transnet Tippler contract, a two-year contract. Group Five constructed a skills development centre in Saldanha where local people are trained in construction-related skills.

PROGRESS TO DATE

More than R6,5 million has been spent since last year on various skills development initiatives which have benefited the youth in Saldanha. Below are some of the programmes implemented in F2018:

BURSARIES

Through the skills development centre, we have supported three students during their BSc Civil Engineering studies at the University of Cape Town. We are also working on creating partnerships with local tertiary institutions to develop additional skills by offering further bursaries to young students.

INTERNSHIPS

The project offers local students practical exposure to complete their studies. We have assisted 31 students with their practical training in the Build and Civils programme. Additionally, two BSc Civil Engineering students received practical exposure on sites to obtain their qualifications.

LEARNERSHIPS

The skills development centre has so far facilitated two learnership programmes. This involved training the predominantly unemployed local people in construction-related disciplines. During the year, 31 unemployed learners were selected to complete the National Diploma in Building & Civil Construction (NQF Level 3). The third learnership, with an estimated intake of 15 students, will commence in the second half of calendar 2018.

UPCOMING INITIATIVES

A number of construction-related training programmes are planned for local unemployed individuals. These will include safety training and wellness awareness programmes. Partnerships with local schools will commence in the second half of the year. Training of local sub-contractors will take place to improve and broaden the pool of capable local construction companies.

TRAC MOBILE LABORATORIES

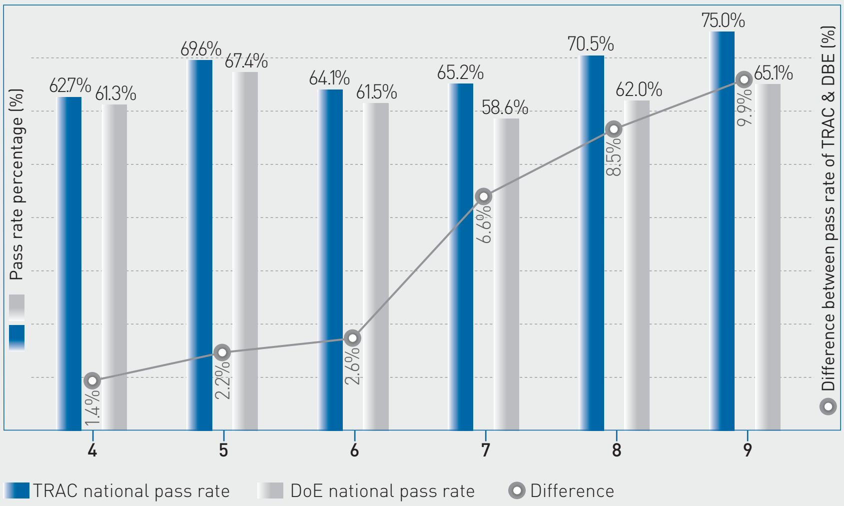
Group Five was one of the sponsors of TRAC South Africa from 2011 to the end of 2017. TRAC is a national, non-profit Physical Science intervention programme from the University of Stellenbosch. Its objective is to support and improve science, applied mathematics and technology education in South African secondary schools. The programme seeks to empower science learners for a successful career.

TRAC has a national schools footprint of 21 support points. More than 7 000 learners from disadvantaged communities are exposed to the TRAC programme each year. Grades 11 and 12 learners from five schools form part of the programme at each support point. The programme operates in these schools from Monday to Friday. TRAC experiments and the associated worksheets are provided to Grades 11 and 12 Physical Science students and educators.

SUCCESSES

The Department of Education's national pass rate percentage for Physical Science increased from 62.0% in 2016 to 65.1% in 2017. TRAC's national pass rate has consistently increased since the inception of the new curriculum. The pass rate in 2014 was 64.1%, 65.2% in 2015, 70.6% in 2016 and 75% in 2017. This increased the gap between the performance of the Department of Education and TRAC to 9.9%. Almost 21% (12.8% in 2015 and 14.9% in 2016) of the Grade 12 TRAC class of 2017 obtained 60% and above for Physical Science (a first-class pass). This exceeds the Department of Education's 16.2% first-class passes.

