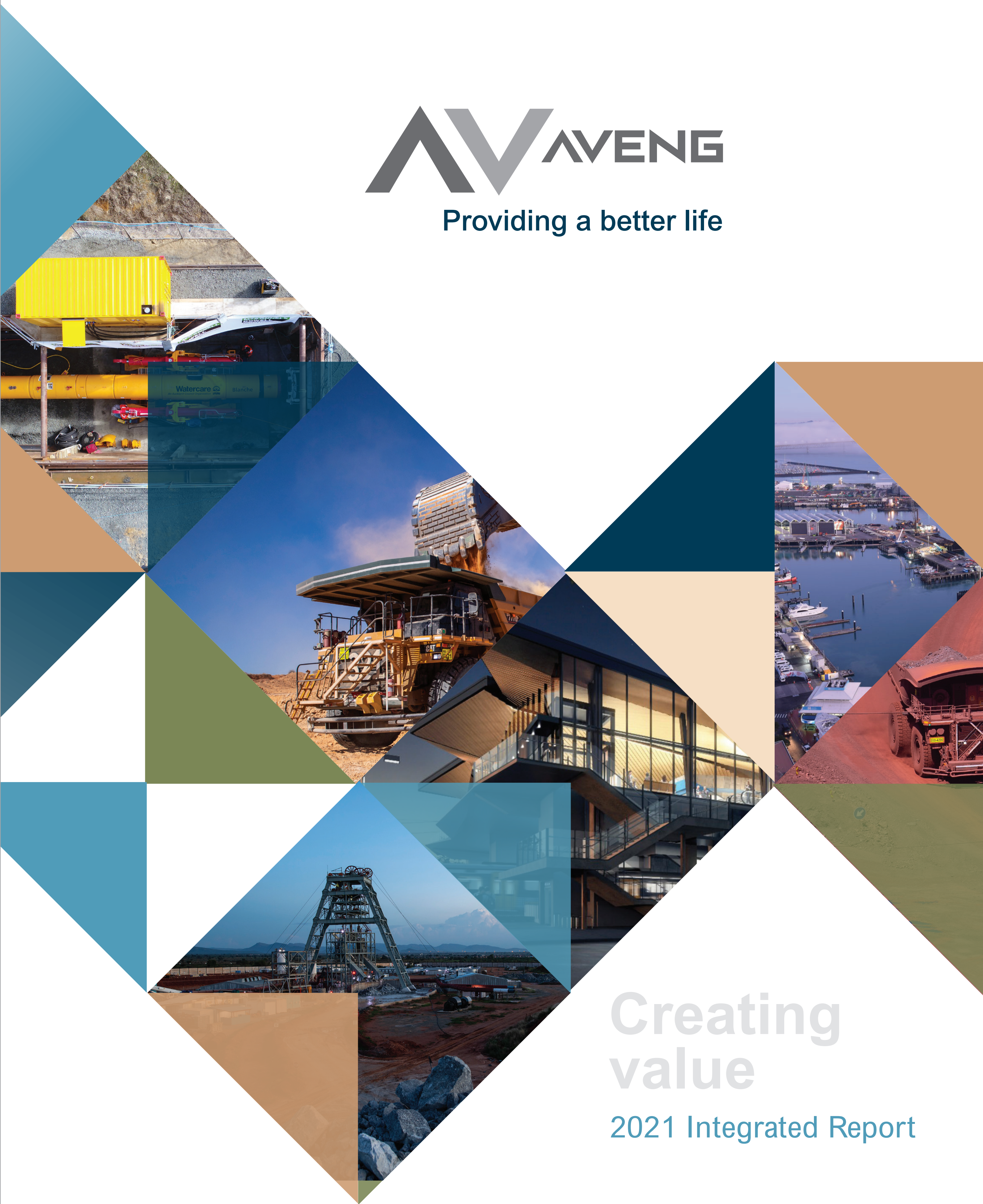
AVENG

Providing a better life



Creating value

2021 Integrated Report

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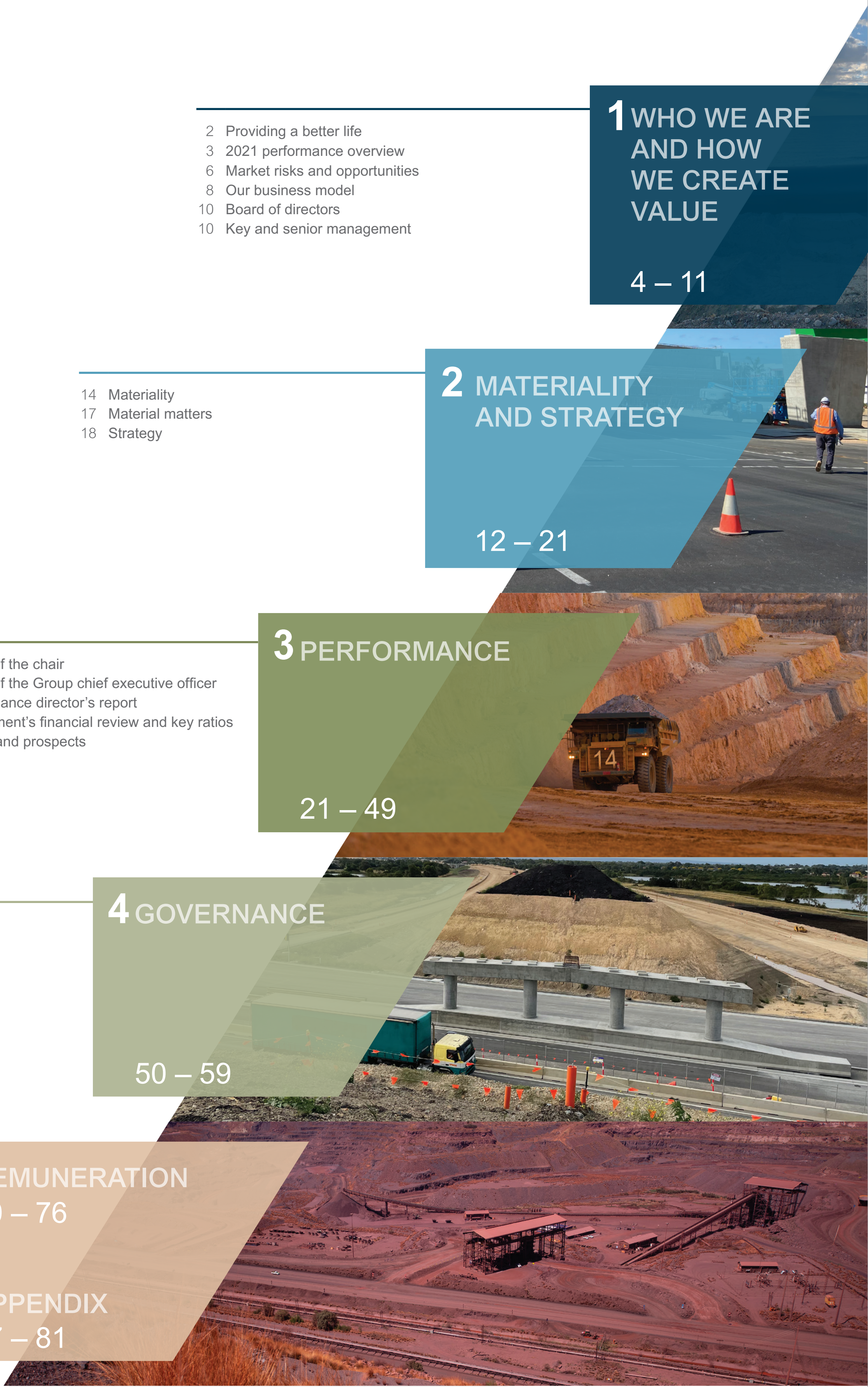

Providing a better life

Our strategy is to be an international infrastructure resources and contract mining group operating in selected markets and capitalising on the expertise and experience of McConnell Dowell and Moolmans.

Over the past two years, Aveng has been significantly repositioned, recapitalised and **returned to profitability**.

The core businesses, McConnell Dowell and Moolmans, represent the Group's future. Both are on a path of **profitable long-term growth**, with strong order books sustained by sound growth prospects in their markets.

Aveng's improved performance underpins the Group's commitment to **provide sustainable value creation** for its stakeholders.

WELCOME TO THE AVENG 2021 INTEGRATED REPORT

For more than 125 years, Aveng has evolved in character, capacity and reach and continues to make its mark across the globe. Over the years, Aveng developed world-class expertise in steel, engineering, manufacturing, mining, concessions, public infrastructure and water treatment in a diverse range of sectoral and geographic markets. Now the Group is forging a new future as it responds to material changes in its traditional markets.

About this report

1 Who we are How we create value
2 Materiality and strategy
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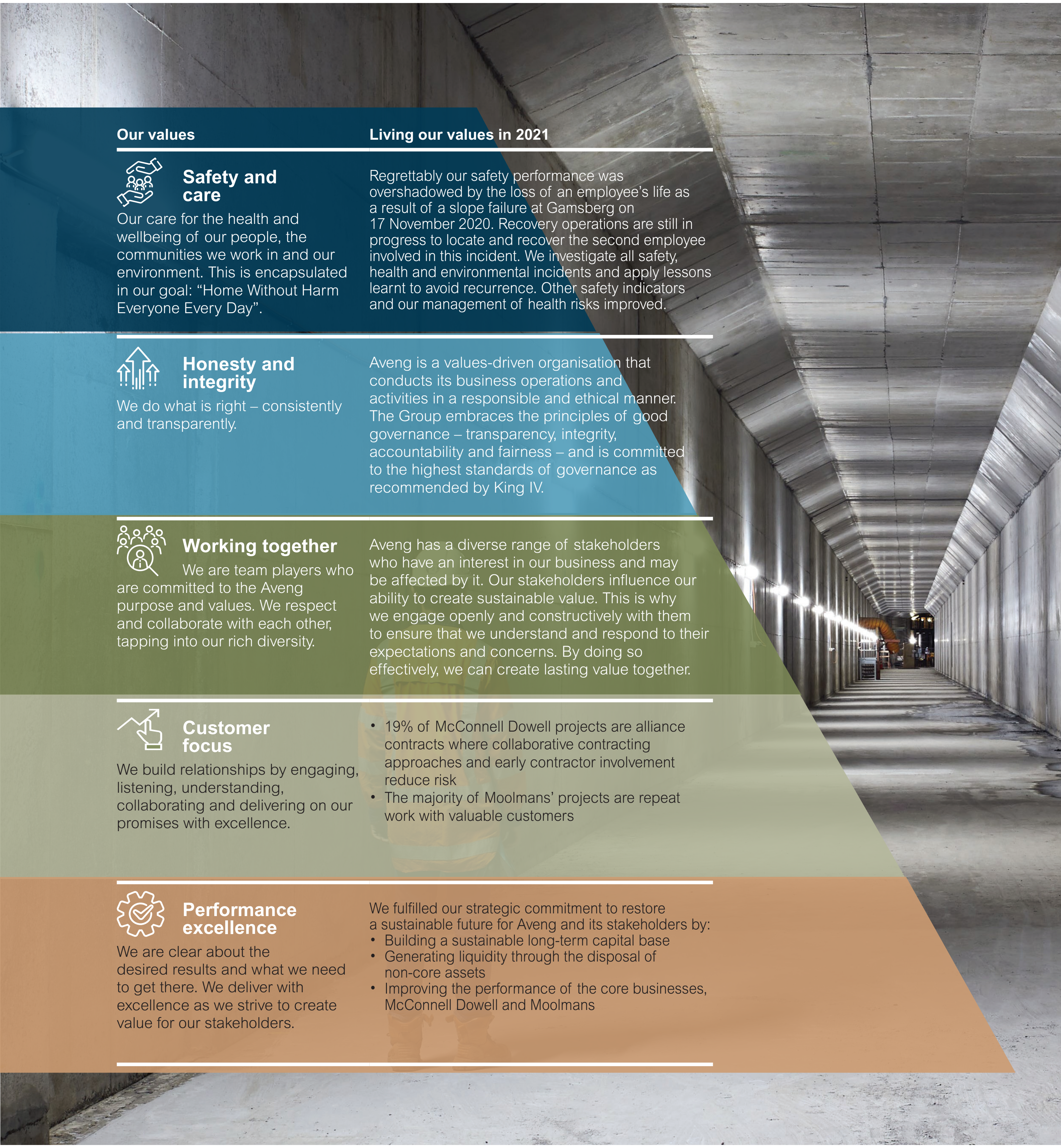
PROVIDING A BETTER LIFE

We align our core values and sustainability goals with our purpose of providing a better life to improve economic, social, environmental and governance outcomes for our stakeholders.



Our values	Living our values in 2021
Safety and care Our care for the health and wellbeing of our people, the communities we work in and our environment. This is encapsulated in our goal: "Home Without Harm Everyone Every Day".	Regrettably our safety performance was overshadowed by the loss of an employee's life as a result of a slope failure at Gamsberg on 17 November 2020. Recovery operations are still in progress to locate and recover the second employee involved in this incident. We investigate all safety, health and environmental incidents and apply lessons learnt to avoid recurrence. Other safety indicators and our management of health risks improved.
Honesty and integrity We do what is right – consistently and transparently.	Aveng is a values-driven organisation that conducts its business operations and activities in a responsible and ethical manner. The Group embraces the principles of good governance – transparency, integrity, accountability and fairness – and is committed to the highest standards of governance as recommended by King IV.
Working together We are team players who are committed to the Aveng purpose and values. We respect and collaborate with each other, tapping into our rich diversity.	Aveng has a diverse range of stakeholders who have an interest in our business and may be affected by it. Our stakeholders influence our ability to create sustainable value. This is why we engage openly and constructively with them to ensure that we understand and respond to their expectations and concerns. By doing so effectively, we can create lasting value together.
Customer focus We build relationships by engaging, listening, understanding, collaborating and delivering on our promises with excellence.	• 19% of McConnell Dowell projects are alliance contracts where collaborative contracting approaches and early contractor involvement reduce risk • The majority of Moolmans' projects are repeat work with valuable customers
Performance excellence We are clear about the desired results and what we need to get there. We deliver with excellence as we strive to create value for our stakeholders.	We fulfilled our strategic commitment to restore a sustainable future for Aveng and its stakeholders by: • Building a sustainable long-term capital base • Generating liquidity through the disposal of non-core assets • Improving the performance of the core businesses, McConnell Dowell and Moolmans

2021 PERFORMANCE OVERVIEW

FINANCIAL

Revenue
↑ **23%**
R25,7 billion
(2020: R20,9 billion)

Operating earnings
↑ **>100%**
R536 million
(2020: R532 million loss)

Headline earnings
↑ **>100%**
R751 million
(2020: R950 million loss)

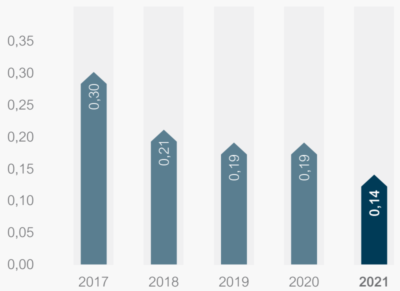
Operating free cash flow
↑ **>100%**
R1,5 billion inflow
(2020: R5 million outflow)

Group debt
↓ **42%**
R1,4 billion
(2020: R2,4 billion debt)

Net cash / (debt)
↑ **>100%**
R1,1 billion net cash
(2020: R1,0 billion net debt)

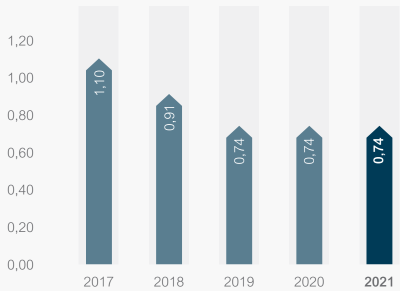
NON-FINANCIAL

Group 12 months rolling LTIFR*



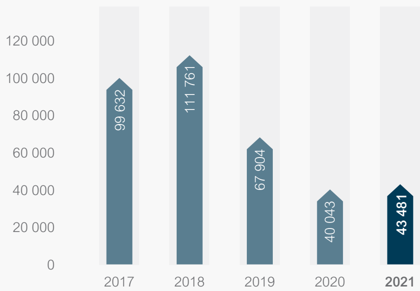
*Lost-time injury frequency rate

Group 12 months rolling TRIFR*



*Total recordable injury frequency rate

Total carbon emissions (tCo_2e)



Safety milestones

- Kolomela: 1 583 LTI*-free days
- Sishen: 1 355 LTI*-free days
- Union Mine: 1 147 LTI*-free days

** Lost-time injury*

Learning and development

R61 million
spent at Moolmans

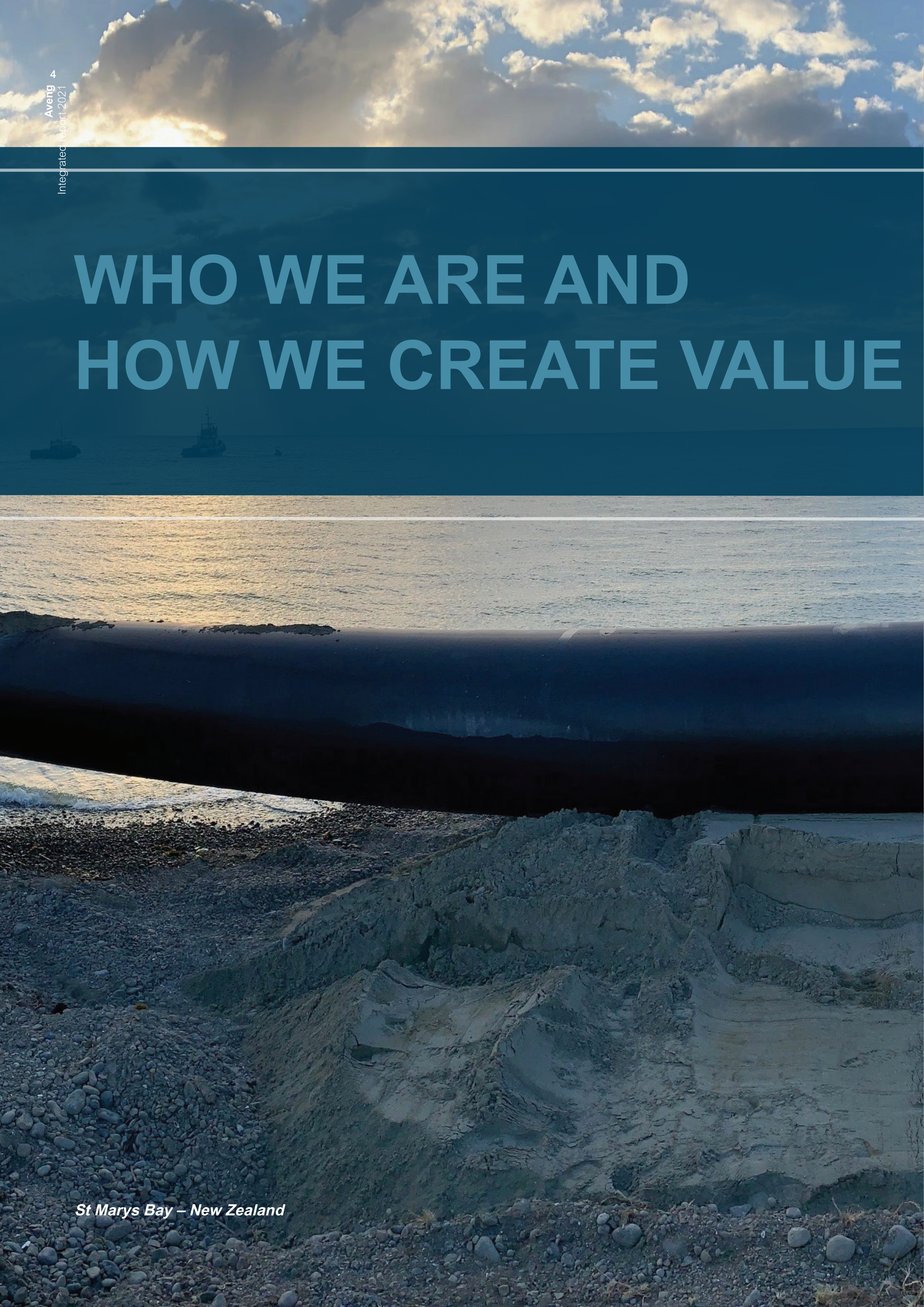
20 249 hours
training for McConnell Dowell employees

Diversity and inclusion

Level 3
BBBEE contributor

R2 billion
paid to black-owned suppliers, 22% to black women-owned suppliers

WHO WE ARE AND HOW WE CREATE VALUE



St Marys Bay – New Zealand

MARKET RISKS AND OPPORTUNITIES

Aveng operates in complex environments that pose risks and provide opportunities. The Group responds by using a risk and opportunity management system to mitigate risks and maximise opportunities.