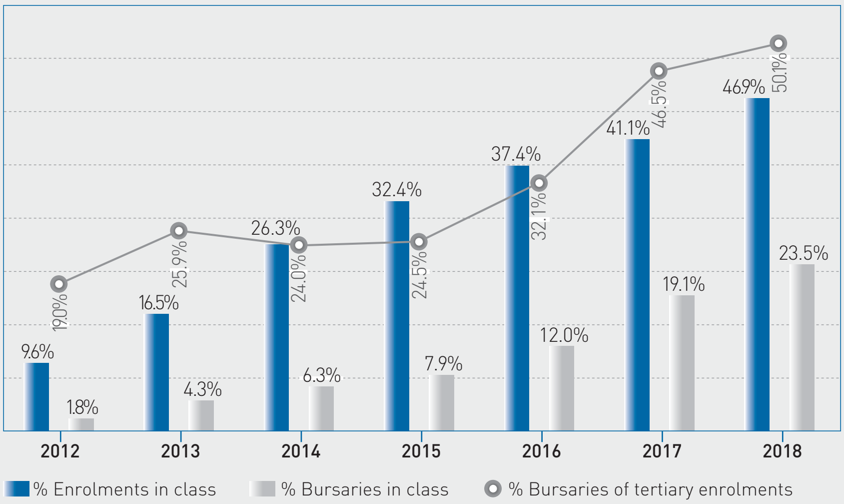
PASS RATE COMPARISON – TRAC versus Department of Edcuation (DoE) national



The best indicator of TRAC's impact is the progressive year-on-year improvement of learners' results, offering them access to further studies at tertiary institutions. The TRAC students who have annually enrolled for tertiary studies have consistently increased from only 9.6% in 2012 to 46.9% in 2018.

Most TRAC learners come from severely challenged socio-economic backgrounds and do not have the financial means to further their academic careers past Grade 12. In 2018, more than half of the learners taking up tertiary studies did so with funding from TRAC's bursary partners.

TERTIARY INSTITUTION ENROLMENT & BURSARIES AWARDED Percentage of Grade 12 class



GO FOR GOLD

The Go for Gold Programme is a unique public private partnership between a number of companies in the construction sector and the Western Cape Education Department. Group Five joined the programme when it was established in 1999 in response to the critical shortage of candidates from disadvantaged communities with the necessary grounding in science and mathematics for entry into the construction, building sciences and engineering fields.

Since 1999, more than 400 students have benefited from Go for Gold:

- 80% of all students have achieved a matric pass, qualifying for bachelor degree tertiary studies
- All students achieved a National School Certificate (NSC) pass
- All qualifying students found jobs
- 82% of the participants are either employed or engaged in tertiary training

SOCIAL IMPACT ASSESSMENT

This has been one of the most difficult years for our business and the industry at large. However, we have confirmed our commitment to community development through our various businesses. Although our spend was lower than previous years, we have been able to supplement our direct spend with other initiatives such as mentoring and skills transfer.

SED SPEND – SOUTH AFRICA

R'000	**F2018**	F2017	F2016
Corporate Business Services	**622**	1 012	905
Investments & Concessions			
Infrastructure Development Services	**–**	–	50
Intertoll	**10**	290	383
G5 Properties	**38**	–	76
Cluster total	**48**	290	509
Manufacturing			
Everite	**46**	66	366
Pipe	**–**	–	–
BRI	**9**	22	47
Cluster total	**55**	88	413
Construction: South Africa			
Building	**71**	175	530
Housing	**–**	103	62
Coastal	**129**	347	306
Civil Engineering	**–**	313	253
Plant & Equipment	**318**	–	36
Projects	**–**	37	170
Power	**–**	–	–
Oil & Gas	**–**	47	9
Nuclear	**–**	–	–
Cluster total	**518**	1 022	1 366
Group SED spend for the year	**1 243**	2 412	3 193

OVER-BORDER SED

The group focuses on SED programmes in our key countries of operation. Below we provide information on three of our over-border countries:

GHANA

We continue to support the Tarakadi community in the vicinity of certain of our contracts in Ghana. Last year, we erected a classroom, workshop and library. This year, we have been able to sponsor a programme that trains various schools around the area, as well as offering a number of scholarships. This year, we initiated another project to support a home for children in Accra.

ZIMBABWE

The Mutare Clinic project which we started in F2017 continued this year. This clinic is situated along the main road from Harare to Mutare and services more than 200 households in the rural community of Mutare. The refurbishment of staff premises at the clinic was completed this year.

NEW GUINEA

Road infrastructure remains a significant problem in many African countries, particularly in rural areas. For the people of Boure in New Guinea, connecting to different parts of the country beyond their village used to be very challenging. To assist this community, we improved and widened one of their main roads.