AUSTRALIA

Our growth engine

Market overview

- Australian economy is resilient despite COVID-19, with most economic indicators rebounding strongly
- Infrastructure development opportunities are underpinned by state and federal governments' economic stimulus actions
- Strong accommodation market opportunities exist for Built Environs in Victoria
- Increasing demand from private sector resources customers is driven by strong commodity prices
- Thermal coal sector is expected to decline as economies decarbonise electricity generation, but coking and metallurgical coal markets are set to continue growing
- Renewable energy and 21st century metals projects are emerging as growth markets of the future.

Technical disciplines

- Significant **marine** opportunities (currently 29% of work in hand) but competition is increasing
- Water and gas **pipeline** opportunities; decommissioning may strengthen future prospects
- Major **tunnelling** opportunities spanning transport, water supply, power and energy and utilities sectors
- Securing the Kidston pumped **hydro** project will leverage other similar opportunities.

Our response

McConnell Dowell is positioned in high-growth markets and areas of specialisation in which it has a proven record of successful project delivery. A focus on government infrastructure programmes conducted in partnership are a source of ongoing negotiated repeat work and we anticipate an increase in work from private sector customers buoyed by the positive commodities cycle. Our adoption of early customer involvement status on several tenders reduces project risk but lengthens bidding processes. These factors have improved the quality of our work in hand but necessitated an increase in our bidding activity to grow revenue and enhance margins.

NEW ZEALAND AND PACIFIC ISLANDS

Strong prospects delayed by COVID-19-related uncertainty

Market overview

- New Zealand and Pacific Islands' economies impacted by loss of tourism revenue
- Delivery of significant public sector investment to support population growth has been slow and inconsistent, despite Government's promotion of a "shovel-ready" project programme
- Delayed commencement of several large projects in 2020 and 2021 should accelerate work opportunities in 2022 if COVID-19 is brought under control in the region
- Gradual opening of travel bubbles between New Zealand, Australia and some Pacific Islands is improving labour mobility and tourism, but sustained improvement remains uncertain.

Technical disciplines

- Strong **micro-tunnelling** market (McConnell Dowell has a good track record)
- Longer-term **hydro** power prospects in New Zealand (South Island) and Pacific Islands
- Growing opportunities for **Built Environs**, but timing remains uncertain.

Our response

McConnell Dowell diversifies its business geographically to capitalise on growth opportunities in areas where it has a record of successful project delivery. The business has a strong reputation in New Zealand and Pacific Islands for achieving consistently sound performance in safety, productivity, innovation and quality and is the market leader in the marine and tunnel sectors. The expansion of Built Environs into New Zealand has gained momentum with new project awards and promising future growth opportunities.

Aveng's diversity across geographies, customers, industry sectors, specialist disciplines and commodities mitigates risk by smoothing business cycles.

SOUTHEAST ASIA

Infrastructure opportunities amid COVID-19 disruptions and competition

Market overview

- Most Southeast Asian economies are subdued by COVID-19-related international travel and other restrictions
- Singapore remains relatively strong but competitive, with significant opportunities in transport and water infrastructure
- Major infrastructure development projects are underway in Indonesia and the Philippines.

Technical disciplines

- Significant largescale **tunnelling** opportunities in Singapore's transport market
- **Hydro** opportunities exist in competitive market conditions
- Limited **marine** opportunities in traditional marine market.

Our response

McConnell Dowell's operations in Southeast Asia have the capacity to perform across marine, pipeline, tunnel and underground sectors. The business focuses on select opportunities where it can demonstrate a competitive advantage in complexity and scale. A strong drive to maximise strategic opportunities in recent years has positioned McConnell Dowell for significant infrastructure development opportunities in Singapore, despite highly competitive market conditions.

Sectors and disciplines

MINING IN AFRICA

Growth opportunities in a positive commodities cycle

Market overview

- Low US interest rates, a weaker US Dollar and higher global demand are driving the positive commodities cycle
- Global mining financing hit an eight-year high in 2020, with funds raised by junior and intermediate miners increasing 35% year on year
- All commodity groups increased investment levels, with gold up 40% followed by base and other metals at 37%
- Predominant opportunities exist in copper in Zambia and DRC, gold in West Africa and other commodities (coal, iron and zinc) in southern Africa
- A decarbonisation drive and the rise of green energy and electric vehicles has implications for mining customers

Technical disciplines

- Open cast mining opportunities in South Africa and the rest of Africa
- Contract mining opportunities

Our response

Moolmans is well established in South Africa and is pursuing growth in the rest of Africa on the strength of its reputation on the continent. The business has a promising near-term pipeline of open cast mining opportunities in South Africa (manganese, iron ore, coal) and further afield in West Africa where it has a track record. Aveng invested in a heavy mining equipment renewal plan to improve Moolmans' onsite productivity and enhance its value offering to its customers during a positive stage in the commodity cycle.

Independent non-executive chairman's and Group chief executive's review.

OUR BUSINESS MODEL

Aveng optimises its business model through the effective implementation of its strategy to achieve its business objectives.

INPUTS

The key resources we need to optimally manage the business.

Financial capital

- Balance sheet stability
- Access to affordable borrowings
- Proceeds from non-core disposals
- Improved working capital management
- Quality work in hand growth

Group FD report

Human capital

- 6 086 employees
- Strong leadership
- Highly skilled project management and stronger bench strength across both McConnell Dowell and Moolmans
- Values-driven culture

Chair and CEO reviews
Sustainability report

Social and relationship capital

- Effective stakeholder engagement
- Sound relationships with investors and financial community, clients and employees
- Responsiveness to stakeholder concerns

Chair and CEO reviews

Intellectual capital

- Specialist capabilities in construction, engineering and mining
- Engineering excellence, innovation and value creation across specialist capabilities
- Business administration expertise

Chair and CEO reviews

Manufactured capital

- Diverse R2,3 billion mining fleet to serve clients' onsite needs

CEO review
FD report

- Energy and water use in operations

Sustainability report

BUSINESS ACTIVITIES

We apply Aveng's resources and relationships in an ethical and responsible manner to create and sustain value for our stakeholders.

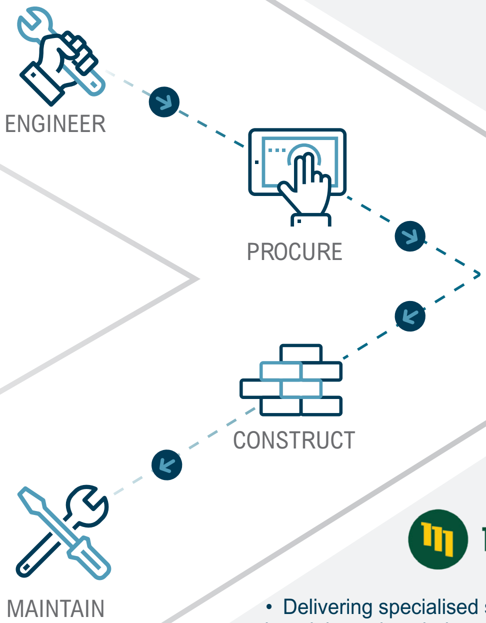
Our core businesses leverage their world-class brands and specialist capabilities to deliver services to their customers.

Core businesses

McCONNELL DOWELL
CREATIVE CONSTRUCTION™

- Delivering innovative solutions to complex projects for over 60 years
- Offering multi-disciplinary expertise across building, civil, fabrication, marine, mechanical pipeline, rail, tunnel and underground construction to clients in Australia, Southeast Asia, New Zealand and Pacific Islands.

Value offering



Moolmans

- Delivering specialised services across the mining value chain over 60 years.
- Offering open-cut mining, shaft sinking and access development, and underground mining services in a range of commodities to reputable clients across Africa.

The core businesses are supported by an agile corporate office that provides:

- **Strategic leadership**
- **Capital allocation**
- **Treasury and financial reporting**
- **Culture and values**
- **People management**
- **Performance management**
- **Safety**

Other areas of expertise required by our clients are outsourced or embedded in the core operations which provide input to the corporate office on:

RISK | IT | PROCUREMENT

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OUTCOMES

Our business activities and outputs have the following impacts on our stakeholders:

- Restructured and recapitalised balance sheet
- Restored profitability, with both core businesses growing EBIT
- Improved liquidity
- Work in hand of R25,3 billion

Group FD report

- One fatality
- General improvement in other safety and health indicators
- Effective executive leadership and operational management
- Decisive COVID-19 response to protect employees and sustain business
- Reduction in employee base tempered by responsible disposal process

Chair and CEO reviews
Sustainability report

- BBBEE level 3
- R5,2 million invested in socio-economic development projects
- Heightened engagement with shareholders, clients and employees

Chair and CEO reviews

OUTPUTS

Our business activities generate projects and services that create value for our clients and other stakeholders whose lives are influenced by our infrastructure and mining projects.

- McConnell and Moolmans brand strength

Chair and CEO reviews

- Invested R649 million in Moolmans' fleet

- One major environmental incident
- General improvement in other environmental indicators

Sustainability report

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

SEAN FLANAGAN (61)*
Group chief executive officer

BSc (Building)
Appointed to the Board: November 2015
Experience: 32 years of industry and related experience

Board committees:

Member: TR

INDEPENDENT NON-EXECUTIVE DIRECTORS

PHILIP HOURQUEBIE (68)
Independent non-executive chair

CA(SA), BCom (Hons), BAcc
Appointed to the Board: August 2015

Board committees:

Chairman: Board, IC

Member: TR RN SHE SET

MAY HERMANUS (61)
Lead independent non-executive director

BSc (Geology), MSc (Physical Metallurgy), Takemi Fellow, Harvard University
Appointed to the Board: September 2009

Board committees:

Chairman: SHE SET

Member: AR RN

KEY AND SENIOR MANAGEMENT

SCOTT CUMMINS (58)
Chief executive officer McConnell Dowell Corporation Limited

BEng (Monash University); MBA (Strathclyde University)
Experience: 31 years of industry and related experience

At Aveng for: Six years

JEROME GOVENDER (49)
Managing director Moolmans

BSc (Quantity Surveying), MSc, MBA (Wits Business School)
Experience: 27 years of industry and related experience

At Aveng for: Two years

HERCU AUCAMP (53)***
Managing director Aveng Steel

BCom Management Accounting, Middle Management Programme (Wits University), Executive Development Programme (Kellogg Business School)

Experience: 31 years of industry and related experience

At Aveng for: Ten years

ADRIAN MACARTNEY (53)
Group finance director

BCom, BCompt (Hons), CA(SA)
Appointed to the Board: September 2014
Experience: 27 years of industry and related experience

Board committees:

Member: TR

AR	Audit and risk committee
IC	Investment committee
RN	Remuneration and nomination committee
SET	Social, ethics and transformation committee
SHE	Safety, health and environmental committee
TR	Tender risk committee
	Executive committee
*	*Attends all committee meetings by invitation*

** *Australian*

*** *These executives will cease to be Aveng key and senior management when the non-core disposal process is completed.*

MICHAEL KILBRIDE (69)
Independent non-executive director

BSc (Hons) Mining Engineering (RSM, London University), MDP (Unisa), SEP (London Business School)
Appointed to the Board: July 2012

Board committees:

Chairman: TR RN

Member: AR IC SHE SET

BRADLEY MEYER (42)**
Independent non-executive director

Bachelor's degree (Harvard University)
Appointed to the Board: May 2021

Board committees:

Member: AR RN

BRIDGET MODISE (54)
Independent non-executive director

BCompt (Hons), CA(SA), CIMA
Appointed to the Board: November 2019

Board committees:

Chairman: AR

Member: SET IC

WOUTER DE GIDTS (67)***
Interim managing director Aveng Manufacturing

BSc (Civil Engineering), Member of Engineering Council of South Africa and South African Council for Project and Construction Management Professionals

Experience: 42 years of industry and related experience

At Aveng for: 41 years

LIESL TWEEDIE (53)
Group financial controller

BCom (Hons), CA(SA)
Experience: 26 years of industry and related experience

At Aveng for: Four years

EDINAH MANDIZHA (41)
Group company secretary

LLB, Associate member of Chartered Secretaries Southern Africa

Experience: 15 years of industry and related experience

At Aveng for: Nine years

MATERIALITY

Regency to Pym – Australia


Genie
Genie GS-4390

MATERIALITY

Aveng defines materiality of matters for reporting purposes as: matters that materially affect the Group's ability to create and sustain value over the short, medium and long term.

We determine and assess material matters regularly by proactively assessing trends in the changing business environment and responding to unforeseen developments. Our material matters inform our strategy, thereby enabling the Group to create value.

Our three-stage material matters determination process is guided by the International Integrated Reporting <IR> Framework

IDENTIFYING RELEVANT INTERNAL AND EXTERNAL MATTERS

Aveng enterprise risk management

Risk and opportunity management approach

Our approach to managing risk and opportunity is based on a "three lines of defence" combined assurance model.

FIRST LINE
Early identification, quantification, assessment and management of risks and opportunities.

SECOND LINE
Monitoring the effectiveness of risk and opportunity management with risk management compliance.

THIRD LINE
Independent assurance, through external and internal audit, that risk and opportunity management is functioning appropriately.

Market risks and opportunities

Key business risks and opportunities

Risk and opportunity management involves a continuous process of regular review and management of changes in the Group's business or project environments.

Key business risks are identified as internal or external risks that have the potential to cause significant financial loss, or affect the safety and wellbeing of employees, matters which may fundamentally undermine the Group's competitive position and adversely impact its reputation.

A group risk register is updated quarterly and reported to the Board and the audit and risk committee.

Opportunity management focuses on identifying and removing barriers to success, thereby enabling the Group to capitalise on opportunities at a strategic, business and project level. Opportunities are identified by exploring previously perceived but unexamined risk, such as learning from best practice, scenario planning and learning from past ignored or missed opportunities. Opportunities offer the potential benefits of strategic alignment and advancement of business objectives which create value for stakeholders.

Market risks and opportunities

Stakeholder engagement

Aveng has a diverse range of stakeholders who have an interest in our business and may be affected by it. Our stakeholders influence our ability to create sustainable value. This is why we engage openly and constructively with them to ensure that we understand and respond to their expectations and concerns. By doing so effectively, we can create lasting value for our business and our stakeholders.

Aveng has a stakeholder engagement plan and report-back process that enables the corporate office and operating groups to identify and respond to their material stakeholders.

Aveng's diverse range of stakeholders includes employees; shareholders and financial institutions; clients, subcontractors and other suppliers; trade unions; government and regulators; industry bodies; and communities.

During 2021, Aveng's stakeholder engagement focused on:

Stakeholder	What they expect of us	How we responded
Employees People management, sustainability report www.aveng.co.za	• An employer that offers its people the opportunity to realise their full potential in safe working environments	• Continued to prioritise employee safety and wellbeing; including implemented COVID-19 standard operating procedures across all operations • Embedded a values-driven, high-performance culture across all businesses • Rewarded exceptional performance based on clearly defined standards • Disposed of non-core assets in a responsible manner with a focus on job security • Conducted regular internal communication
Clients, subcontractors and other suppliers CEO review	• A business that delivers high-quality projects or services on time and within budget	• Core operations improved overall project delivery • Increased client engagement and collaboration to secure repeat work and mitigate risk • Reassured clients that non-core businesses undergoing disposal are ongoing • Maintained service delivery with the necessary COVID-19 protocols
Shareholders and financial institutions CEO review	• A trustworthy business that fulfils its promise of financial stability and sound, sustainable future returns	• Implemented a strategic plan to ensure a long-term sustainable capital structure • Disposing of non-core businesses as going concerns • Restored sound operational performance in core and non-core businesses
Government and regulators Governance report	• A compliant business that shares its industry knowledge in support of fair regulatory environments	• Complied with laws, regulations and codes of best practice in all countries in which we operate, including COVID-19 protocols • Reinforced Aveng values throughout the organisation • Aveng Code of Business Conduct requires ethical conduct of all our companies and employees

Important conversations with our stakeholders

During the past three years, Aveng has overcome significant obstacles as it has sought to restore liquidity, reduce debt and return to sustainable profitability. Healthy stakeholder engagement and relations have played a key role in the Group's ability to implement its strategy.

Shareholders and financial institutions

Ongoing engagement with shareholders and financiers underpinned the success of corporate actions to restructure the Group's debt and recapitalise the balance sheet. These actions enabled the Group to reduce its debt to manageable levels, raise new capital, support its operating activities and fund growth opportunities.