OVER-BORDER SED SPEND

Country	Initiative	Amount of spend R'000
Zimbabwe	Staff accommodation for clinic	314
Ghana	Teach the Teacher and scholarships	401
	Donation to Osu Children's Home in Accra	51
New Guinea	Widening and improvement of the road in Boure	400
Total spend		1 167

FOCUS FOR F2019

In the coming financial year, the two pillars of our SED programme will continue to be skills development and economic empowerment. As we navigate through a challenging financial phase, we will not lose sight of our commitment to SED and will identify innovative ways of making a difference with limited spend. This will be achieved through collaborative programmes with our key stakeholders and employee volunteerism initiatives.

We will also remain focused on community programmes close to our contracts in South Africa and the rest of Africa, which is an important part of positively affecting the lives of ordinary people living in the vicinity of our operations.

Our SED focus will be on:

- Improving the required spend on areas outside of social grants through economic empowerment and skills development programmes
- Playing a role in addressing poverty and unemployment through support to women and the youth
- Initiating collaborative initiatives with our stakeholders, which include governments
- Capacity building and increased accountability amongst beneficiaries

ENVIRONMENT

DELIVERY ON F2018 FOCUS AREAS:

IN THE GROUP'S F2017 INTEGRATED ANNUAL REPORT, WE OUTLINED A NUMBER OF FOCUS AREAS. THE TABLE BELOW INDICATES HOW WE DELIVERED AGAINST THESE:

FOCUS AREAS FOR F2018	DELIVERY
We recognise the severity of the water situation within parts of South Africa, and therefore remain focused on reducing water consumption throughout our operational footprint, with special attention given to the Western Cape where a drought existed for part of the year.	• The group conducted a water management audit and implemented a water management plan to monitor and measure wastage in our operational footprint
Further attention will be placed on identifying risks and opportunities associated with climate change and embedding these in the group's business model.	• We have successfully completed several Green Star and Leadership in Energy and Environmental Design (LEED) buildings • We also comply with standards and are continuously evaluated against the LEED USA standard to ensure Green Star ratings
The continuous integration of environmental obligations and stakeholders' expectations will be evaluated to ensure their expectations are met.	• The group conducts internal and external environmental audits to ensure compliance with all environmental requirements. The group also regularly engages with stakeholders
The transition of the current environmental management system to the new standard requirements will be rolled out in preparation for the ISO 14001:2015 certification audit during May 2018.	• We have been re-certified in line with the new ISO 14001:2015 environmental management standards
Environmental awareness of employees will continue to increase the general understanding at all levels of the group.	• Environmental awareness is managed at an operational level and verified through site operational meetings and employees' induction

INTRODUCTION

GROUP FIVE RECOGNISES THE IMPACT OF ITS BUSINESS ON SURROUNDING ENVIRONMENTS.

The group operates its business cognisant of the climate change agenda and its presence in future low carbon economies.

We therefore take measures to prevent and/or minimise our impact on the environment through the implementation of an environmental management system in line with international standards and best practice.

Management in each cluster is responsible for managing the environmental impact through compliance with regulatory requirements and best practice. We actively communicate our environmental performance to the public through the required legislative channels and on our website.

ISO 14001:2015 RE-CERTIFICATION

The group is certified in line with the ISO 14001:2015 environmental management system. The certification is conducted by an international external third party and provides assurance to all stakeholders and interested and affected parties. External audits on system compliance are undertaken annually. Any major or minor non-conformances, as well as recommendations, receive the same level of priority and are closed off effectively.

EMISSIONS

We changed our reporting approach in F2012 to only report on the emissions of those activities we have financial control over. Emissions related to joint venture activities where Group Five is not the leading party are therefore excluded from calculations. The baseline was adjusted in F2012 with emissions at 906 416 metric tonne CO_2 equivalent (tCO_2e). A large reduction in the emissions (total metric tonne CO_2 equivalent) was observed since F2012. This can be attributed to the selling or integration of certain components within the previous Construction Materials cluster and the significant reduction in active contracts in our Construction operations due to ongoing tough market conditions.

GROUP FIVE'S CARBON FOOTPRINT

- The group has voluntarily submitted information to the Carbon Disclosure Project (CDP) for ten years
- The information submitted for CDP occurs after the group's year-end. The carbon footprint data reported in this review is therefore for the year ended 30 June 2017 and is based on Group Five's previous operating structure before the restructuring of the group during F2018
- We follow a financial control approach to record our emissions
- F2012 was selected as the baseline year due to the change in the reporting approach

FOOTPRINT PER SCOPE

	F2017 (tCO_2e)	F2016 (tCO_2e)	F2015 (tCO_2e)	F2014 (tCO_2e)	Emission factor	% of total F2017
Scope 1 – Diesel, petrol, coal, LPG, etc	**39 220**	46 058	56 720	79 459	2.67 kg/litre	10
Scope 2 – Purchased electricity	**47 474**	44 251	51 111	61 373	0.99 kg CO_2/kWh	12
Scope 3 – Business travel, deliveries	**292 056**	235 889	406 494	584 093	–	77
Total	**377 700**	326 198	514 325	724 925	–	100

Total Greenhouse Gas (GHG) emissions for F2017 (377 700 tCO_2e) increased by 16% compared to F2016 (326 198 tCO_2e). The increase was mainly due to less joint venture contracts, which do not form part of the reporting of emissions, as we only report on those activities we have financial control over. The GHG emissions compared to the baseline year (F2012: 906 416 tCO_2e) still reduced by 58%.

SCOPE 1

Direct Group Five emissions only.

SCOPE 2

Indirect emissions from the generation of purchased electricity.

SCOPE 3

Other indirect emissions as a consequence of the activities of the group, but occurring from sources not owned or controlled by the group, such as commuting, air travel for business activities, production and transportation of purchased goods, outsourced activities and contractor-owned vehicles.

SCOPE 1 – DIRECT EMISSIONS*
CARBON FOOTPRINT PER CLUSTER

	F2017		F2016		F2015		F2014		F2013	
Cluster	**Carbon footprint (tCO_2e)**	**% of total**	Carbon footprint (tCO_2e)	% of total	Carbon footprint (tCO_2e)	% of total	Carbon footprint (tCO_2e)	% of total	Carbon footprint (tCO_2e)	% of total
Investments & Concessions	**2 610**	**7**	3 753	8	3 513	6	3 267	4	3 727	6
Manufacturing	**27 386**	**70**	14 370	31	29 135	52	27 501	35	24 488	36
Engineering & Construction	**9 224**	**24**	27 935	61	24 072	42	48 690	61	39 613	58
Total	**39 220**	**100**	46 058	100	56 720	100	79 458	100	67 828	100

Scope 1 emissions relate to sources owned or controlled by the group, such as from boilers, vehicles and furnaces.

Scope 1 emissions for F2017 were 37% lower than those reported in F2016 and 18% lower than the baseline in F2012. The reduction in Scope 1 emissions from F2016 can be attributed to the conclusion of various plant-intensive contracts within the Engineering & Construction cluster at the end of F2015 and F2016.

The Manufacturing cluster is the largest contributor to Scope 1 emissions and contributed 70%. This was followed by the Engineering & Construction cluster which contributed 24%.

* *Diesel, petrol, coal, LPG, etc.*

SCOPE 2 – ENERGY INDIRECT EMISSIONS PER CLUSTER (INDIRECT EMISSIONS)

	F2017		F2016		F2015		F2014		F2013	
Cluster	**Carbon footprint (tCO_2e)**	**% of total**	Carbon footprint (tCO_2e)	% of total	Carbon footprint (tCO_2e)	% of total	Carbon footprint (tCO_2e)	% of total	Carbon footprint (tCO_2e)	% of total
Investments & Concessions	**9 511**	**20**	8 574	19	7 822	15	10 789	17	9 723	16
Manufacturing	**33 116**	**70**	30 838	70	39 926	80	42 774	70	43 574	71
Engineering & Construction	**4 847**	**10**	4 838	11	2 456	5	7 811	13	7 867	13
Total	**47 474**	**100**	44 250	100	50 204	100	61 374	100	61 164	100

Scope 2 emissions are indirect emissions associated with the purchase and consumption of electricity. Scope 2 emissions increased by 7% from F2016, mainly due to an increase in production capacity after upgrades to the Manufacturing plant following the introduction of the new Autoclaved Aerated Concrete (AAC) production line at Everite, as well as the increased running time of machines. There was also more accurate reporting from the rest of the clusters. Scope 2 emissions increased by 23% when compared to the baseline year in F2012.

The Manufacturing cluster remains the largest consumer of electricity due to its operational requirements. It contributed 70% of the total Scope 2 emissions of the group.