Employees

Employee engagement played a critical role in maintaining business continuity and cash flow despite the disruptions of COVID-19 and the non-core disposal process. During the level 4 COVID-19 lockdown in the prior year, Aveng employees sacrificed part of their salaries to keep Aveng afloat and save jobs. They continued to implement the Group's strategy during successive waves of the pandemic, enabling Aveng to consolidate its financial turnaround.

Clients, subcontractors and other suppliers

Increasing collaboration between clients and contractors, particularly in our Australian operations, is contributing to better outcomes for stakeholders as various project participants work together to reduce bidding costs and mitigate risk by increasing planning and contractor involvement in the early stages of projects. This enabling environment has been further supported by the Australian government's strategy to stimulate economic growth by investing in infrastructure development.

Industry bodies

Aveng businesses contribute to industry bodies and thought leadership, engaging extensively on industry challenges such as safety, sharing lessons and seeking solutions collectively.

MATERIALITY CONTINUED

Working together to achieve zero harm

One fatality at one of Aveng's mining project sites in South Africa compelled the Group to improve its understanding of the intersecting roles and accountabilities that exist on project sites and the safety mindset of employees on certain sites. The Group engaged closely with the client and embarked on safety culture assessments at several sites to assess the safety mindset at these operations and identify opportunities for improvement. The process included the use of questionnaires, interviews, focus groups and workshops to gather both qualitative and quantitative data. Action plans were developed and are being implemented to address the findings of the reviews.

Innovative community engagement

McConnell Dowell uses the Site Podium app to engage with local communities. The app is accessible on any smart phone as an alternative to social media engagement and was verified by the Sustainability Council of Australia (ISCA) as a South Australian first for construction projects.

Used to share information with, and gain feedback from stakeholders, the app increased stakeholder responsiveness and allowed project teams to conduct regular pulse checks on the status of stakeholder engagement and satisfaction.

EVALUATING THE IMPORTANCE OF MATTERS IDENTIFIED

Aveng risk management, stakeholder engagement and the business environment inform the material matters.

Magnitude of effect on the Group

Once the relevant material matters are identified, they are assessed based on their potential impact on Aveng. The assessed impact of these material matters focuses on:

Likelihood of occurrence

These matters are assessed according to the likelihood that they will occur based on the following ranges:

Improbable	Unlikely	Possible	Probable	Highly likely
<3%	>3% – 10%	>10% – 30%	>30% – 60%	>60% – <100%

If a material matter has occurred, lessons learnt are undertaken to ascertain the likelihood of reoccurrence and to ensure that correct processes are implemented to mitigate reoccurrence.

Quantitative and qualitative considerations

Quantitative considerations focus largely on financial impacts, an increase in capital cost and the ability to achieve business objectives. Qualitative considerations focus primarily on safety, legal, environmental and reputational impacts. These are assessed based on the likelihood of occurrence.

PRIORITISING MATTERS

The identified material matters are ranked based on their potential probability of occurring in the Group, as well as their potential quantitative and qualitative impact on the Group.

The resultant matters are then plotted on a heat map to demonstrate that only the most material matters emerge.

Focus on the most important matters

The top material matters are discussed more fully on the following page.

MATERIAL MATTERS

Aveng's material matters, which the Group reviews regularly in line with the recommendations of the King Report on Corporate Governance™ for South Africa, 2016[1] (King IV), and our strategic responses, are discussed below.

The risks associated with COVID-19 increased the potential impact of each of our material matters. The impact of the pandemic on Aveng and the Group's response to it are discussed throughout this integrated report.

	Material matter	Stakeholders impacted	Our response
1	**Liquidity and capital** Aveng depends on a sound, sustainable balance sheet, with manageable levels of debt, to achieve long-term growth and value creation. The Group needs to create the financial liquidity necessary to sustain its operations and repay debt.	• Shareholders and financial institutions	• Raised R492 million and recapitalised business • Reduced debt by 42% to R1,4 billion • Core businesses both profitable and cash positive • Non-core businesses profitable and cash generative • Maintained focus on working capital and cost management
2	**Core operational performance** Sound project execution and quality order books create sustainable value. Underperformance impacts financial performance and undermines future work opportunities.	• Clients, subcontractors and other suppliers • Shareholders and financial institutions	• Disciplined, consistent delivery on the majority of projects underpinned McConnell Dowell's revenue and EBIT growth • Moolmans consolidated the improvement in its financial performance with strong EBIT growth • McConnell Dowell and Moolmans have both secured the bulk of 2022 revenue • McConnell Dowell achieved significant increase in work in hand • Moolmans pursuing a strong opportunity pipeline to secure future growth
3	**Non-core assets** Disposals improve liquidity and strengthen the focus on core businesses. A delayed disposal process is disruptive to operations and employees and may negatively impact performance.	• Employees • Shareholders and financial institutions	• R880 million in disposal proceeds to date • Negotiations ongoing for sale of Trident Steel • All non-core businesses profitable due to ongoing support pending disposal • Project management office decreased South African bond exposure
4	**Human capital** Specialist skills and performance excellence are vital for organisational performance. Loss of critical skills affects performance and has a negative impact on earnings.	• Employees • Clients, subcontractors and other suppliers • Shareholders and financial institutions	• McConnell Dowell is managing potential skills shortages in growing Australian markets • Strengthening regional skills in Southeast Asia • Embedding a values-driven high-performance culture • Developed management capability and bench strength in Moolmans and McConnell Dowell • Increased focus on succession planning • Incentivisation to drive targeted behaviour, performance and talent retention
5	**Safety** Aveng operates in a diverse, complex environment and employs a large workforce. The safety of employees is a core value that is integral to the way the Group conducts its business and will not be compromised.	• Employees • Clients, subcontractors and other suppliers	• Leadership visibility at workplaces, employee awareness and accountability for safety • Target zero harm and ongoing reduction in lost time and recordable injuries • Formalising ESG management and reporting with new ESG framework

[1] *Copyright and trademarks are owned by the Institute of Directors in South Africa WPC and all of its rights are reserved.*

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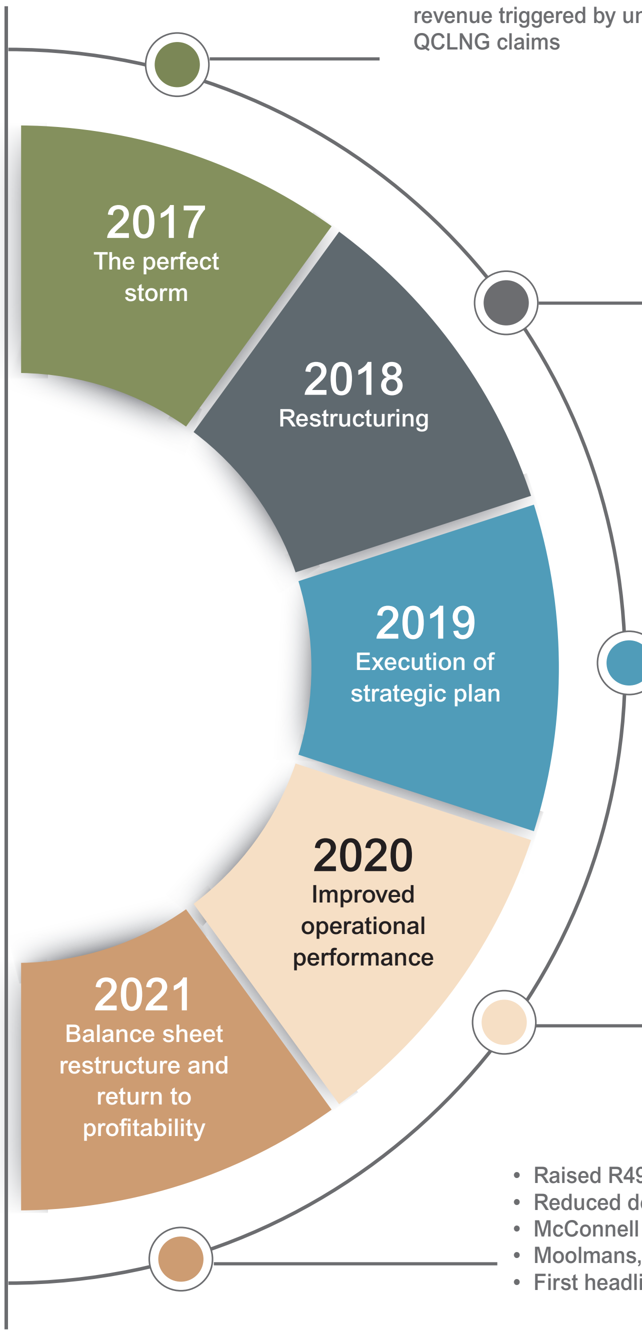
STRATEGY

Aveng's strategy is to be an international infrastructure, resources and contract mining group operating in selected markets and capitalising on the expertise and experience of its core businesses, McConnell Dowell and Moolmans.

Since 2018, we have focused on restoring Aveng's profitability in challenging operating conditions by rebuilding our capital base, generating liquidity by selling non-core assets and positioning the core businesses to capitalise on growing target markets. We have largely achieved these milestones and our strategic focus has shifted to the acceleration of sustainable long-term growth.

Our path to sustainably profitable core businesses



- Write-down of R5,1 billion in uncertified revenue triggered by under-recovery of QCLNG claims

- R493 million raised in rights offer
- Early redemption of convertible bond
- Additional bank debt secured
- Properties' sales

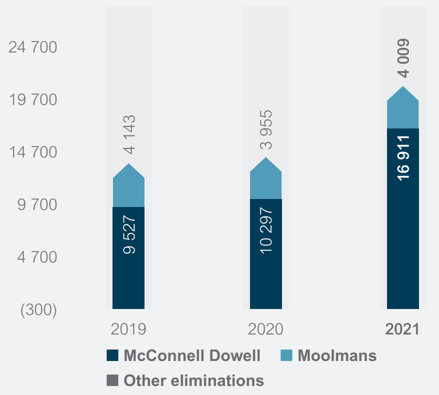
- Repaid R300 million bank debt
- Restructured bank funding and extended term to 2021
- Secured additional facilities of R400 million
- Announced R1 billion in non-core asset disposals

- Improved interim results:
  - Net operating profit of R14 million
  - Both McConnell Dowell and Moolmans profitable
- R200 million debt repaid
- Performance curtailed by emergence of COVID-19
- McConnell Dowell settled two long-standing claims for AUD42,5 million
- Raised R200 million in short-term facility
- 41% increase in core business work in hand

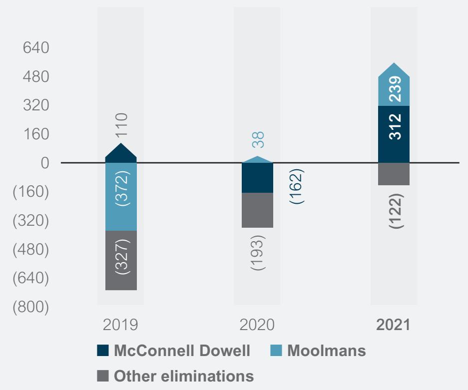
- Raised R492 million in capital
- Reduced debt by R1 billion
- McConnell Dowell recorded 50% growth in revenue (AUD)
- Moolmans, McConnell Dowel and Trident Steel profitable
- First headline earnings since 2014

Our financial performance demonstrates successful strategy execution

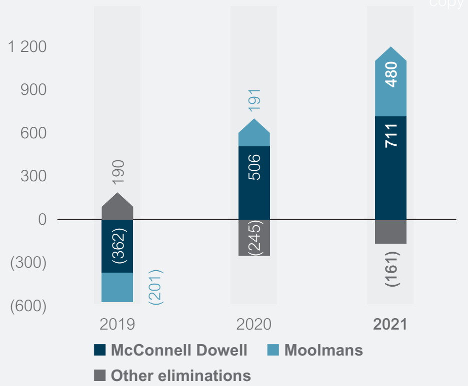
Core revenue growth (Rm)



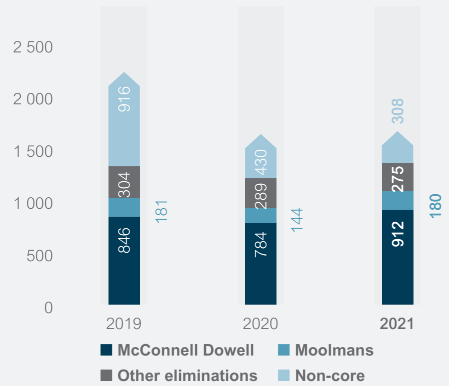
Both core businesses return to profitability (Rm)



Cash generative core businesses with sound cash management (Rm)

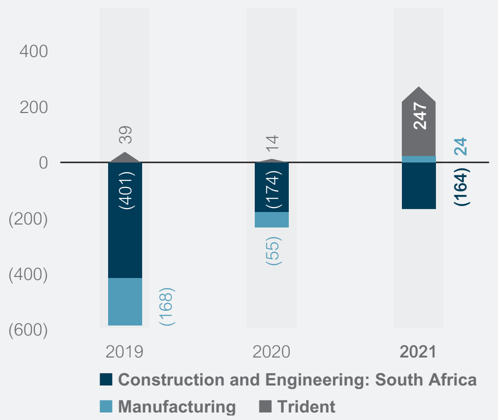


Disciplined cost management (Rm)

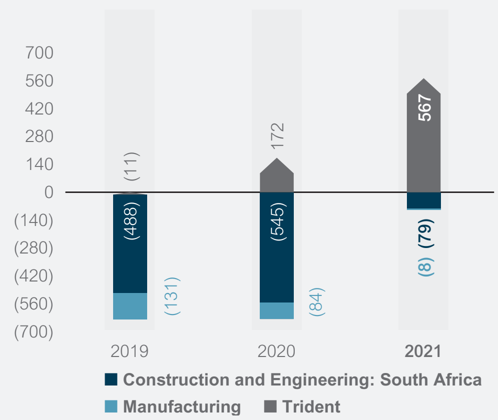


Enhancing non-core disposal value with ongoing support and cash management

Operating earnings (Rm)



Operating free cash flow (OFCF) (Rm)



STRATEGY CONTINUED

We have now turned our attention to accelerating Aveng's growth strategy

McConnell Dowell

McConnell Dowell completed the sixth year of its 10-year Vision 2025 strategy and continues to achieve key milestones:

- Delivery of planned revenue and profitability
- Balance sheet strength
- Leveraging of specialist capabilities and expertise.

Current corporate imperatives within the Vision 2025 framework:

- Building McConnell Dowell's order book and converting preferred status projects to work in hand
- Achieving step-up revenue and profitability growth objectives
- Continuing to strengthen the balance sheet and enhance specialist capabilities
- Creating internal "communities of practice" to accelerate knowledge transfer and identify best practice in key disciplines and sectors, including digital engineering, temporary works, marine and tunnelling. Their role will also encompass talent development and future technology identification.

Given McConnell Dowell's recent successes in achieving these imperatives for extended growth, work has commenced on the development of a business strategy to 2030. This extended strategic roadmap will build on the strong foundations established over the past six years, while also looking to a range of new opportunities to leverage and enhance McConnell Dowell's engineering capabilities. These include the rapidly emerging renewable and clean energy sectors, water or wastewater treatment, the mining and processing of 21st century metals and changing urban transport, education, health and recreation trends across McConnell Dowell's markets.

2025 Vision

Reset
Status corporate

1. Set business roadmap and establish operating rhythm
2. Stabilise operations
3. Redefine operating framework
4. Execute fleet and asset strategy
5. Expand business focus to global growth and emerging markets
6. Improve prospect data and broaden pipeline
7. Extend customer centricity beyond current footprint
8. Reaffirm leadership team and engage key resources
9. Increase connectivity and collaboration
10. Improve project execution capacity
11. Embed effective risk management systems and culture

Reset and deliver phases completed

Deliver
Status corporate

1. Stabilise operations
2. Loss-making projects complete
3. Legacy projects resolved
4. Historical project commercial issues resolved
5. Balance sheet "strong and clean"
6. Modest but normalised financial performance
7. Prepared for growth
8. Built Environs expansion
9. Customer relationship are our key point of difference
10. A culture of no surprises

Grow
Status we progressed

1. Strong performance across current footprint
2. A growing business
3. Organisational strength and stability
4. Accomplished broad capability
5. Increased activity in the resource sector
6. Product expansion
7. Built Environs expansion
8. Brand recognition
9. Participation in panels/programme of works

Consistent growth and profitability

Extended growth
Status in progressed

1. A recognised and respected market leader in all our regions
2. Present and deliver projects in new areas within existing regional geographies
3. Successfully implemented both organic and inorganic growth strategies
4. Realised sustained growth and profitability
5. 15% growth on compound earnings
6. Built Environs expansion
7. Product expansion

Extended growth and sustained profitability

Beyond 2025
Status in development

UP

Developing this strategic direction for the Group, as we look beyond 2025 to the horizon of 2030

Advancing towards Vision 2025 with strong foundation and a performance-driven culture

2016 → 2021 → 2025 → 2030

Moolmans

The Group-led intervention implemented in 2018 yielded positive results, returning Moolmans to profitability despite challenging operating conditions. From this solid foundation, Moolmans' focus has shifted to consistent growth and profitability as it enters the final year of its turnaround strategy and prepares for longer-term growth.

Moolmans operates one of the largest and most diverse fleets of mining equipment in Africa and applies sophisticated maintenance software to achieve equipment reliability. The strengthening of Aveng's balance sheet enabled Moolmans to embark on a heavy mining equipment (HME) renewal plan to improve onsite productivity.

The modernisation of Moolmans' fleet enhances Moolmans' value offering to its customers during a positive stage in the commodity cycle. The HME will be implemented in a phased and disciplined manner to ensure a suitable return to shareholders.

Reset

1. Return to profitability
2. Improve business development and grow pipeline
3. Broaden customer base
4. Strengthen risk management systems and performance

Deliver

1. Achieve consistent financial and operational performance
2. Create a balanced portfolio
3. Leverage customer relationships

Grow

1. Deliver strong performance across expanding footprint
2. Grow business in selective new markets

Consistent growth and profitability

Extended Growth

1. Sustainable international footprint
2. Increased repeat business
3. Consistent profitability
4. Respected mining solutions provider

Extended growth and sustained profitability

Progress to date

2016 2021 2025

PERFORMANCE

Lefa – Guinea

REVIEW OF THE CHAIR

2021 focus areas

The Board focused on matters that materially affect the Group's ability to create and sustain value.

1. CREATING FINANCIAL SUSTAINABILITY
2. PROVIDING STRATEGIC DIRECTION FOR VALUE CREATION
3. ENSURING EFFECTIVE LEADERSHIP
4. OVERSEEING THE STRENGTHENING OF SAFETY, HEALTH AND ENVIRONMENTAL MANAGEMENT
5. FORMALISING AN ESG STRATEGY AND APPROACH

Philip Hourquebie
Independent non-executive chair

"Aveng has fulfilled its assurance to stakeholders that it would restore its capital base and return to profitability. This underpins the Group's commitment to sustainable long-term value creation."

Overview

Aveng overcame significant health and economic risks in its external operating environments to restore full-year profitability for the first time in seven years. In doing so, the Group fulfilled the assurances it gave to its shareholders and other stakeholders that it would restore its capital base and return to a path of sustainable long-term profitability, driven by its two core operations, McConnell Dowell and Moolmans.

The achievement of this milestone during a period in which COVID-19 continued to threaten the world with successive waves of infection and evolving variants, was primarily due to the resilience of the Group's diversified business model, the determination of its leadership and employees and the ongoing improvement in the performances of the core and non-core businesses.

Aveng's primary markets are in Australia, Southeast Asia, New Zealand and Pacific Islands, and South Africa. The Group operates across multiple specialist disciplines in its core infrastructure, construction, engineering and mining sectors. Although our operations continue to be impacted by COVID-19 health risks and restrictions, our geographic and sectoral diversification, together with the Group's decisive and agile response to the pandemic, minimised the impact on our operations and enabled Aveng to normalise its performance across most of its jurisdictions.

R1 billion reduction in Group debt

McConnell Dowell's Australian construction sector remained operational despite intermittent state-based lockdowns as the government supported economic recovery by investing in infrastructure development, while low interest rates and higher commodity prices spurred private sector investment. This enabling environment more than compensated for pockets of disruption in Southeast Asia and New Zealand, contributing to McConnell Dowell's strong financial performance during the year under review.

In South Africa, Moolmans adapted its mining contracting operations to COVID-19 and navigated other market disruptions to consolidate its financial turnaround under new leadership. The business is positioning for growth opportunities amid the positive phase in the commodities cycle.

Market risks and opportunities; CEO review

The Board's key focus areas

Financial sustainability

Building a sustainable balance sheet with manageable levels of debt has been a primary material matter for Aveng in recent years. During 2021, management achieved a significant milestone by restructuring and reducing debt by 42% to R1,4 billion. This contributed to the Group's recapitalisation and will underpin its prospects of creating sustainable long-term value.

The disposals of the outstanding Trident Steel and Infraset non-core businesses continue to be delayed by COVID-19-related market conditions that make it difficult to achieve the expected disposal values. When they are concluded, the disposal proceeds will reduce debt further, consolidating a sustainable foundation for the accelerated growth of the core businesses.

FD report

Providing strategic direction for value creation

The Board reviews Aveng's strategy annually to ensure that it remains relevant and responsive to changes in the Group's external environment. The debt restructuring and recapitalisation paved the way for the Board and management to shift their full attention to accelerated growth.

McConnell Dowell continues to leverage the strong foundation it has built over the past six years and is applying its engineering capabilities to new opportunities driven by emerging global trends, such as the development of renewable and clean energy sources. In the final year of its turnaround strategy, Moolmans is positioning for longer-term growth opportunities by modernising its fleet and enhancing its value offering to customers.

As McConnell Dowell scales its business and Moolmans moves closer to realising its potential as Africa's premier mining contractor, an increasing proportion of Aveng's future revenue will be sourced from markets outside South Africa.

Strategy

Ensuring effective leadership

Aveng's turnaround was achieved by culturally-aligned, experienced and competent leadership and management teams across the Group. Our executive leaders in the streamlined corporate office continue to play a critical role in developing the Group's strategy and giving strategic direction to the operations. Our operational leaders and management leverage their deep expertise and experience in the Group's core disciplines to navigate complexity and risk, capitalise on opportunities and deliver profitable growth.

Our purpose of providing a better life has taken on a deeper meaning during these times as we recognise the importance of protecting our relationships with our employees and many other stakeholders who have enabled our business to survive and prosper.

Our leadership has been ably supported by the Group's 6 086 employees, who have remained steadfastly committed to implementing our strategic goals in difficult conditions. While their efforts have enabled business continuity and resilience, many have endured severe hardship as a consequence of COVID-19 impacts on their health and their livelihoods. In particular, we have been deeply saddened by the loss of 10 of our colleagues as a result of COVID-19 and our thoughts remain with their loved ones and colleagues.

Aveng 2021 sustainability report

Our purpose of providing a better life has taken on a deeper meaning during these times as we recognise the importance of protecting our relationships with our employees and many other stakeholders who have enabled our business to survive and prosper.

Strengthening safety, health and environment management

Regretfully, Aveng failed to achieve its goal of zero fatalities. In the 2020 integrated report, we reported the tragic loss of one of our employees as a result of the slope failure incident at Gamsberg on 17 November 2020. The mine owner continues to work with us to recover the remaining employee involved in the incident. We continue to provide counselling and support to the families and all our employees affected by this terrible event.

The Group continued to achieve incremental improvements in the majority of other key safety, health and environmental indicators during 2021. This was largely attributable to:

- disciplined compliance with SHE management systems, local regulatory requirements and COVID-19 protocols;
- management visibility and employee engagement on project sites;
- increased identification, monitoring and reporting of hazards encountered on project sites;
- safety culture assessments on certain of Moolmans' sites to better understand the safety mindset and identify opportunities for improvement; and
- ensuring that lessons learnt inform future performance.

Professional and independent support provided to employees through employee wellness programmes (EWPs) in our operations continued to play an important role in supporting employee wellbeing and productivity during the turbulence of COVID-19.

The Group encouraged employees to vaccinate and follow applicable government recommendations to protect themselves, their colleagues and their families from infection. Our interventions included awareness campaigns and the provision of vaccination services at work, in line with government programmes.

Our operations maintained their focus on efforts to conserve energy and water and reduce waste.

1 Who we are How we create value
2 Materiality and strategy
3 Performance
4 Governance
5 Remuneration
6 Appendix

REVIEW OF THE CHAIR CONTINUED

While the Group employs effective systems to manage its economic, social and governance (ESG) matters, we recognise that it is necessary to develop an ESG strategy that will formalise our sustainability management processes, integrate them into all of our business practices and align aspirational targets, measures and reporting with global best practice. This process, together with the implementation of the growth strategy, will help the Group to promote trusting stakeholder relationships, global legitimacy and business continuity. The Board has approved the ESG strategy formulation process and management has taken steps to develop and implement the strategy.

Aveng 2021 sustainability report

Governance

Aveng is a values-driven organisation that conducts its business operations and activities in a responsible and ethical manner. The Board embraces the principles of good governance – transparency, integrity, accountability and fairness – and is committed to the highest standards of governance as recommended by King IV. In accordance with our value of honesty and integrity, we do what is right – consistently and transparently.

Composition of Board and Board committees

The Board seeks to achieve appropriate independence and diversity of skills, experience, race and gender. At 30 June 2021, the Board comprised seven members, five (71%) of whom are independent non-executive directors, two (29%) of whom are black and two women (29%). Furthermore, the directors represent an adequate diversity of relevant skills and experience to provide governance and strategic direction.

Bradley Carl Meyer was appointed an independent non-executive director with effect from 28 May 2021. Following his appointment to the Board, Bradley was appointed a member of the audit and risk and the remuneration and nomination committees. The Board welcomes Bradley and looks forward to his contributions to Aveng.

> As climate change gives rise to a global shift towards more sustainable use of natural resources and the COVID-19 pandemic heightens awareness of social vulnerabilities, Aveng is becoming more deliberate in its stewardship of the resources that enable it to create value.

Board evaluation

An internal evaluation of the performance of the Board and the Board committees was conducted during 2021. Board members completed questionnaires prepared by the company secretary, which were evaluated by the chair and company secretary. The lead independent director completed a separate questionnaire to assess the performance of the chair. The key outcomes of the evaluation were:

- The Board and Board committees functioned effectively as a cohesive unit during the year under review; and
- The Board and Board committees regrouped rapidly after the onset of COVID-19, and addressed the Board's key focus areas, including technical matters related to the recapitalisation.

While the Board committees functioned effectively, it was proposed that their structures and mandates be reviewed to ensure they remain fit-for-purpose to oversee risks and opportunities related to the Group's future growth strategy.

Governance report

Acknowledgment

Aveng remained on track strategically and restored profitability during a difficult and uncertain year. This was primarily due to the hard work and commitment of our CEO, Sean Flanagan, his executive leadership team and our employees who consistently implemented our purpose and strategy.

Our loyal customers, subcontractors, other suppliers, shareholders and financiers played a critical role in Aveng's survival and its return to profitability by maintaining our strong partnerships.

My Board colleagues provided a stable foundation, availing themselves frequently – and often at short notice – to provide guidance and advice on urgent matters, without losing their focus on the sustainable future we are all creating together.

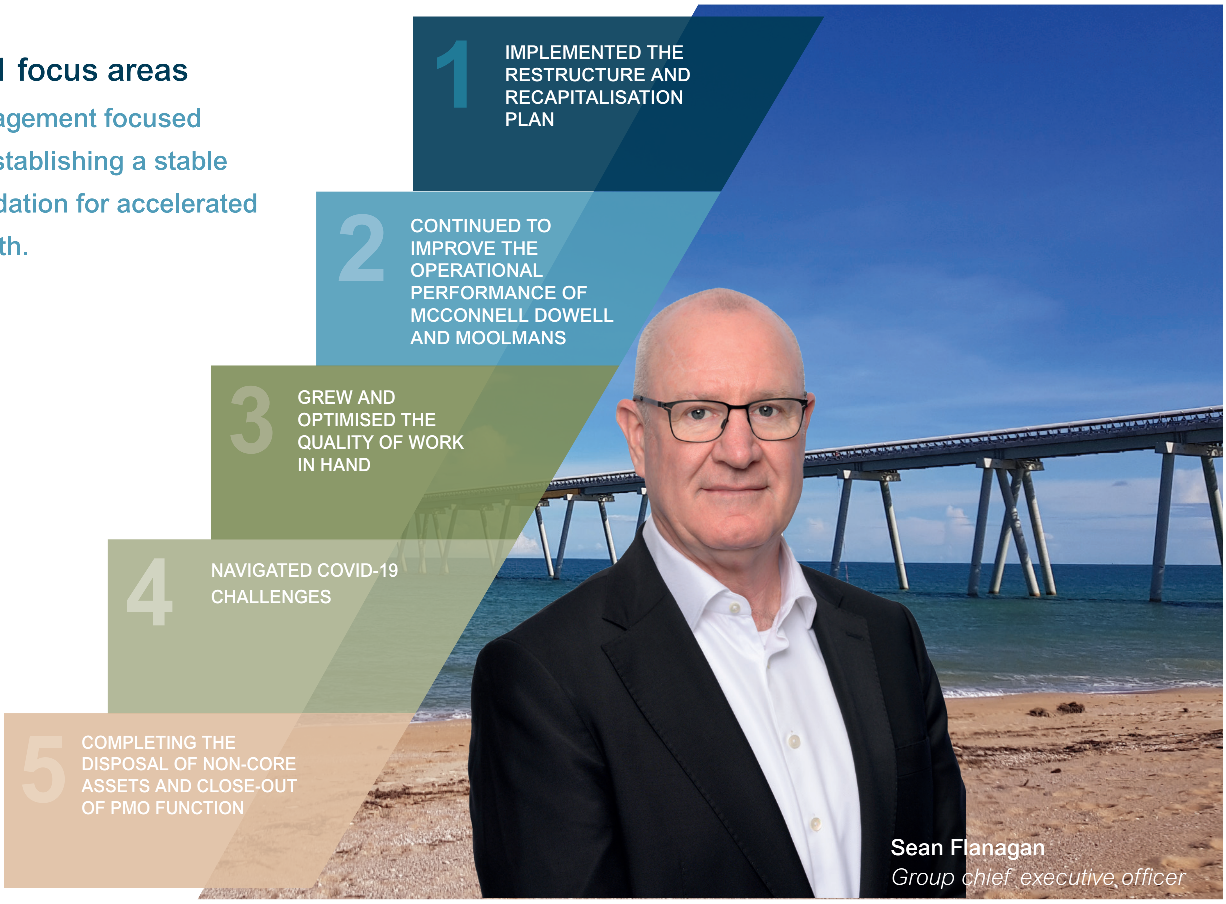
My thanks go to all of our stakeholders for their support and particularly to our employees for their contributions over the years.

Information on Aveng's future prospects is available in the Outlook report on page 48.

REVIEW OF THE GROUP CHIEF EXECUTIVE OFFICER

2021 focus areas

Management focused on establishing a stable foundation for accelerated growth.



Sean Flanagan
Group chief executive officer

"Effective implementation of Aveng's turnaround strategy has positioned the Group's core businesses for sustainable long-term growth. Our focus has now shifted to accelerated growth in promising market conditions."

Overview

Two years ago, our executive management team undertook to return the Group to profitability by achieving primary strategic goals. These goals are now largely fulfilled and Aveng delivered a significant turnaround to profitability for the first year since 2014, establishing a stable foundation for accelerated growth.

Strategic goals	Performance to date
Ensuring a sustainable long-term capital structure	We stabilised Aveng's capital base by: • Significantly deleveraging the Group, reducing debt by 42% to R1,4 billion after a successful rights offer and balance sheet restructure • Renegotiating the repayment of remaining debt to South African lenders over three years at more favourable rates • Maintaining disciplined cost and liquidity management during uncertain times, with total Group costs contained in line with the prior year FD report
Improving the performance of core businesses	• McConnell Dowell and Moolmans are both profitable and generating positive cash flows • Both businesses operate in growing markets and have adapted their operations to the impacts and protocols of COVID-19 in these markets • Diversification across geographies, sectors and customers mitigates risk in uncertain environments
Grow and optimise quality of work in hand (WIH)	• McConnell Dowell WIH of AUD1,9 billion and an AUD10,5 billion pipeline • Moolmans WIH of R5,4 billion and a R15 billion pipeline
Complete disposal of non-core assets	• Group received R880 million since 2018 • Disposals of ACS, Duraset, Infraset Pietermaritzburg, Swaziland, Brakpan and De Aar and REHM completed in 2021
Close-out PMO function	• South African bond exposure decreased to R554 million from R1 billion • 35 contracts remain in defect liability period

REVIEW OF THE GROUP CHIEF EXECUTIVE OFFICER CONTINUED

Performance

Improving the performance of the core businesses

McConnell Dowell

McConnell Dowell's Australia, Southeast Asia, New Zealand and Pacific Islands, and Built Environs business units capitalise on the Company's strong brand and positioning as a local expert in its markets. McConnell Dowell differentiates its offerings across diversified market sectors to secure higher-return projects that require specialist capabilities.

PERFORMANCE HIGHLIGHTS

Revenue growth
>50%
AUD1,5 billion

Operating earnings
>100%
AUD28 million

Work in hand
AUD1,9 billion
across core markets

Preferred status contracts
AUD1,7 billion
of which AUD700 million expected to be awarded H1 2022

Outstanding submitted tenders
AUD1,8 billion

Tenders in preparation or expected in 2022
>AUD7 billion

Strategic wins in
renewables, LNG

Zero
fatalities or major environmental incidents

Financial and operational performance

	AUDm			Rm		
	2021	2020	Variance %	**2021**	2020	Variance %
Revenue	**1 473**	980	50	**16 911**	10 297	64
Gross earnings	**131**	90	46	**1 185**	593	100
Net operating earnings	**28**	6*	>100	**312**	(162)	>100
Operating free cash flow	**58**	43	7	**711**	506	41
Capital expenditure	**15**	12	(8)	**170**	148	15
Total assets	**621**	489	27	**6 590**	5 755	15
Total liabilities	**440**	415	6	**4 703**	3 834	23
Work in hand	**1 873**	1 845	2	**19 919**	21 794	(8)

** Excludes an AUD19 million non-cash impairment on the settlement of two long outstanding legacy claims.*

McConnell Dowell achieved above budget performance for revenue, profit and cash flow. This was underpinned by strong revenue growth, with AUD900 million of preferred status work converted to new work won during the year, and disciplined, consistent operational performance on the majority of projects. The project portfolio achieved financial and delivery expectations, with a large proportion of projects exceeding tendered positions.

The Australia business unit continued to be the main engine of revenue growth and Southeast Asia also contributed, offsetting muted growth in New Zealand and Built Environs. The strong revenue growth and a proactive approach to cost management saw operating earnings trend upwards during the second half of the year as the Company achieved economies of scale.

McConnell Dowell generated strong cash flow and operating free cash of AUD58 million, driven by project performance and upfront mobilisation payments. This supported the payment of a AUD11,5 million dividend to Aveng.

McConnell Dowell's projects leave a legacy of new, modern infrastructure for its customers and communities and create opportunities for its employees. During 2021, the Company completed several value-adding projects:

- The landmark **Wynyard Edge** redevelopment provided key infrastructure for the 2021 America's Cup hosted in Auckland and was recently awarded the Engineering New Zealand Arthur Mead Award for Engineering Excellence. The project involved many innovations, including pre-casting the wharf and breakwater components and transporting them to site by barge, saving numerous truck trips through downtown Auckland; laying the groundwork for future development of the Wynyard Point land on which decades of heavy bulk fuels had been stored; and providing a language skills programme for the construction workers, assisting them to move confidently to other construction projects.
- The iconic 138-room **Adelaide Oval Hotel** is an Australian-first integrated luxury hotel wrapped around the existing exterior structure of the famous South Australian cricket and football stadium. The five-storey building, which was awarded the South Australia AIB Professional Excellence Award for Residential Construction and the 2021 South Australia People's Choice Award, consists of two wings and was constructed using cross-laminated timber. This enabled the project team to accelerate construction of the hotel, while the stadium remained in use for sporting matches and other events.
- The **Regency Road to Pym Street (R2P) project**, jointly funded by the Australian and South Australian governments, used offsite assembly of the northbound and southbound centre spans. Once assembled, the two centre spans weighing 2 600 tonnes were transported along the southbound carriageway of South Road and lowered onto newly constructed concrete piers. This prevented significant disruption to the community by avoiding weeks of road closures and diversions.
- **St Mary's Bay Water Quality Improvement project**, part of Auckland Council's Healthy Waters programme, installed a new two kilometre long high-capacity pipeline up to 25 metres below ground. The new pipeline reduces wastewater overflows to St Mary's Bay and Masefield Beach by 95%. This successful project demonstrated McConnell Dowell's commitment to minimising disruption to neighbours during construction and protecting the environment with creative shaft designs to limit site footprints.

A small number of projects did not meet expectations, including the Thai Oil civil project, the Jane Street-Mulgoa Road in New South Wales, and the Hunua-4, Port of Nelson and Christchurch Southern Motorway projects in New Zealand. These projects are largely completed and McConnell Dowell has applied key learnings to avoid future recurrences.