SCOPE 3 – OTHER INDIRECT EMISSIONS PER CLUSTER (INDIRECT EMISSIONS)

	F2017		F2016		F2015		F2014		F2013	
Cluster	**Carbon footprint (tCO_2e)**	**% of total**	Carbon footprint (tCO_2e)	% of total	Carbon footprint (tCO_2e)	% of total	Carbon footprint (tCO_2e)	% of total	Carbon footprint (tCO_2e)	% of total
Investments & Concessions	**254**	**<1**	379	<1	404	<1	464	<1	124 299	19
Manufacturing	**56 826**	**19**	3 877	2	3 922	1	3 805	<1	189 937	30
Engineering & Construction	**234 976**	**80**	231 633	98	402 976	99	579 825	99	327 871	51
Total	**292 056**	**100**	235 889	100	407 302	100	584 094	100	642 107	100

The Engineering & Construction cluster contributed 80% of the emissions generated in Scope 3. This was mainly due to the large number of sub-contractors and suppliers required to provide services within this cluster. There was a 24% increase in emissions during F2017 compared to F2016 due to the lower level of joint venture contracts, as outlined earlier.

EMISSION FACTORS

The group utilises emission factors set by the Department for Environment, Food and Rural Affairs (DEFRA) in the United Kingdom to calculate its Greenhouse Gas emissions associated with the consumption and combustion of the various sources which are known to contribute to climate change. The emission factors are utilised to calculate and convert the quantities of a specific substance consumed. This is expressed in a CO_2 equivalent (CO_2e). The DEFRA emission factors which were used to calculate Group Five's Scope 1, 2 and 3 emissions are presented in the tables below:

SCOPE 1 – EMISSION FACTORS

Description	Value	Unit
Diesel	**2.67**	kg CO_2e per litre
Petrol	**2.30**	kg CO_2e per litre
LPG	**3.16**	kg CO_2e per kg
Weighted vehicle average emission factor	**0.20428**	kg CO_2e per km
Other bituminous coal	**2.44**	kg CO_2e per tonne
Natural gas	**0.056**	tCO_2e per tonne

The Scope 2 emission factors are determined based on the emissions calculated for electricity generation within that specific country. The country-specific emission factors for those countries in which electricity consumption was reported are indicated in the table below:

SCOPE 2 – EMISSION FACTORS

Description	Value	Unit
South Africa	**1.027**	CO_2e per MWh
Zimbabwe	**0.596**	CO_2e per MWh
Ghana	**0.080**	CO_2e per MWh
Burkina Faso	**0.637**	CO_2e per MWh
DRC	**0.002**	CO_2e per MWh
Hungary grid	**0.317**	CO_2e per MWh
Ireland	**0.46**	CO_2e per MWh

SCOPE 3 – EMISSION FACTORS

Description	Value	Unit
Purchased goods and services		
Steel	**2.03**	kg CO_2 per kg
Water	**1.275**	kg CO_2 per litre
Cement	**0.740**	kg CO_2 per litre
Concrete	**0.107**	kg CO_2 per litre
Bricks	**0.240**	kg CO_2 per litre
Upstream transportation and distribution		
Average heavy goods vehicles	**0.053**	tCO_2e per tonne km
Waste generated in operations		
Municipal solid waste	**0.170**	tCO_2e per tonne waste
Business travel		
Air travel (short haul)	**0.088**	kg CO_2e per passenger km
Average distance travelled (short haul)	**1.137**	km
Downstream transportation and distribution		
Average heavy goods vehicles	**0.053**	kg CO_2e per tonne km

CARBON DISCLOSURE PROJECT

Group Five has put reduction targets in place for its fixed sites. Reduction targets of 3% over a period of five years were set during F2012 for all fixed sites. Due to tough economic conditions in South Africa and the ongoing decline in large-scale construction contracts, the group will review the original baseline. A new baseline will be established in F2019. Reduction targets will be measured from then.

To quantify the group's environmental impact and measure its performance against previous years, its impact is expressed as tCO_2e per permanent employee. Due to significant retrenchments in F2017, the basis of the calculation was skewed due to a much lower base of employees. This resulted in 15.64 tCO_2e compared to 9.70 tCO_2e in F2016.

As part of the group's commitment to reduce its carbon emissions, the sustainability of sub-contractor and supplier products and/or their effectiveness in meeting the group's environmental requirements are considered when appointing them.

REGULATIONS RELATING TO CARBON TAX

On 14 December 2017, the Department of National Treasury published the Second Draft Carbon Tax Bill for introduction in Parliament, as well as for public comment and convening of public hearings by Parliament. This was expected to take place early in 2018, but hasn't yet taken place. The group is working towards the intended implementation.