Mitigating risk

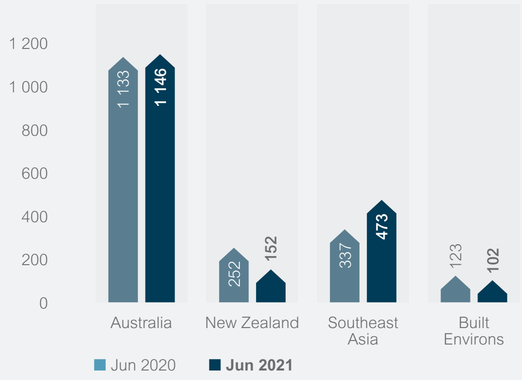
The increased size and complexity of construction projects, and competitive market conditions, heighten risk for contractors. McConnell Dowell mitigates this risk by:

- diversifying geographically, by sector and by contract type;
- entering into collaborative contracting approaches such as alliances and early contractor involvement that reduce risk; and
- differentiating its offerings with specialist capabilities that enhance returns.

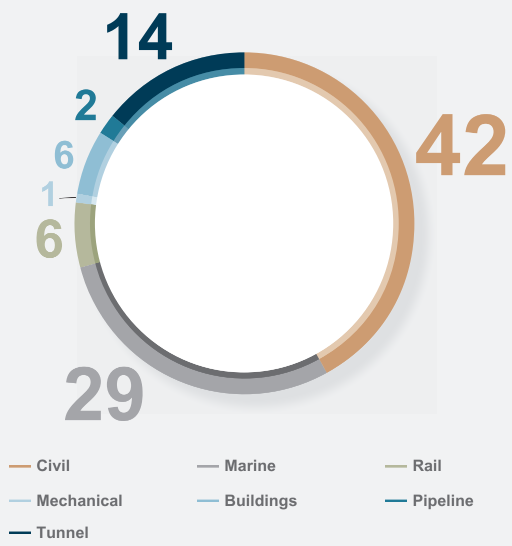
A total of 56% of McConnell Dowell's total work in hand is made up of government projects across core geographic markets public sector tiers and 19% of these are alliance contracts.

In addition to secured work, McConnell Dowell has AUD1,7 billion of tenders with preferred bidder status, where it is in sole source negotiations toward contract award.

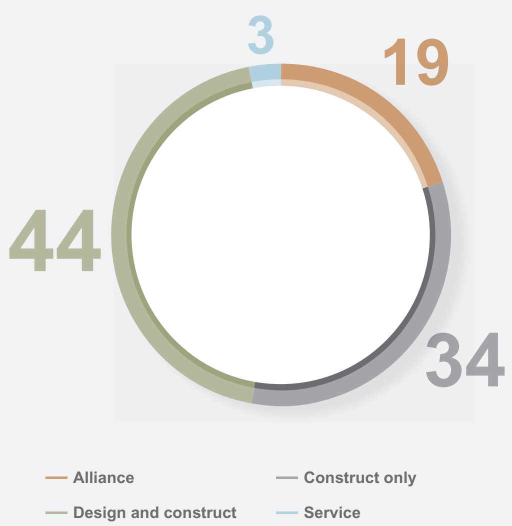
Work in hand – Geographic diversity (AUD million)



WIH – Discipline (%)



WIH – Contract diversity (%)



REVIEW OF THE GROUP CHIEF EXECUTIVE OFFICER CONTINUED

Australia operations – driving growth

The revenue of the Australia operations increased by more than 100% to AUD981 million and operating earnings grew by more than 100% to AUD40 million as public sector clients continued to support infrastructure projects. Low interest rates and a positive commodities cycle attracted higher levels of private sector investment.

New projects were awarded in all Australian regions and across all of McConnell Dowell's specialist capabilities, ensuring a sound level of diversification. The Australia operations experienced growth in water and energy sector opportunities, as clients factored climate change and energy diversification into their investment decisions. New contract awards include Kidston Pumped Hydro Storage and BHP Mitsubishi Alliance's Hay Point Coal Terminal projects in Queensland; Lake Way and Karlawinda gas pipeline and Murrin pipeline projects in Western Australia; the Overseas Passenger Terminal upgrade and Australia Industrial Energy's import terminal at Port Kembla in New South Wales; and Granite Island Causeway Renewal in South Australia.

WPA sustainability highlights

280 602m³ of waste and soil diverted from landfill

12 140m² increase to garden and planted areas

29 100kℓ of water reduced 11 Olympic sized swimming pools

24 Aboriginal and Torres Strait Islanders employees have been engaged in the project

33% total emissions reductions over the asset lifecycle

2 ISCA ratings delivered to date - both achieving leading scores

6% of total project value spent with social enterprises (to April 2020)

3 820 tonnes of CO² saved from reduced materials and use of recycled materials

Building design performance select credits used to maximise outcomes for the Wyndham Stabling buildings

The Australia operations also secured additional works packages on the Western Program Alliance (WPA) in Victoria, and the Public Transport Program Alliance and Water Framework infrastructure development programmes in South Australia. The WPA has been a source of ongoing negotiated repeat work for McConnell Dowell. The Public Transport Program Alliance and the Water Framework programmes are developing community-based transport solutions and improving the state's water and sewerage services, respectively.

Strategy in action – early contractor involvement

Kidson Pumped Storage Hydro

Moving towards a more sustainable energy future

Customer	Contract	Location	Project capabilities
Genex Power	Early contractor involvement	Queensland, Australia	Dams and hydro, underground tunnelling

McConnell Dowell will deliver the Kidston Pumped Storage Hydro facility, an innovative project involving the world-first conversion of a disused gold mine into a pumped storage hydroelectric power generation facility. The natural battery storage facility will have the potential to generate up to 250MW of rapid response (less than 30 seconds) flexible power to Australia's national electricity grid.

Undertaken in partnership with John Holland, the project in Far North Queensland will create 800 jobs and be a gamechanger for the clean energy industry in Australia and worldwide as it offers a new approach to largescale energy storage.

Once completed, the facility will have the capacity to generate enough electricity to power 143 000 homes for eight hours during peak capacity periods. It will be an open loop system that generates power by transferring water between an upper and a lower reservoir built in two existing mine pits.

The technical feasibility and collaborative design development process took four years and construction involves significant underground infrastructure, including a large powerhouse cavern and waterway shafts and tunnels for the transfer of water between the reservoirs.

Southeast Asia operations – navigating COVID-19 uncertainty

McConnell Dowell's Southeast Asia operations grew revenue by 24% to AUD168 million but reported an operating loss as uncertain market conditions and COVID-19-related lockdowns across the region impacted project performance.

The business unit secured the full scope of work on the Jurong Regional Line (J108) project for Singapore's Land Transport Authority. It was also awarded the Batangas LNG Gas Importation Terminal in the Philippines and additional works on the Palembang Wastewater Treatment Plant in Indonesia.

The business unit has temporarily reduced its cost base as it anticipates ongoing market volatility and uncertainty due to potential COVID-19 outbreaks. For the next 12 months, the Southeast Asian team will focus on safe and profitable delivery of work in hand, while remaining selective in its bidding across the region.

Strategy in action – transport infrastructure

Jurong Regional Line (J108) project

Linking communities with modern transport infrastructure

Customer	Contract	Location	Project capabilities
Land Transport Authority	Design and build	Singapore	Rail transport infrastructure

The J108 project is part of the new Jurong Regional Line MRT development, a 24 kilometre railway line that will add 24 additional stations to Singapore's existing rail network and reach more commuters in industrial and education districts. It will open in stages between 2026 and 2028.

The J108 project consists of three elevated stations at Tengah Plantation, Tengah Park and Bukit Batok West. The stations will be linked by 2,3 kilometres of elevated twin track viaducts, a portion of which will be erected within metres of multistorey residential towers. The 150 metre long station platforms will be accessed through station entrance structures, including three long span link bridges over key arterial roads and an expressway.

REVIEW OF THE GROUP CHIEF EXECUTIVE OFFICER CONTINUED

New Zealand and Pacific Islands – a track record of reliable project delivery

The revenue for McConnell Dowell's New Zealand and Pacific Islands operations decreased by 18% to AUD206 million, primarily due to COVID-19-related delays in several key project awards. Despite this, the business unit improved its profitability and liquidity.

The highly complex pipe-jacking projects at St Mary's Bay and Snells-Algies were successfully delivered during the year, cementing earlier successes at Army Bay, and confirming McConnell Dowell's status as a pre-eminent tunnelling contractor in New Zealand. Completion on schedule of the landmark Wynyard Edge redevelopment ahead of the successful 2021 America's Cup defence by Team New Zealand was another highlight.

New project awards included the strategically important Papakura to Pukekohe Rail Electrification project for state-owned KiwiRail and the American Samoa Power Authority (ASPA) asphalt works and Futiga Concrete Road in American Samoa. Repeat work secured with Watercare includes the award of the Mangere Tarp and Warkworth to Snells Pipeline Transfer projects. The commencement of the second three-year operations and maintenance contract supporting the Waterview Tunnel was also confirmed.

Strategy in action – alliance projects

Wynyard Edge Alliance, New Zealand

Delivering world-class marine infrastructure

Customer	Contract	Location	Project capabilities
New Zealand Government	36th America's Cup	Auckland	Marine

McConnell Dowell was a construction partner in the Wynyard Edge Alliance, which developed the infrastructure for Auckland to host the prestigious 36th America's Cup in 2021.

Wynyard Edge was the first alliance led by the Auckland Council and drew on McConnell Dowell's world-class marine expertise. The project involved the extension of the existing wharf, construction of three breakwaters to allow for yacht launching and dredging of over 60 000 cubic metres of material, leaving a legacy of waterfront infrastructure improvements. The alliance model created an integrated team structure where all parties worked together, from the designers to the constructors and the client representatives. This partnership model increased the effectiveness of the design, improved constructability, encouraged sustainability and innovation in the use of materials, and saved time.

The alliance partnered with Mana Whenua to identify and manage areas of concern and the Iwi representatives were involved in preparing, reviewing and implementing management plans.

Built Environs – expanding into new geographic markets

McConnell Dowell's commercial building operation maintained its operating earnings despite a decrease in revenue to AUD119 million. This was due to strong performances on projects such as the Oval Hotel in Adelaide, the Modbury Hospital upgrade and the Auckland City Mission Home Ground.

Built Environs was restructured into regional operations with key leadership appointments of a managing director of the business unit and new general managers in South Australia and Victoria to strengthen the focus on new business in these states. This paved the way for entry into the Victorian market where the business unit obtained state government contractor registration and secured its first project for the Victorian Schools Building Authority at Beaumaris Secondary College.

The expansion of Built Environs' geographic footprint in New Zealand gained further momentum with the upcoming completion of its first project, the Puhinui Station upgrade in Auckland in joint venture with McConnell Dowell, the award of the Otahuhu logistics project in Auckland and several promising tender opportunities.

The Built Environs brand was updated with a new logo and colour scheme, designed to align more closely to McConnell Dowell's branding. This was well received by the market and is proving important in facilitating the business unit's new market entry strategy.

Safety, health and environment performance

McConnell Dowell recorded a lost-time injury frequency rate (LTIFR) of 0,06 (2020: 0,08) with a 20% reduction in the number of LTIs across the business. The improvement in the total recordable injury frequency rate (TRIFR) to 0,74 against an improvement target of 1,0 was due largely to lower incident frequency. The safety lead indicator, measured by the ratio of potential harm notifications to the number of actual incidents (PH/AI) improved to 248,79 (2020: 182,55) as all business units focused on hazard reporting and finding better ways to manage safety on work sites.

A successful upgrade to the new ISO 45001 health and safety standard was achieved during the year and internal and external auditing continues to show good compliance with safety systems.

A targeted approach to the close-out of actions raised from hazard reporting and audits resulted in 100% of actions closed out within the permitted timeframes across all areas of the Company. COVID-19 remains a factor across all McConnell Dowell's operations and the Company continues to provide support to staff and communities as it works through the pandemic. Several online support services are provided to employees and regular COVID-19 toolbox talks are held on the projects. The McConnell Dowell COVID-19 Pandemic Response Plan is implemented on every project to ensure that each business unit has the highest-level response to COVID-19 restrictions and protocols.

Several projects were recognised for excellence in safety performance

- Lyttleton Tunnel Deluge – winner of Health and Safety Award, CCNZ Contractor of the Year Award
- Tuas Water Reclamation Plant – Safety and Health Award, Safety and Health Achievement Recognition Programme (SHARP)
- Workplace Safety and Health Awards (WSH) 2020, Singapore – Silver Award.

There were no serious environmental incidents recorded across our operations due to consistent application of the McConnell Dowell management system and a strong focus on environmental awareness.

McConnell Dowell continues to strengthen networks and relationships with sustainability organisations. McConnell Dowell is a member of the UN Global Compact and an active contributor to the Infrastructure Sustainability Council of Australia.

People and leadership

McConnell Dowell's performance is supported by strong and stable executive and senior leadership teams across its business units. Michael Clemenger settled in well as managing director of Built Environs and plans are underway to strengthen the leadership teams in Southeast Asia and New Zealand to drive growth in those businesses.

The Australian business continued to embed its new regional operating structure. Regional general managers are now in place in all four geographic regions and Kyle Mortimer was appointed in 2021 to head up the national rail division in Australia.

Industry leader James Glastonbury joined McConnell Dowell as executive general manager of Engineering, Technology and Innovation. His appointment will enable McConnell Dowell to further enhance its strong brand, built on the foundations of creative construction and engineering innovation.

Beyond the leadership appointments, McConnell Dowell focused on securing and retaining experienced bid and delivery personnel to support its growth strategy. In an Australian market where industry activity is close to record highs, the availability of skilled people continues to shrink. Proactive recruitment initiatives and retention strategies have been implemented to address the challenge, while upward pressure on labour costs remains a concern.

McConnell Dowell's training and development programme focused on cultivating its next tranche of executives, partnering with the prestigious Melbourne Business School to provide a customised course for its high performers and emerging leaders. McConnell Dowell is also implementing business development training in collaboration with industry leader Shipley International to ensure that its people and leadership continue to support the growth strategy.

REVIEW OF THE GROUP CHIEF EXECUTIVE OFFICER CONTINUED

Moolmans

Moolmans is Africa's premier contract miner offering specialised open cut, shaft sinking and underground mining services for medium-sized projects across a range of commodities. Moolmans is differentiated by its ability to develop collaborative relationships with reputable customers and work in remote and difficult locations throughout Africa.

PERFORMANCE HIGHLIGHTS

>100%
increase in operating profit to
R239 million

151%
increase in OFCF to
R480 million

New leadership
driving turnaround strategy

SHEQ
disciplines consolidated and embedded in all operations

R5,4 billion
two-year order book
(2020: R5 billion)

R15 billion
project opportunity pipeline

Positive long-term outlook
for all commodity prices

Financial and operational performance

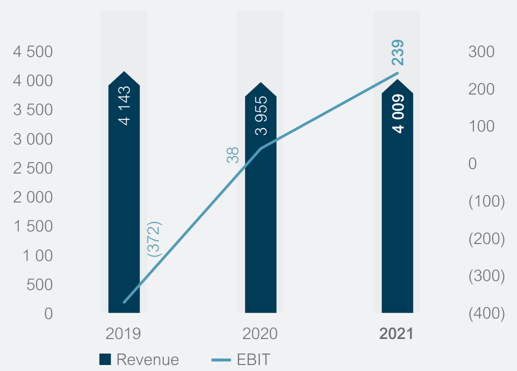
	Rm		
	2021	2020	Variance %
Revenue	**4 009**	3 955	1
Gross earnings	**407**	214	90
Net operating earnings	**239**	38	>100
Operating free cash flow	**480**	191	>100
Capital expenditure	**649**	609	7
Total assets	**3 008**	2 951	2
Total liabilities	**1 251**	1 089	15
Two-year order book	**5 445**	4 996	9

Moolmans achieved above budget performance for profit and cash flow and consolidated its financial turnaround with consistent improvements in operational and financial performance. Revenue remained flat as the business focused on the quality of work in hand and pursued new opportunities prudently. Operating profit grew by more than 100% to R239 million (2020: R38 million) and earnings before interest, tax, depreciation and amortisation grew by 33% to R854 million.

This reflected a further significant improvement on the previous year's results as the business adapted to COVID-19 disruptions and safety protocols.

Moolmans' turnaround and steady improvement over the past 24 months is largely attributable to the focused intervention by management to strengthen the leadership team and operational disciplines.

Revenue and EBIT (Rm)



Moolmans' two-year order book increased to R5,4 billion (2020: R5 billion) and included, among other awards:

- a R1,3 billion contract for open cast mining services at Seriti's Klipspruit Mine; and
- open cast services contracts amounting to R1,5 billion at Vedanta's Gamsberg Mine.

Moolmans' open pit operations at Sishen, Klipspruit, Lefa and Nkomati and its underground operations delivered sound performances. The operations at Gamsberg Mine achieved a significant turnaround.

However, these achievements were partially offset by disappointing performances at the Tshipi and Kolomela operations where management continues to focus on improving operational performance in consultation with customers.

Although certain end of contract profits and cash flows from the first half of the year were not repeated in the second half, Moolmans remained a significant contributor to Aveng's cash position, having generated R1 billion from its operations. Moolmans' 151% increase in operating free cash flow is attributable to overall improvements in operational performance and close management of capital expenditure and operating costs.

Moolmans operates one of the largest and most diverse fleets of mining equipment in Africa and applies sophisticated maintenance software to achieve equipment reliability. The strengthening of Aveng's balance sheet enabled Moolmans to embark on a heavy mining equipment (HME) renewal plan to improve onsite productivity. The modernisation of Moolmans' fleet enhances Moolmans' value offering to its customers during a positive stage in the commodity cycle. The HME will be implemented in a phased and disciplined manner to ensure a suitable return to shareholders.

Mitigating risk

Moolmans has a multinational client base with minimal credit risk which provides diversification across commodities. The business balances growth and risk, while continuing to invest prudently in new fleet.

Strategy in action – a diversified portfolio

Klipspruit colliery

Customer	Contract	Location	Project capabilities
Seriti	BCM (2018 – current)	Mpumalanga	Open cut coal mining

Klipspruit colliery is a single dragline, multi-seam, open cut mine that is combined with truck and shovel mining in the mini pits.

The scope of work under this contract encompasses the pre-stripping works, loading and hauling of overburden and mid-burden materials, totalling approximately 9,5 million in situ cubic metres per annum, and additional pit services associated with the remainder of the main pits at Klipspruit.

The fleet employed on this contract includes Moolmans' largest-sized, hydraulic face shovels (525 tonnes) together with Caterpillar's 200 tonne haulers assisting the customer with moving safe cubic metres to plan.

With project mobilisation and ramp-up successfully completed, mining operations are now in steady state.

REVIEW OF THE GROUP CHIEF EXECUTIVE OFFICER CONTINUED

Strategy in action – a diversified portfolio continued

Lefa gold mine

Delivering world-class performance in remote and difficult operating environments

Customer	Contract	Location	Project capabilities
Nordgold	BCM (2017 – current)	Guinea	Open cut gold mining

What started out initially as a plant hire contract in 2016 was successfully converted into a BCM contract from August 2017 and extended to December 2021.

The mine is located approximately 700 km north east of the capital, Conakry, and, as one of the country's leading gold producers, contributes substantially to economic development and employment creation in Guinea.

Lefa is a conventional open cut operation with three major mining areas and several smaller higher-grade satellite pits. Moolmans assists the customer with the current mining operation, which encompasses loading and hauling 7,2 million in situ cubic metres per annum.

Safety, health and environment performance

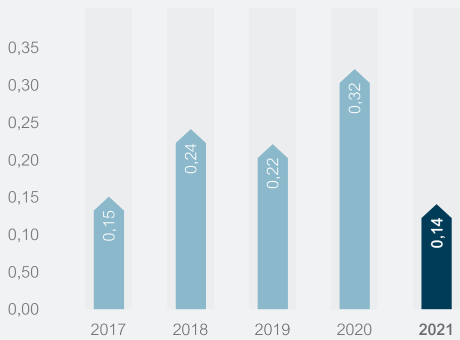
Employee safety and wellbeing is fundamental to Moolmans' reputation as an employer of choice and the business continues to implement targeted measures to improve safety performance. Respect for, and upliftment of the communities which host our operations, combined with responsible stewardship of the natural environment, are cornerstones of Moolmans' culture.

Safety

An improvement in Moolmans' overall safety performance was reflected in the decline in the LTIFR to 0,14 (2020: 0,32), against a target of 0,26.

The TRIFR dropped to 0,59 (2020: 0,61), against a target of 0,70.

LTIFR performance – per 200 000 hours worked



However, these efforts are overshadowed by the tragic loss of a life as a result of the slope failure at Gamsberg South Pit on 17 November 2020. As reported in the Group's 2020 integrated report, we suffered one confirmed death of a colleague and operations to recover a second missing colleague remain a top priority.

Among the measures Moolmans implements to create safer working environments are:
- continuous employee engagement on site by senior management;
- higher levels of awareness among employees of risk controls in all mining and maintenance activities; and
- sharing of lessons learnt from incident investigations.

Safety culture assessments

During 2021, Moolmans conducted safety culture assessments at several site operations to better understand the safety mindset at these operations and identify opportunities for improvement. The process was conducted by an external service provider and included the use of questionnaires, interviews, focus groups and workshops to gather both qualitative and quantitative data. Action plans were developed and are being implemented to address the findings of the reviews.

Several mining projects recorded significant safety milestones, including:
- Kolomela: 1 583 LTI*-free days
- Sishen: 1 355 LTI*-free days
- Union Mine: 1 147 LTI*-free days

** Lost-time injury*

Moolmans' SHEQ integrated management system (IMS) combines the management of safety, health and wellness, environmental and quality management on a single platform. Moolmans has ISO 14001:2015, ISO 9001:2015 and OHSACT 18001:2007 accreditations.

Environmental stewardship

Looking ahead, Moolmans is monitoring future risks and opportunities associated with significant global environmental trends to mitigate the effects of climate change, such as decarbonisation and an increase in more sustainable low carbon technologies. While base and precious metals are mature markets, there is increasing demand for metals and minerals that will be used in the production of green energy sources.

People and leadership

Moolmans' focus on employee capability and performance is central to its competitive advantage. Over the past two years, the business significantly strengthened its leadership team with new appointments and executive coaching interventions to enhance team collaboration and operational performance. Senior operational managers each have an average of 20 years of experience in Moolmans' core capabilities, while our 2 831 employees comprise skilled and experienced operators, project managers, engineers and administrators. Moolmans also has access to an extensive database of skilled and experienced miners who are available at short notice on a project basis.

Employee training and development is fundamental to Moolmans' reputation for high performance and reliability. The business is an accredited training provider through the Mining Qualification Authority in South Africa. All employees in supervisory positions undergo a leadership development programme. Moolmans is a participant in the government-led Youth Employment Service (YES) initiative, through the appointment of 51 previously unemployed individuals to positions within the Company.

Non-core operations

Non-core disposals

Aveng has completed disposals of non-core assets valued at more than R1 billion, with cash receipts of R880 million to date. The following disposals were concluded during the year under review:
- Duraset Alrode and Westonaria
- Infraset Pietermaritzburg, Swaziland, Brakpan and De Aar

The sales of ACS and REHM (Mauritius) were completed subsequent to year end and negotiations continue for the disposal of Trident Steel.

REVIEW OF THE GROUP CHIEF EXECUTIVE OFFICER CONTINUED

Project management office

The project management office (PMO) manages and implements the significant task of closing out the non-core disposals and ensuring that the Group complies with all statutory, legal, technical, commercial and human resources obligations.

The PMO continued to manage the Group's collection of all outstanding performance and retention bonds and resolution of outstanding contract entitlements. South African bond exposure decreased from R1,0 billion to R554 million during 2021. In all, 35 contracts remain in the defect liability period.

Trident Steel

Trident Steel's tube and merchanting divisions were restructured as part of the strategy to transform the business into a steel service centre, with a primary focus on the automotive sector.

While this reduced revenue to R3,2 billion (June 2020: R3,5 billion), Trident Steel recorded a substantial increase in operating earnings to R247 million (June 2020: R14 million) as its strong leadership team capitalised on growing demand for vehicle exports to Europe. Trident Steel overcame worldwide steel shortages and supply chain disruptions to meet a significant increase in demand from original equipment manufacturers (OEMs) after the COVID-19 lockdown.

Operating free cash flow increased by 230% to R567 million due to higher profitability, the once-off sale of merchanting inventory and sound cash management.

Looking ahead, Trident Steel experienced disruptions related to unrest in South Africa and COVID-19-related constraints to the supply of some components during the first quarter of 2022. However, the business expects to recover from these challenges and is well positioned to benefit from positive automotive market conditions.

Aveng Manufacturing

The manufacturing operating group, which consists of ACS and Infraset, recorded lower revenue of R1 billion (June 2020: R1,3 billion) following the disposal of business units. The remaining business units achieved combined operational profits of R24 million (June 2020: R54 million loss).

Information on Aveng's future prospects is available in the Outlook report on page 48.

GROUP FINANCE DIRECTOR'S REPORT

2021 focus areas

Aveng focused on implementing a balance sheet restructure and recapitalisation plan, which resulted in R873 million of new capital and a R1 billion reduction in Group debt.

1 REVENUE OF R25,7 BILLION

2 OPERATING EARNINGS OF R536 MILLION

3 HEADLINE EARNINGS OF R751 MILLION

4 OPERATING FREE CASH FLOW OF R1,5 BILLION

5 NET CASH OF R1,1 BILLION

Adrian Macartney
Group finance director

"Aveng returned to profitability in 2021 after prior year losses and reduced its debt by 42%, establishing a stable foundation for future growth."

Overview

The Group recorded operating earnings of R536 million due to strong operational performance in McConnell Dowell, Moolmans and Trident Steel, coupled with improved performances in Aveng Manufacturing. McConnell Dowell and Moolmans both delivered growth in operating earnings and generated positive cash flows.

This resulted in operating free cash flow of R1,5 billion and, together with a reduction in debt from R2,4 billion to R1,4 billion, contributed to a significant improvement in the net cash position from R1 billion net debt in June 2020 to R1,1 billion net cash.

De-risking the balance sheet

The recapitalisation and debt restructure was successfully completed and R492 million of new capital was raised. This followed from the Fourth Amended and Restated Common Terms Agreement (CTA) entered into with the South African Banking Group on 11 February 2021. The debt restructure was executed on 19 March 2021 using proceeds of the rights offer. This resulted in the improvement in the Group's net cash position and included a R260 million cash injection of additional liquidity after settlement of debt.

The first repayments of the newly restructured term debt amounted to R55 million and were made on 30 June 2021, including R25 million early settled.

The restructuring and recapitalisation transaction allowed the Group to reset its capital structure, deleveraging the balance sheet by more than R1 billion, extending the Group's debt maturity profile to three years, and simultaneously materially improving the Group's South African liquidity pool.

In addition to lower on-balance sheet borrowings, Aveng significantly reduced its contingent liability exposure in South Africa through a reduction in guarantees from R3,8 billion at June 2017 to R554 million at June 2021. Subsequent to the year end, this decreased by a further R76 million to R478 million.

GROUP FINANCE DIRECTOR'S REPORT CONTINUED

Financial performance

Aveng reported headline earnings of R751 million (June 2020: R950 million loss) for the first time since 2014 and net earnings of R988 million (June 2020: R1,1 billion loss).

The basic earnings per share was 2,7 cents (June 2020: 4,6 cents loss per share (restated for bonus element)) and the headline earnings per share was 2,0 cents (June 2020: 4,0 cents loss per share (restated for bonus element)).

The prior year headline loss per share and loss per share were impacted by an increase in the weighted average number of shares and consequently restated. The weighted average number of shares in issue on 30 June 2020 was restated from 19 370 million to 24 097 million which resulted in the restatement of the loss per share and the headline loss per share loss from 5,8 cents per share to 4,6 cents per share and 4,9 cents per share to 4,0 cents per share respectively.

Aveng reported headline earnings of R751 million for the first time since 2014 and net earnings of R988 million.

Group revenue increased by 23% to R25,7 billion (June 2020: R20,9 billion) despite the impact of COVID-19 and non-core asset disposals. Core business revenue of R20,9 billion increased to 82% of total Group revenue (June 2020: 68%).

Statement of comprehensive income

	June 2021 Rm	June 2020 Rm
Revenue	25 709	20 878
Gross margin (%)	7,6	4,7
Operating expenses	(1 675)	(1 647)
Net operating earnings / (loss)	536	(532)
Net interest	(375)	(429)
Impairment of PPE, long-term receivables and equity-accounted investment	(267)	(168)
Gain on early redemption of borrowings and other liabilities	486	–
Fair value adjustments	611	–
Earnings / (loss) for the period	988	(1 116)
Headline earnings / (loss) for the period	751	(950)
Headline earnings / (loss) per share (cents)	2,0	(4,0)

Net finance charges reduced to R260 million, excluding *IFRS 16 Leases* (IFRS 16) notional interest of R115 million (2020: R331 million excluding notional interest of R130 million). Finance expenses decreased due to change in the debt profile of debt and lower underlying interest rates.

A gain on early redemption of borrowings and other liabilities was recognised as part of the balance sheet restructuring, following the early repayment of the borrowings at a significant discount.

A fair value adjustment on disposal groups classified as Held for Sale was made as a result of a reversal of a previously recognised impairment in order to reflect the fair value of the disposal group in the Manufacturing and Processing segment. The increase ensures that the cash-generating unit represents the fair value less costs to sell in line with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5).

Segmental results

	McConnell Dowell		Moolmans		Trident Steel	
Results	**FY2021 Rm**	FY2020 Rm	**FY2021 Rm**	FY2020 Rm	**FY2021 Rm**	FY2020 Rm
Revenue	16 911	10 297	4 009	3 955	3 163	3 531
Cost of sales	(15 726)	(9 704)	(3 602)	(3 741)	(2 858)	(3 380)
Gross margin (%)	7,0	5,8	10,2	5,4	9,6	4,3
Net operating earnings / (loss)	312	(162)	239	38	247	14
Other items						
Capital expenditure	170	148	649	609	17	18

- McConnell Dowell's revenue grew by 64% on the back of a strong work in hand mainly driven by Australia
- Moolmans' revenue increased marginally in line with prior year as part of the strategic intent to focus on value adding revenue
- Trident Steel's revenue decreased as the business exited unprofitable business lines.

McConnell Dowell, Moolmans and Trident Steel grew their gross profit margins due to improved operational performance.

Statement of financial position

	June 2021 Rm	June 2020 Rm
Assets	**12 445**	11 636
Goodwill and intangible assets	**111**	115
Property, plant and equipment	**2 800**	3 180
Investments	**287**	294
Deferred taxation	**725**	813
Other assets	**78**	94
Working capital	**3 936**	3 076
Assets Held for Sale	**1 989**	2 309
Cash and bank balances	**2 519**	1 755
Liabilities and equity	**12 445**	11 636
Liabilities		
Borrowings and liabilities	**879**	1 883
Borrowings and liabilities (IFRS 16)	**519**	497
Working capital	**5 098**	4 054
Deferred taxation	**152**	166
Other liabilities	**160**	148
Employee-related payables	**614**	573
Liabilities Held for Sale	**1 575**	2 051
Bank overdrafts	**–**	424
Equity	**3 448**	1 840
NAV per share (cents)	**5,2**	9,5
Net cash / (debt)	**1 121**	(1 049)
Share price (cents)	**4**	4
Market capitalisation	**2 490**	776

Property, plant and equipment (PPE) decreased by R380 million and included continuing operations right-of-use assets amounting to R337 million (2020: R439 million) after depreciation.

The Group incurred **capital expenditure**, including non-core assets, of R845 million (June 2020: R787 million), applying R828 million (June 2020: R781 million) to replace and R17 million (2020: R6 million) to expand property, plant and equipment (PPE). The majority of the amount was spent as follows:

- R170 million at McConnell Dowell for specific projects across the various businesses; and
- R649 million at Moolmans for investments in existing fleet.

Amounts due from contract customers increased by R867 million to R3,4 billion (2020: R2,5 billion) due to the increase in McConnell Dowell's revenue and an increase in uncertified claims and variations (underclaims), a significant amount of which has been received post year end.

Assets Held for Sale decreased by R320 million to R2,0 billion (2020: R2,3 billion) mainly due to the sale of non-core assets and the realisation of inventory at Trident Steel.

Cash and bank balances (net of bank overdrafts) increased to R2,5 billion (2020: R1,3 billion) and the net debt position converted into net cash of R1,1 billion (2020: R1 billion net debt).

Borrowings and other liabilities, excluding IFRS 16 lease liabilities, decreased by R1 billion to R879 million from June 2020 as a result of the balance sheet restructuring. Lease liabilities increased by R22 million to R519 million mainly due to new leases at core operations, with R154 million classified as current liabilities and R365 million classified as non-current liabilities at 30 June 2021. The discontinued operations lease liabilities amounted to R854 million after considering lease payments and notional interest.

Amounts due to contract customers increased by R367 million to R1,7 billion (June 2020: R1,3 billion) as a result of progress billings received (cover-claims), which include upfront mobilisation payments in McConnell Dowell.

Liabilities Held for Sale decreased by R476 million to R1,6 billion (2020: R2,1 billion) due to the movement in working capital associated with non-core assets, the disposal of businesses and a fair value adjustment of R611 million in the Manufacturing and Processing segment to better align the carrying amount of the cash-generating unit at fair value less costs to sell in line with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.*

Balance sheet restructure and recapitalisation

- Reduction in debt
- Improvement in stated capital
- Gain on early settlement of debt
- Additional liquidity

GROUP FINANCE DIRECTOR'S REPORT CONTINUED

Liquidity

	June 2021 Rm	June 2020 Rm
Net cash (including overdrafts)	**2 519**	1 331
South African operations	**666**	(342)
McConnell Dowell	**1 853**	1 673
Borrowings	**(879)**	(1 883)
South African operations	**(835)**	(1 762)
McConnell Dowell	**(44)**	(121)
Net cash / (debt)	**1 640**	(552)
IFRS 16 finance lease liability	**(519)**	(497)
Post IFRS 16 net cash / (debt)	**1 121**	(1 049)

In addition to the positive outcomes of the recapitalisation and debt restructure, the South African operations achieved a R1,0 billion turnaround in cash due to improved performances in Moolmans and Trident Steel and a concerted effort to minimise cash outflows from the construction and engineering operating group.

Guarantee reduction – South African operations

- Bank guarantees reduced from R1,7 billion in 2017 to R383 million
- Insurance guarantees decreased by R500 million to R554 million
- Subsequent to year end, the guarantees further reduced by R76 million.

McConnell Dowell recorded a significant positive cash balance of AUD172 million and minimal debt. McConnell Dowell's operating free cash flow of AUD47 million was positively impacted by a net increase of AUD38 million in 2021, including upfront mobilisation payments from customers.

Information on Aveng's future prospects is available in the Outlook report on page 48.