WATER

The Western Cape faced a Level 6 water crisis during the financial year. The water restrictions required non-residential properties to reduce consumption by 45%. Businesses operating within these areas that were not able to reduce their water needs were required to apply for exemptions. Strict penalties were levied on those that did not lower consumption. Group Five prioritised water use within the Engineering & Construction and Manufacturing clusters and water management plans were implemented. These included measures to monitor and reduce water consumption at all its operations. This resulted in cost savings and allowed the group to identify areas of wastage. We have put measures in place to control these wastages.

To address future use, the Western Cape business is currently reviewing a number of options to re-use water on several construction sites.

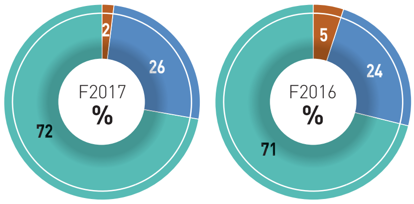
Initiatives include:

- Pumping groundwater from excavations
- Sampling water and sending it for testing to determine whether the water is suitable for re-use on sites
- Collecting water in buckets/large containers for washing of tools and floors in the office and flushing of toilets
- Taking excess water to nearby sites for re-use

We experienced a 1% increase in the combined water use from F2016 to F2017, with Engineering & Construction contributing 72% of the total water consumption. The increase can be attributed to the larger number of contracts we delivered ourselves rather than in joint ventures, as outlined earlier.

We take the conservation of water very seriously and continue to seek measures to reduce water usage and opportunities to recycle or re-use process water. We are also increasingly focusing on improving awareness of all employees and sub-contractors by communicating the importance of responsible water management and their role in implementing these water management controls.

During the year, the Group Five board made installing water metres on all sites compulsory. Although clients generally provide water to us as the contractor, measuring water consumption will be an important part of ensuring increased awareness of effective water use.



WATER CONSUMPTION (% kl)

	F2017	F2016
Investments & Concessions	2	5
Manufacturing	26	24
Engineering & Construction	72	71

Figure 1: Water consumption (F2015/F2016).

The Engineering & Construction cluster remained the highest consumer of water due to the nature of building activities conducted in the cluster. The water consumption increased from 71% in F2016 to 72% in F2017. This can also be attributed to the lower level of joint venture contracts that were not part of the reporting process in F2017.

The Investments & Concessions cluster reduced water use from 5% in F2016 to 2% in F2017 due to awareness initiatives conducted at all sites.

The Manufacturing cluster increased water use from 24% in F2016 to 26% in F2017 due to increased production after the start of a new production line, as outlined earlier.

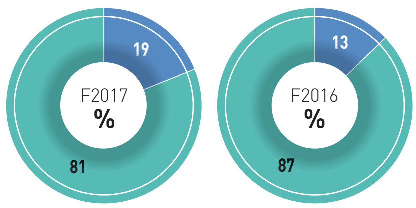
WASTE MANAGEMENT

We only use registered waste service providers to dispose of waste at authorised landfill sites. Service providers are required to provide evidence of the safe disposal of all waste removed from sites in the form of a waste manifest signed by the receiving landfill representative.

Only small quantities of hazardous waste are generated. It is disposed of within strict requirements and the use of formal hazardous waste service providers. Where required, the group is registered with the South African Waste Information System (SAWIS) centre, which is the only system for capturing and monitoring hazardous waste.

The Engineering & Construction cluster generated 91 460 metric tonnes in F2017 compared to 121 036 metric tonnes in F2016. The reduction was due to lower levels of contracts, as well as increased recycling of building rubble and the re-use of the crushed materials on site.

The majority of waste within this cluster originates from building rubble and packaging materials, such as crates, pallets, wrapping and other packaging materials. During the year, the majority of contracts used crushers to further break down the building rubble into smaller sizes for re-use on site. This approach did not only reduce costs and minimise waste, it also decreased the demand for landfill sites.



WASTE (% tonnes)

	F2017	F2016
Manufacturing	19	13
Investments & Concessions	–	–
Engineering & Construction	81	87

Figure 2: Volume of waste generated (F2015/F2016).

The Manufacturing cluster generated 26 312 metric tonnes of waste in F2017 compared to 28 057 metric tonnes in F2016. The decrease was due to strict controls in terms of which materials are used in the manufacturing process, the reduced rejection rate of products and the increased production run of machines. The majority of the waste generated within this cluster are sorted into different waste streams on site and sent for recycling. The Everite business segment is in possession of a waste licence and their waste disposal site is monitored by an external environmental specialist in line with the requirements of the waste licence.