MANAGEMENT'S FINANCIAL REVIEW AND KEY RATIOS

Consolidated statement of financial position	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm
Property, plant and equipment	**2 800**	3 180	2 814	3 010	4 611
Goodwill and other intangibles	**111**	115	139	147	613
Equity-accounted investments	**30**	35	45	73	334
Infrastructure investments	**257**	259	142	142	265
Deferred taxation	**725**	813	622	747	1 290
Inventories	**211**	187	214	255	2 085
Receivables	**3 803**	2 983	2 858	3 532	6 371
Cash and bank balances	**2 519**	1 755	1 605	2 391	1 996
Assets Held for Sale	**1 989**	2 309	3 843	4 773	122
TOTAL ASSETS	**12 445**	11 636	12 282	15 070	17 687
TOTAL EQUITY	**3 448**	1 840	2 454	2 594	6 058
Deferred tax liability	**152**	166	86	49	319
Payables	**5 712**	4 627	4 025	4 745	8 090
Payables other than contract-related	**160**	148	136	146	154
Borrowings and other liabilities (excluding IFRS 16 *Lease Liabilities*)	**879**	1 883	2 145	3 141	3 066
Lease liabilities recognised under IFRS 16	**519**	497	–	–	–
Bank overdrafts	**–**	424	–	315	–
Liabilities Held for Sale	**1 575**	2 051	3 436	4 080	–
TOTAL LIABILITIES	**8 997**	9 796	9 828	12 476	11 629
Non-controlling interest	**7**	7	9	9	8
TOTAL EQUITIES AND LIABILITIES	**12 445**	11 636	12 282	15 070	17 687

Working capital	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm
Inventory	**937**	1 026	1 872	2 045	2 085
Trade and other receivables	**802**	817	1 471	1 580	1 840
Amounts due from contact customers	**3 403**	2 539	3 022	3 964	4 468
Current trade and other payables	**(4 274)**	(3 225)	(4 877)	(5 722)	(5 909)
Amounts due to contract customers	**(1 661)**	(1 297)	(1 037)	(1 489)	(1 351)
Net working capital	**793**	(140)	451	378	1 133

MANAGEMENT'S FINANCIAL REVIEW AND KEY RATIOS CONTINUED

	2021 Rm	2020 Rm
ASSETS		
Non-current assets		
Goodwill arising on consolidation	100	100
Intangible assets	11	15
Property, plant and equipment	2 800	3 180
Equity-accounted investments	30	35
Infrastructure investments	257	259
Derivative instruments	–	1
Deferred taxation	725	813
Lease receivables	38	–
Long-term receivables	–	43
	3 961	4 446
Current assets		
Inventories	211	187
Derivative instruments	–	9
Amounts due from contract customers	3 398	2 531
Trade and other receivables	327	358
Taxation receivable	37	41
Lease receivables	3	–
Cash and bank balances	2 519	1 755
	6 495	4 881
Assets Held for Sale	1 989	2 309
TOTAL ASSETS	12 445	11 636
EQUITY AND LIABILITIES		
Equity		
Stated capital	4 747	3 874
Other reserves	847	1 102
Accumulated losses	(2 153)	(3 143)
Equity attributable to equity holders of parent	3 441	1 833
Non-controlling interest	7	7
TOTAL EQUITY	3 448	1 840
Liabilities		
Non-current liabilities		
Deferred taxation	152	166
Borrowings and other liabilities	856	1 313
Payables other than contract-related	94	104
Employee-related payables	338	330
	1 440	1 913
Current liabilities		
Amounts due to contract customers	1 657	1 290
Borrowings and other liabilities	542	1 067
Payables other than contract-related	66	44
Employee-related payables	276	243
Trade and other payables	3 441	2 764
Bank overdrafts	–	424
	5 982	5 832
Liabilities Held for Sale	1 575	2 051
TOTAL LIABILITIES	8 997	9 796
TOTAL EQUITY AND LIABILITIES	12 445	11 636

Uncertified revenue and claims	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm
Uncertified claims and variations	**817**	660	1 316	1 646	1 760
Contract contingencies	**(51)**	(291)	(638)	(490)	(701)
Contract and retention receivables	**2 632**	2 170	2 344	2 808	3 409
Amounts due from customers	**3 398**	2 539	3 022	3 964	4 468
Progress billings received	**(1 656)**	(1 284)	(977)	(1 404)	(1 205)
Amounts received in advance	**(1)**	(14)	(60)	(85)	(146)
Amounts due to customers	**(1 657)**	(1 298)	(1 037)	(1 489)	(1 351)
Net amounts due from contract customers	**1 741**	1 242	1 985	2 475	3 117
Foreign exchange impact	**(92)**	320	34	8	(462)

	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm
Revenue	**25 709**	20 878	25 676	30 580	23 456
Gross earnings	**1 965**	971	1 048	1 798	(3 135)
Other earnings	**268**	163	110	106	206
Operating expenses	**(1 675)**	(1 647)	(2 247)	(2 292)	(2 305)
(Loss) / earnings from equity-accounted investments	**(22)**	(19)	(30)	(13)	4
Operating earnings / (loss)	**536**	(532)	(1 119)	(401)	(5 230)
South African government settlement		–	–	–	(165)
Net operating earnings / (loss)	**536**	(532)	(1 119)	(401)	(5 395)
Impairment on non-financial assets	**(267)**	(168)	(241)	(2 300)	(278)
Gain on redemption of convertible bond	**–**	–	102	–	–
Gain on disposal of assets Held for Sale	**28**	24	203		
Gain on disposal of subsidiaries	**–**	10	41	–	–
Gain on disposal of property, plant and equipment and intangible assets	**10**	61	36	47	4
Gain on early redemption of borrowings and other liabilities	**486**	–	–	–	–
Fair value adjustment on properties and disposal groups classified as Held for Sale	**611**	(13)	–	–	–
Operating (loss) / earnings before finance transactions	**1 404**	(618)	(1 029)	(2 654)	(5 669)
Finance earnings	**19**	32	181	246	198
Convertible bond	**–**	–	(63)	(251)	(237)
Other finance expenses	**(394)**	(461)	(524)	(434)	(405)
(Loss) / earnings before taxation	**1 029**	(1 047)	(1 435)	(3 093)	(6 113)
Taxation	**(41)**	(69)	(245)	(426)	(626)
Earnings / (loss) for the period	**988**	(1 116)	(1 680)	(3 519)	(6 739)
Earnings / (loss) from continuing operations	**312**	(825)	(927)	(1 050)	(6 238)
Earnings / (loss) from discontinued operations	**676**	(291)	(753)	(2 469)	(501)
Other comprehensive (loss) / earnings for the period:					
Exchange differences on translation of foreign operations	**(265)**	318	(73)	48	(773)
Movement in other reserves	**–**	–	20	–	–
Total comprehensive earnings / (loss) for the period	**723**	(798)	(1 733)	(3 471)	(7 512)
Earnings / (loss) for the year attributed to:					
Equity holders of the parent	**990**	(1 119)	(1 681)	(3 523)	(6 708)
Non-controlling interest	**(2)**	3	1	4	(31)
Loss for the period:	**988**	(1 116)	(1 680)	(3 519)	(6 739)
Total comprehensive earnings / (loss) attributable to:					
Equity holders of the parent	**723**	(798)	(1 731)	(3 473)	(7 481)
Non-controlling interest	**–**	–	(2)	2	(31)
	723	(798)	(1 733)	(3 471)	(7 512)
Determination of headline loss					
Earnings / (loss) for the year attributable to equity holders	**990**	(1 119)	(1 681)	(3 523)	(6 708)
Headline earnings adjustment	**(239)**	169	136	1 960	259
Headline earnings / (loss)	**751**	(950)	(1 545)	(1 563)	(6 449)

MANAGEMENT'S FINANCIAL REVIEW AND KEY RATIOS CONTINUED

Consolidated statement of cash flows	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm
Cash from operating activities	**1 912**	279	(1 002)	430	(622)
Cash from investing activities	**(402)**	(284)	(1)	(464)	314
Operating free cash flow	**1 510**	(5)	(1 003)	(34)	(308)
Cash from financing activities	**(69)**	(490)	613	133	(23)
Net increase / (decrease) in cash and bank balances before foreign exchange movements in cash	**1 441**	(495)	(390)	99	(331)
Returns and productivity					
Net (debt) / cash position	**1 121**	(1 049)	(540)	(1 211)	(1 070)
CPI (%)	**4,9**	2,2	4,5	4,4	1,9
Current ratio (times)	**1,1**	0,7	1,0	1,0	1,1
Effective tax rate before impairment (%)	**4,0**	(5,9)	(17,1)	(13,8)	(10,2)
Margin – gross (%)	**7,6**	4,9	4,1	5,9	6,7
– net operating earnings (%)	**2,1**	2,5	(4,4)	(1,3)	(1,6)
Property, plant and equipment					
– expansion capital expenditure	**9**	3	47	138	135
– replacement capital expenditure	**810**	759	674	625	793
Operating free cash flow before expansion capital expenditure (Rm)	**1 519**	(2)	(956)	104	(102)
Headline earnings growth (%)	**>100**	38,6	(1,2)	74,0	(<100)
Return on invested capital (%)*	**9,1**	(7,3)	(16,2)	(7,0)	(65,8)
Return on equity (%)	**28,7**	(60,7)	(68,5)	(135,8)	(100,9)
Number of employees at year end	**6 086**	7 266	11 544	14 158	15 495

* *Comparatives restated in line with Aveng definition for return on invested capital.*

Operating free cash flow	2021 Rm	2020 Rm	2019 Rm
Construction and Engineering: Australasia and Asia	**711**	506	(362)
Mining	**480**	191	(201)
Construction and Engineering: South Africa and the rest of Africa	**(105)**	(545)	(488)
Manufacturing	**(8)**	(84)	(131)
Steel	**567**	172	(11)
Other	**(135)**	(245)	(190)
Total	**1 510**	(5)	(1 003)

Net cash	2021 Rm	2020 Rm	2019 Rm	2018 Rm	2017 Rm
Cash	**2 519**	1 331	1 605	2 076	1 996
South African operations	**666**	(342)	581	633	759
McConnell Dowell	**1 853**	1 673	1 024	1 443	1 237
Borrowings (excl. IFRS 16 *Lease Liabilities*)	**879**	1 883	2 145	3 287	3 066
Convertible bond	**–**	–	–	1 929	1 823
South African operations	**835**	1 761	1 967	1 154	322
McConnell Dowell	**44**	122	178	204	921
Net debt	**1 640**	(552)	(540)	(1 211)	(1 070)

Share performance	2021	2020	2019	2018	2017
Headline earnings / (loss) (cents per share)	2,0	(4,0)	(9,7)	(290,1)	(1 197,0)
Diluted headline earnings / (loss) (cents per share)	1,9	(4,0)	(9,7)	(285,2)	(1 185,5)
Earnings / (loss) (cents per share)	2,7	(4,6)	(10,5)	(653,9)	(1 245,1)
Diluted earnings / (loss) (cents per share)	2,4	(4,6)	(10,5)	(643,0)	(1 233,1)
Cash (utilised) / generated by operating activities (Rm)	2 275	746	(580)	813	(124)
Net asset value (cents per share)	5	9	13	14	31
Closing share price	4	4	3	14	585
Number of shares (million)					
In issue	64 741,7	19 394,5	19 394,5	416,2	416,7
Weighted average	36 959,9	24 097,1	15 995,5	538,8	538,8
Diluted weighted average	40 447,9	24 097,1	15 995,5	551,8	–
Rand to AU Dollar					
Closing	10,71	11,96	9,90	10,12	10,05
Average	10,63	11,81	10,15	9,98	9,75
Rand to US Dollar					
Closing	14,27	17,37	14,10	13,71	13,07
Average	13,92	17,12	14,19	13,32	12,90

OUTLOOK

Aveng enters the 2022 financial year with work in hand of R25,3 billion (2020: R26,8 billion) for McConnell Dowell and Moolmans, which accounts for 83% of 2022 budgeted revenue. To achieve their planned future growth trajectories, both businesses continue to focus on securing additional opportunities from tenders under evaluation or pending contract award. The Group remains vigilant to the ongoing impacts of COVID-19 across its operations.

McConnell Dowell

McConnell Dowell is well positioned to achieve its 2022 business plan with AUD1,7 billion in preferred status sole source projects and a pipeline of significant additional opportunities in Victoria, South Australia, Singapore and New Zealand's North Island. The business continues to focus on winning new work and converting preferred status projects. Preferred status projects worth AUD700 million are expected to be awarded during the first half of 2022. Work in hand is made up of quality projects diversified across target markets, sectors and customers.

McConnell Dowell's core market sectors all offer sound growth opportunities, especially in Australia where growth is driven largely by government infrastructure investment and increasing private sector activity. Strategic project wins in renewables and liquefied natural gas (LNG) position McConnell Dowell well for emerging markets.

Australia

Significant demand for infrastructure continues to be fuelled by state and federal government investment. McConnell Dowell is benefiting from this enabling environment across its Australian footprint, while also experiencing rising private sector investment in pipelines in Western Australia and a resumption of investment in mining.

New Zealand

Business confidence has been impacted by slower than anticipated progress in the implementation of infrastructure projects, partially due to COVID-19 and funding restrictions. This has resulted in re-engineering, rescoping or breaking up projects into smaller parts.

McConnell Dowell has a significant amount of preferred status work in New Zealand and the business will focus on converting this over the next 12 months as it positions for an improvement in the economy.

Southeast Asia

The region has been heavily impacted by COVID-19, which has tended to restrict opportunities beyond Singapore. McConnell Dowell has developed strong partnerships with quality customers in Southeast Asia and has significant tenders worth approximately AUD2,5 billion outstanding with the Land Transit Authority and Public Utilities Board of Singapore. The conversion of these would provide a solid baseload of work in Singapore and realise a strategy put in place 18 months ago.

Built Environs

Built Environs has a growing order book, a healthy balance sheet and minimal debt. All of the business unit's projects are performing well, supported by proven governance and management systems, and underpinned by a culture of clear accountability and values-driven behaviours.

Moolmans

Moolmans' turnaround coincides with a positive trend in commodity prices and a promising long-term outlook across all commodities, buoyed by sustained weakness in the US Dollar. Commodities are priced in the US currency and become more affordable to foreign investors when the US Dollar declines. This correlation is further strengthened as US Dollar weakness tends to coincide with greater growth in the global economy.

Although the South African market continues to underperform relative to its potential due to ongoing policy uncertainty, global mining financing hit an eight-year high in 2020. Funds raised by junior and intermediate companies (those with annual revenue less than USD500 million) reached USD12,17 billion in 2020, a 35% year-on-year increase. All commodity groups increased their fundraising levels in 2020, led by gold (40%) and followed by base or other metals at 37%.

Moolmans' work in hand, including near-term contract extension opportunities, amounted to R5,4 billion at 30 June 2021, with R5 billion in new tenders submitted and a further pipeline of R10 billion. These include opportunities in Moolmans' southern African market and further afield in West Africa where the business has a proven track record. Moolmans is also establishing a sales presence in Australia to enable closer engagement with prospective customers.

Moolmans has demonstrated the positive outcomes of improved operational discipline and will further enhance the value it offers customers with its planned fleet modernisation. The business is leveraging its strengths and core competencies in growing markets to secure and deliver quality projects that support its planned growth trajectory over the next three years.

Moolmans is monitoring developments associated with decarbonisation and the rise of green energy and electric vehicles. The business will be responsive to its customers' current and emerging decarbonisation requirements and the opportunities that arise from increasing demand for sustainable energy sources.

> Moolmans has demonstrated the positive outcomes of improved operational discipline and will further enhance the value it offers customers with its planned fleet modernisation. The business is leveraging its strengths and core competencies in growing market conditions to secure and deliver quality projects that support its planned growth trajectory over the next three years.

GOVERNANCE

Mordialloc Bypass – Australia

Caption to come, caption to come

GOVERNANCE

Aveng recognises the paramount importance of governance and is committed to operating in a manner that ensures the Group's long-term sustainability and creates value for all stakeholders.

The Aveng Board is ultimately responsible for the governance of the Company. Aveng is committed to applying high standards of corporate governance by entrenching the Group's values of safety and care, honesty and integrity, customer focus, performance excellence, and working together

Through the application of King IV, Aveng aims to achieve the governance outcomes of ethical culture, good performance, effective control, and legitimacy. The Board monitors the King IV register regularly and is satisfied that the Group has, in all material aspects, applied King IV.

www.aveng.co.za

Compliance and governance approach

The oversight roles, responsibilities, membership requirements and procedural conduct of the Board are documented in the Board charter which is reviewed annually. The Board maintains oversight on the management and control structure of the Aveng Group. The Group implements the strategy. The governance framework is structured to ensure compliance with laws, regulations and codes of best practice applicable in all countries within which the Group operates.

The Aveng Code of Business Conduct (the code) requires all Group companies, employees and directors to comply with all applicable laws. Compliance reports are presented quarterly to the audit and risk committee and social, ethics and transformation committee. The Board monitors compliance with the JSE Limited Listings Requirements, King IV, the Companies Act 71 of 2008 (Companies Act) and other legislation.

In line with King IV, the Board regularly reviews the code which serves to, among other things:

- Outline the Group's ethical commitment to stakeholders
- Guide the Group's conduct and relationships with key stakeholders
- Ensure the Group is led not only effectively, but ethically.

www.aveng.co.za Code of Business Conduct

As Group company secretary, Edinah Mandizha is responsible for governance at Aveng. All directors have access to the services and advice of the company secretary.

In-country legal and secretarial services ensure that Aveng operations comply with regulatory requirements in the localities within which they operate. Communication ensures that local and international Group operations maintain statutory compliance and adhere to Group governance processes.

The Group's organisational structure was simplified by discontinuing dormant entities during 2021.

Information and technology governance

The Board delegates the governance of information and technology risk to the audit and risk committee to ensure that Aveng's IT strategy is reviewed annually and the function is suitably resourced to support the Group's strategy.

The Group initiated a strategy and governance review of the IT function. This was led by Ziyasiza Consulting, which provides specialist chief information officer services (CIO-as-a-service). The scope of the review included the IT strategy and King IV IT governance requirements. A key action identified by the review is the need to develop a Group ICT strategy that aligns to the business strategy and supports the business units in becoming world-class. A complete set of standards, policies and procedures will be developed for the Group, which can be cascaded down the business units and tailored to their specific business requirements.

58
Average age of all directors

58
Average age of executive directors

42
Youngest director

69
Oldest director

Governance structure

Board composition – ensuring effective leadership

At 30 June 2021

Independence of directors

The Board charter promotes a unitary board structure and Aveng is committed to maintaining a smaller but effective Board composed of a maximum of eight executive and non-executive directors, 75% of whom should be independent non-executive directors.

Board diversity

The Board ensures that its composition reflects an appropriate mix of racial, gender, age, experience and skills diversity. The Board's diversity policy requires a minimum of three black Board members and at least two female members.

The racial diversity target was not achieved during 2021 and the remuneration and nomination committee, which assists the Board in its oversight of Board diversity, strives to address this gap.

Gender and race	Number
Female	2
Male	5
Coloured	1
Black	1

Age

Executive directors are required to retire at age 60. During the year, the remuneration and nomination charter was amended to enable non-executive directors over the age of 70 to serve on the Board. Long tenure non-executive directors retire and stand for re-election at AGMs. The Board has the discretion to allow a director to continue in office beyond the stipulated age.

Skills and experience

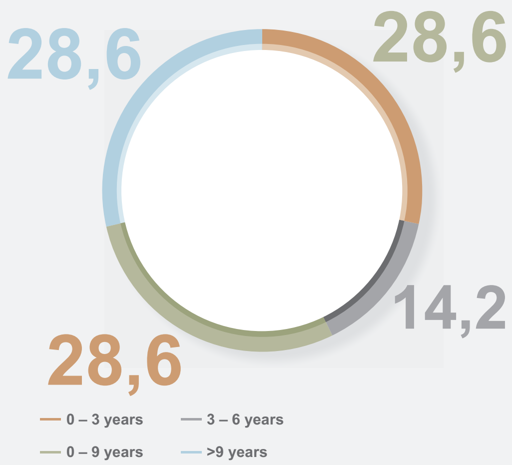
The Board should collectively contain a range of skills and experience specific to Aveng's core activities in the infrastructure development and mining contracting markets, as well as the corporate leadership skills required to challenge and advance the Group's strategy.

In the Board's assessment, all directors have the relevant knowledge, skills and experience to make a meaningful contribution to, and ensure effective leadership of, the Group.