Waste generated within the Investments & Concessions cluster is insignificant and consists mostly of general waste during the operational processes of the toll plazas. Waste generated from the toll plazas are included in the local municipal waste collection services.

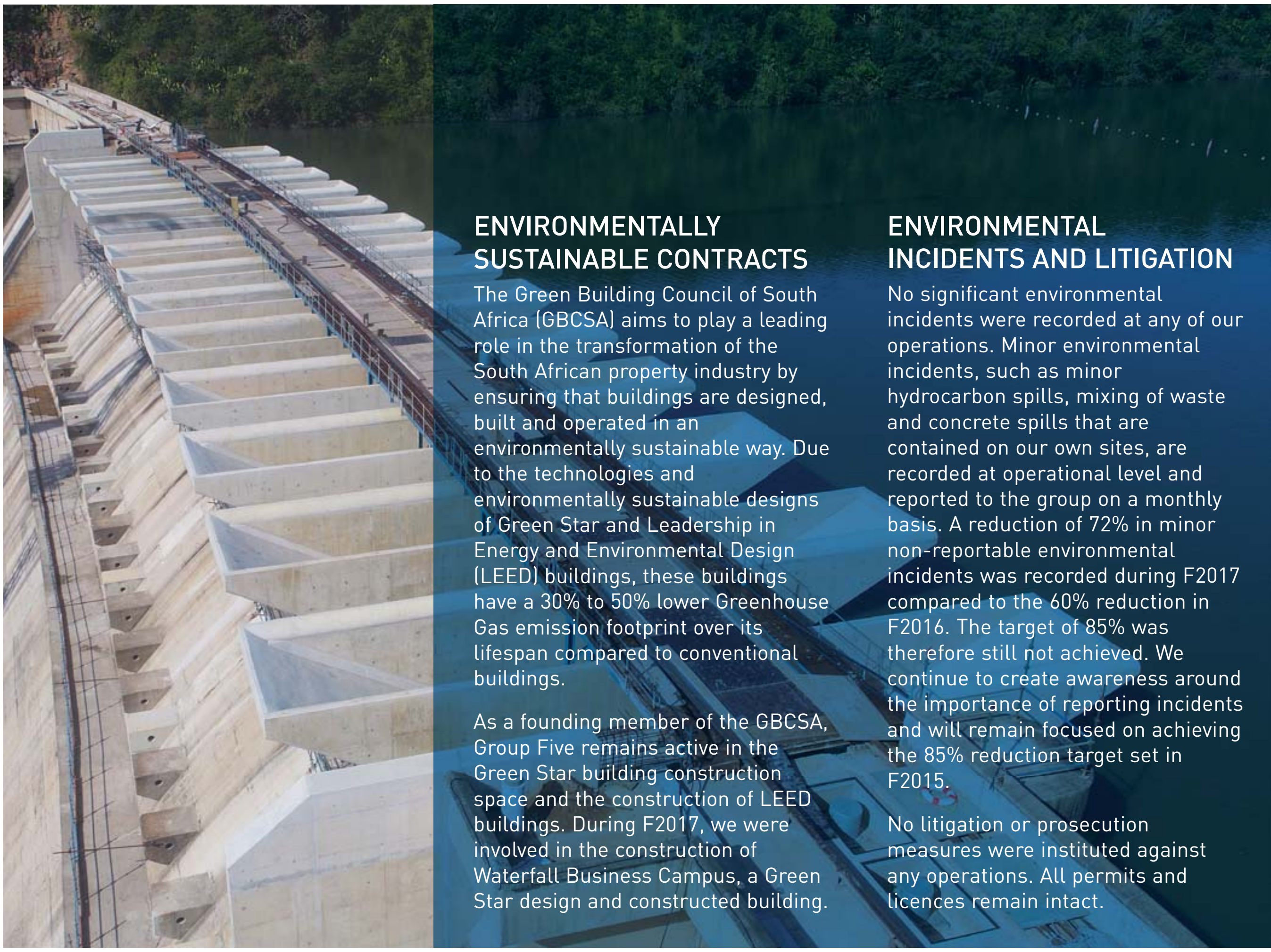
ENERGY AND ELECTRICITY CONSUMPTION

GROUP

Fuels (MWh of energy)	**F2017**	F2016	F2015	F2014	F2013
Gas/diesel oil	**35 546**	109 598	86 240	186 419	155 593
Motor gasoline	**2 244**	3 029	4 174	4 624	7 600
Bituminous coal	**92 452**	46 628	92 235	66 923	60 988
Liquefied petroleum gas (LPG)	**3**	146	203	1 090	5 590
Sasol gas	**2 003**	2 003	1 330	2 003	3 844
Total (MWh)	**132 247**	161 404	184 182	261 059	233 615

* *MWh of energy.*

The Manufacturing cluster continues to be the largest consumer of electricity within the group due to its plant operations, followed by the Engineering & Construction cluster. During F2017, the electricity consumption was 126 960 megawatt hours (MWh) compared to 201 689 megawatt hours (MWh) consumed in F2016. The reduction in consumption within the Engineering & Construction cluster was due to the decrease in contracts, as well as the provision of electricity from clients on site. This cut down the requirement for diesel for generators.



ENVIRONMENTALLY SUSTAINABLE CONTRACTS

The Green Building Council of South Africa (GBCSA) aims to play a leading role in the transformation of the South African property industry by ensuring that buildings are designed, built and operated in an environmentally sustainable way. Due to the technologies and environmentally sustainable designs of Green Star and Leadership in Energy and Environmental Design (LEED) buildings, these buildings have a 30% to 50% lower Greenhouse Gas emission footprint over its lifespan compared to conventional buildings.

As a founding member of the GBCSA, Group Five remains active in the Green Star building construction space and the construction of LEED buildings. During F2017, we were involved in the construction of Waterfall Business Campus, a Green Star design and constructed building.

ENVIRONMENTAL INCIDENTS AND LITIGATION

No significant environmental incidents were recorded at any of our operations. Minor environmental incidents, such as minor hydrocarbon spills, mixing of waste and concrete spills that are contained on our own sites, are recorded at operational level and reported to the group on a monthly basis. A reduction of 72% in minor non-reportable environmental incidents was recorded during F2017 compared to the 60% reduction in F2016. The target of 85% was therefore still not achieved. We continue to create awareness around the importance of reporting incidents and will remain focused on achieving the 85% reduction target set in F2015.

No litigation or prosecution measures were instituted against any operations. All permits and licences remain intact.

ENVIRONMENTAL RISKS

The following environmental risks are continuously monitored:

	RISKS	GROUP'S MITIGATION
1	**Introduction of a carbon tax in South Africa.**	We are working towards readiness for the carbon tax which might now be implemented from 1 January 2019.
2	**Changes within environmental legislation and pressure from stakeholders to improve environmental performance.**	Changes and potential risk exposures are actively communicated and mitigation measures put in place to ensure compliance within affected operations or activities. External legal compliance audits are undertaken as part of the group's responsibility to ensure its operations are fully compliant with all applicable legislation.
3	**Undertaking activities which might trigger the requirements for an environmental authorisation, licence or permit. Delays in issuing of authorisations, licences or permits by government departments may result in construction programmes not being met and/or delays in the initiation of contracts.**	Engagement with clients on environmental requirements is undertaken during the tender phase. Potential delays as a result of environmental authorisation requirements are included in our tender risk registers. Engagement with authorities at the commencement of contracts assists with streamlining the authorisation processes and preventing contractual delays.
4	**Monitoring and reporting requirements related to air emissions from mining, manufacturing and asphalt production activities within the Engineering & Construction cluster.**	Emissions monitoring and reporting are undertaken on an annual basis and results are submitted to the relevant reporting authorities by the safety, health and environmental managers. Emissions remain within the stipulated limits, with no incidents of emission exceedance reported to date.
5	**Water availability and quality, as the majority of Group Five activities are currently taking place in water scarce regions within Southern Africa and the rest of Africa.**	Group Five has a water management plan which identifies areas where water consumption can be reduced. The feasibility and financial impact of proposed reduction initiatives are currently being investigated. The availability and quality of water resources remains a risk that is constantly managed.
6	**Implementation of the compulsory monitoring and reporting on Greenhouse Gas emissions will have a financial impact, as well as put additional strain on responsible resources. Operations which do not meet the required air emissions standards might be required to upgrade to new technologies.**	We work closely with regulating authorities to ensure reports are submitted on time and comply with reporting requirements.

FOCUS FOR F2019

Creating environmental awareness for employees will continue. Key focus areas will include:

- Maintaining our ISO 14001:2015 certification through communicating the requirements of this international standard to our sites
- Ensuring that all our sites continue to comply with legal and other requirements by providing targeted monthly environmental awareness training
- Further reducing water consumption within our operational footprint by installing water meters at all sites and conducting monthly water audits

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