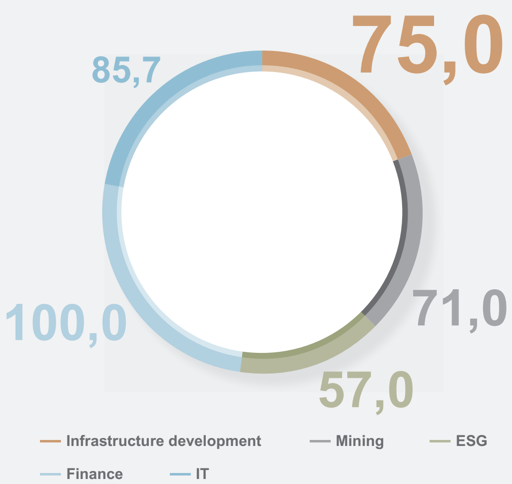
5 independent non-executive directors

2 executive directors

Tenure of independent non-executive directors (%)



Skills / experience (%)



GOVERNANCE CONTINUED

Creating value through governance

The Board's key focus areas in 2021

Strategic direction for value creation and sustainability

- Reviewed the sustainability of the organisation and the wellbeing of employees during COVID-19
- Oversaw the successful completion of the recapitalisation and debt restructuring
- Oversaw the continued disposal of non-core assets and the improvement in the performance of core businesses
- Oversaw social, ethics and transformation; ensured that transformation was a focus area Group-wide
- Established an environmental, social and governance (ESG) steering committee and conducted a gap analysis of the Group's ESG matters.

Effective leadership

- Appointed a new independent non-executive director
- Conducted an induction course to familiarise the new director with his role and responsibilities
- The code of conduct was reviewed during the year to reinforce the Aveng values
- whistleblowing Policy is in place, with secure channels to report unethical behaviour.

What the Board continues to focus on in 2022

Providing strategic direction for value creation and sustainability

- Oversee completion of the non-core disposal programme
- Support sustained improvement in the performance of the core businesses
- Support the implementation of strategic projects for future growth.

Ensuring effective leadership

- Oversee succession planning for non-executive and executive directors
- Oversee implementation of a broad-based incentive scheme for key employees.

Social, ethics and transformation

- Formalise and strengthen the Group's focus on ESG matters.

IT governance

- Oversee management and mitigation of information and technology risk to ensure strategy-aligned cyber resilience and security.

The Board

The roles of the Board chair and the CEO are separated. The Board chair is an independent non-executive director and provides leadership that encourages appropriate deliberation on matters requiring the Board's attention.

The Board ensures that its arrangement for delegation within its structures promotes independent judgement and assists with the balance of power and effective discharge of its duties. The Board delegates certain functions to management and Board committees to assist in properly discharging its duties.

Non-executive directors may meet separately from executive directors as and when required. Board succession and emergency succession for executive directors is a focus area in 2022. The remuneration and nomination committee monitors the processes of succession, nomination and appointment of new directors.

Board rotation allows individual directors to be held to account by the shareholders. Long tenure non-executive directors retire and stand for re-election at every AGM and new directors are confirmed at the first AGM following their appointment. At the next AGM on 10 November 2021, May Hermanus and Michael Kilbride will rotate due to long tenure.

The Board is confident that its members apply an independent state of mind and objective judgement in their respective roles, including the continued independence of those who have served longer than nine years. The Board is satisfied that the majority of the directors are independent non-executive directors.

In line with the Board's intention to refresh its composition, Bradley Meyer, an Australian citizen, was appointed as an independent non-executive director with effect from 28 May 2021. Bradley's extensive experience in financial, restructuring and advisory services strengthens the skills of the Board in these disciplines.

In due course, the Board will focus on recruiting another new Board member to achieve the number required in the diversity policy. We anticipate that future appointments will, as a whole, continue to support the Board's diversity aims.

1 Who we are How we create value
2 Materiality and strategy
3 Performance
4 Governance
5 Remuneration
6 Appendix

Board and Board committee attendance

The Board achieved 100% attendance during 2021. The Board met 14 times and participated in several additional informal meetings or updates. This reflected the commitment of directors to understand, engage with and give informed leadership on the challenges Aveng addressed during the year.

All Board committees achieved 100% attendance.

Board oversight – committee report-back

	Board[1]	Audit and risk committee	Remuneration and nomination committee	Social, ethics and transformation committee	Safety, health and environmental committee
Non-executive directors					
MA Hermanus	14/14	7/7	6/6	4/4[2]	5/5[2]
P Hourquebie	14/14[2]			4/4	5/5
S Flanagan	14/14				
A Macartney	14/14				
MJ Kilbride	14/14	7/7	6/6[2]	4/4	5/5
B Modise	14/14	7/7[2]	6/6	4/4	
B Meyer[3]	3/14	1/7	1/6		
Executive directors					
S Flanagan	14/14				
A Macartney	14/14				

[1] *Five Board meetings and nine special Board meetings.*
[2] *Chair of Board or Board committee.*
[3] *B Meyer appointed to the Board on 28 May 2021.*

Board site visits and director training

Site visits provide a valuable opportunity for all directors to learn more about the Group's operations and understand the opportunities and challenges faced by the businesses in their local environments. Although COVID-19 prevented physical site visits during the year, the Board participated in virtual site visits to McConnell Dowell's Mordialloc Bypass, Modbury Hospital and Echuca Moama Bridge projects in Australia.

Ongoing training and development are important contributors to an effective Board. The development of industry and Group knowledge is a continuous process. Ongoing training and guidance was provided by our legal advisors during critical decision-making processes in the past financial year. Furthermore, the Board was briefed on specific business undertakings during monthly informal Board meetings.

Board effectiveness and evaluation

The Board participates in performance evaluations to assess the effectiveness of the Board and Board committees in line with King IV recommended practices and regulatory requirements, where applicable.

In June 2021, we conducted an internal effectiveness review of the Board, the Board chair and its committees. The overall conclusion was that the Board and Board committees continue to function well. A key outcome of the evaluation was the need for the Board to increase its focus on risks and opportunities as the significant derisking of the Group's balance sheet has enabled the Group to capitalise on growth opportunities. The Board and Board committees developed action plans to address the outcomes of the evaluation.

Executive leadership

As the CEO, Sean Flanagan provides leadership to the executive team in managing the Group's business. The CEO is appointed by the Board. Succession planning for the Group executives will be a focus area in the coming financial year.

GOVERNANCE CONTINUED

Board oversight – committee report-back

The Board delegates governance responsibilities to five committees to assist it in meeting its oversight requirements. The composition of all Board committees conforms to the recommendations of King IV. Each committee acts according to terms of reference that set out its purpose, membership requirements, duties and reporting procedures. The terms of reference are approved by the Board and reviewed annually. The Board committees may seek independent professional advice at the Group's expense.

Audit and risk committee

The committee assesses and questions the Company's financial sustainability, financial and integrated reporting, internal controls, effective risk management and provides oversight over IT governance.

The committee is properly constituted with four independent non-executive directors: B Modise (chair), M Kilbride, M Hermanus and B Meyer. Mr Meyer was appointed to the committee with effect from 28 May 2021. The Board chair, CEO, and CFO are standing invitees to the committee meetings.

The committee held seven meetings during the year. There was 100% attendance by the committee members.

During 2021, the committee decided to early adopt the Independent Regulatory Board of Auditors (IRBA) rule on mandatory audit firm rotation. Following a formal tender process, and on the recommendation of the audit and risk committee, the Board proposed the appointment of KPMG, with Fred von Eckardstein as the designated audit partner, to replace Ernst and Young Inc. (EY) as the Company's external auditor with effect from the conclusion of the 2021 year end audit. The appointment will be tabled at the AGM for approval.

Looking ahead, the Board agreed to split the committee into separate audit and risk committees during 2022 in order to increase the focus on the governance of risk and opportunity.

Remuneration and nomination committee

The committee is an independent and objective body with the necessary knowledge, skill, experience and capacity to assist the Board in ensuring that the Group remunerates fairly, responsibly and transparently, to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. The committee enables the Board to achieve its responsibilities concerning the Group's remuneration policy, processes and procedures.

The committee ensures optimal remuneration structures to attract, retain and motivate top employees who will enable and support the business strategy and source appropriately skilled directors who can individually and collectively add value to the Board.

The committee is properly constituted with four independent non-executive directors: M Kilbride (chair), M Hermanus, P Hourquebie and B Meyer. Mr Meyer was appointed to the committee on 28 May 2021. The committee met six times during the year, with 100% attendance by committee members.

Social, ethics and transformation committee

The committee provides independent oversight by reviewing the actions of the Board through an ethical lens and taking accountability for specific areas within its mandate. The committee monitors the Group's compliance relating to sustainability and transformation activities, social and economic development, good corporate citizenship and environmental matters, including ESG.

The committee is properly constituted with four independent non-executive directors: M Hermanus (chair), P Hourquebie, M Kilbride and B Modise. The committee met four times during the year, with 100% attendance.

Safety, health and environmental committee

The committee ensures that the Aveng priority of "Home Without Harm Everyone Every Day" is upheld. The committee assists the Board to ensure that the Group conducts its business in a manner that protects the safety and health of its employees and others and the environment. The committee ensures that the Group has a clear and defined roadmap to achieve and maintain leading safety, health and environmental culture.

The committee is properly constituted with three independent non-executive directors: M Hermanus (chair), M Kilbride, and P Hourquebie.

The committee met five times during the year, with 100% attendance by committee members.

Board statement

The Board is satisfied that it fulfilled all its duties and obligations during the 2021 financial year and is committed to providing effective and ethical leadership characterised by responsibility, accountability, fairness and transparency. The Board is satisfied that it has complied with the provisions of the Companies Act and other relevant laws and constitutional requirements, operating in conformity with the Aveng memorandum of incorporation.

AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee (the committee) has pleasure in submitting its report to the shareholders as required in terms of section 94(7) of the Companies Act No 71 of 2008

The committee complies with relevant legislation, regulation and governance practices. The responsibilities of the committee are outlined in its written charter, which was reviewed and updated during the 2021 reporting period.

On 28 May 2021, Mr Bradley Carl Meyer was appointed to the Aveng Board and as a member of this committee.

Membership of the committee

The committee comprised the following members at the date of this report:
- B Modise – chairperson
- MJ Kilbride
- M Hermanus
- B Meyer

Each member is an independent director and has adequate relevant knowledge, financial expertise and experience to equip the committee to properly execute its duties and responsibilities.

The experience and qualifications of the members are set out on www.aveng.co.za/board-of-directors.php.

Functions of the committee

During the year under review, four scheduled plus three special committee meetings were held.

Details of attendance are set out on page 55 of the report.

The committee reports that it has adopted appropriate formal terms of reference as its mandate and has regulated its affairs in compliance with this mandate, and has discharged all the responsibilities set out therein. During the financial year under review, the committee reviewed the following matters:
- The quarterly and half-yearly financial reports, the integrated annual report, the annual financial statements and accounting policies for the company and all subsidiaries
- The effectiveness of the combined assurance model
- The reports of the internal audit function on the state of internal control, including its forensic reports regarding fraud prevention and detection
- The effectiveness of the internal audit function
- The auditor's findings and recommendations
- Statements on ethical standards for the Company, and considered how they are promoted and enforced.

Mandatory audit firm rotation and the appointment of KPMG as the auditor of the Company

The process to appoint a new external audit firm has been concluded in the current year. The committee concluded a robust process, to evaluate the expertise and independence of potential auditors and specifically the limitations imposed by section 90(2) of the Companies Act. The committee is pleased to advise that, following the introduction of mandatory audit firm rotation by the Independent Regulatory Board for Auditors, the Company has resolved to early adopt the policy and conducted a formal tender process to appoint a new firm of external auditors. Pursuant to paragraph 3.75 of the JSE Listings Requirements, the Group audit and risk committee has recommended and the Board has approved, the proposed appointment of KPMG Incorporated (KPMG) as the external auditor of the Group with effect from the financial year ending 30 June 2022. The appointment is subject to approval by the shareholders of the Company at the next AGM.

Independence of external auditor

Ernst & Young Inc. was the auditor during the year under review, the committee is satisfied with the independence and objectivity of Ernst & Young Inc. as external auditor and Mr AJ Carshagen as the designated auditor during the year.

Statutory reporting

The committee has evaluated the annual financial statements of Aveng and the Group for the year ended 30 June 2021 and, based on the information provided to the committee, considers that the Company and Group comply, in all material respects, with the requirements of the Companies Act of South Africa, the International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and applicable legislation and financial pronouncements as issued by the Financial Reporting Standards Council.

Internal financial controls

The committee has oversight of the Group's financial statements and reporting process, including the system of internal financial control. It is responsible for ensuring the Group's internal audit function is independent and has the necessary resources, standing, and authority in the organisation to discharge its duties. The committee oversees co-operation between internal and external auditors and serves as a link between the Board of directors and these functions. The committee agendas provide for confidential meetings between committee members and both the internal and independent external auditors. The committee conducted extensive reviews of the internal financial controls during the period.

The head of internal audit reports administratively to the chief financial officer and functionally to the chairman of the committee.

Based on information from, and discussions with, management and the Group internal audit function, the committee confirms that it has no reason to believe that there were any material breakdowns in the design or operating effectiveness of internal financial controls during this financial year which have not been addressed or are not in the process of being addressed. The financial records can therefore be relied upon for the preparation of the annual financial statements.

Statement of internal control and risk management

The risk management function together with management identifies and monitors potential risks faced by the Group and the risk mitigation strategies proposed and implemented by management. The internal audit functions monitor the effectiveness of internal control systems and make recommendations to management and the committee. The Board has concluded, based on the recommendation of the committee and its understanding, that there is no reason to believe that there were any material internal control or risk management shortcomings during the current financial year that have not been addressed or are in the process of being addressed.

Expertise and experience of the finance director and the finance function

In accordance with the Johannesburg Stock Exchange Limited (JSE) Listings Requirements, the committee is required to consider the appropriateness of the expertise and experience of the Group finance director. In respect of this requirement and for the year under review, the committee is satisfied that Mr Adrian Macartney, the Group finance director, possesses the appropriate expertise and experience to fulfil his responsibilities in that position. The finance function/team has the requisite expertise and experience to fulfil its duties.

Expertise and experience of the company secretary

The committee has satisfied itself that the company secretary, Ms E Mandizha, had the appropriate competence and experience and maintained an arm's length relationship with directors.

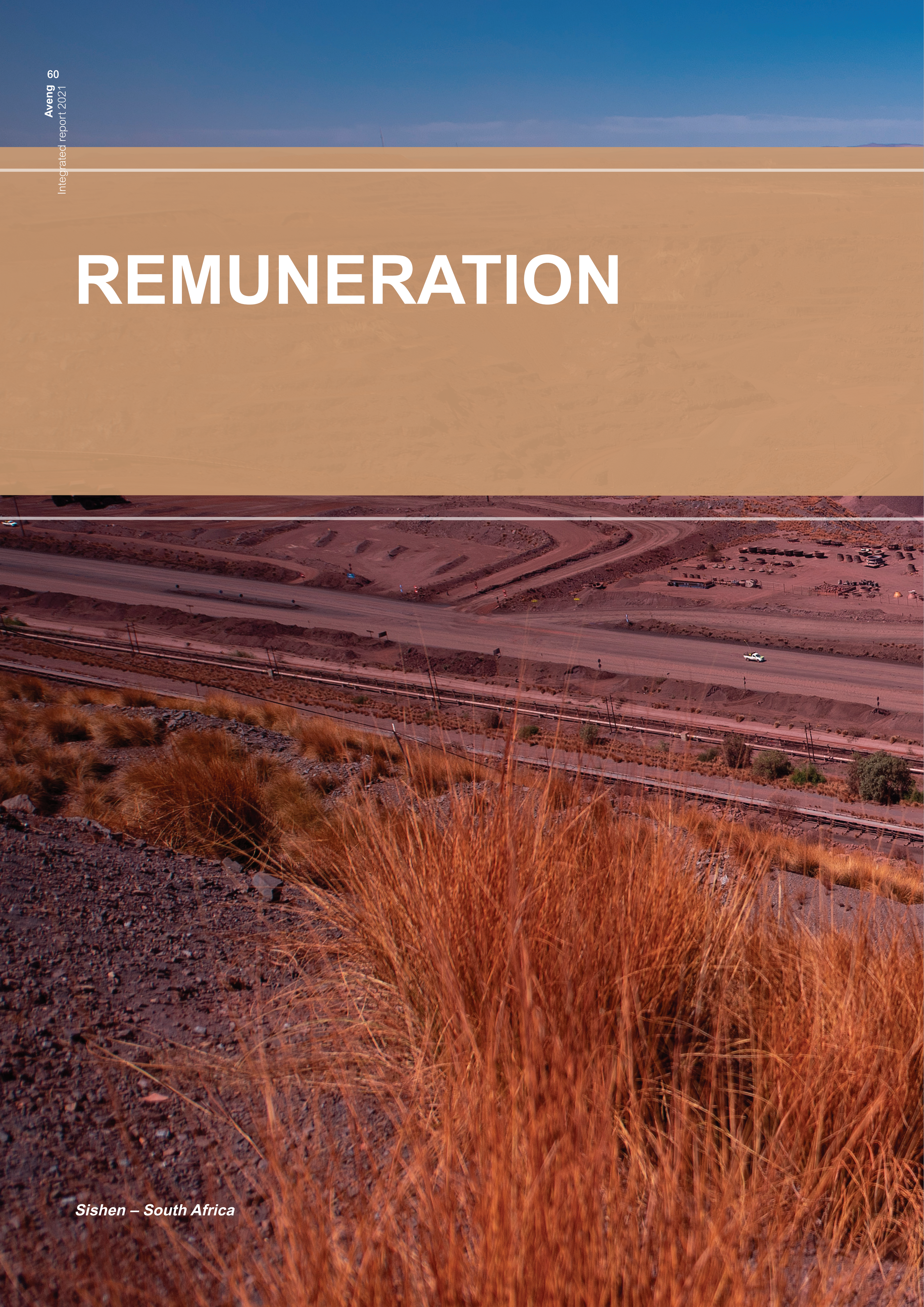
Recommendation of the annual financial statements and integrated annual report

The committee, having fulfilled the oversight role regarding the reporting process for both the annual financial statements and the integrated annual report and having regard to material factors that may impact the integrity of these reports, recommends the integrated annual report and the annual financial statements for approval by the Board of directors.

B Modise
Chairman

12 October 2021

REMUNERATION



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REMUNERATION REPORT

LETTER FROM THE CHAIRMAN OF THE REMUNERATION AND NOMINATION COMMITTEE

Dear stakeholders

I write to you during a period in time that we could never have imagined would still be with us 12 months after last year's report when I highlighted the difficulties we experienced as a result of COVID-19. Unfortunately, COVID-19 is still a part of our daily lives and continues to impact our business, the world at large, livelihoods and the general wellbeing of people's mental and physical health. As reported in more detail in the sustainability report, we have lost 10 employees to COVID-19 and our thoughts are with those families who have lost loved ones.

Sustainability report

Against this background, the remuneration committee (remcom) has dealt with remuneration matters at an executive level and overseen decisions regarding the remuneration of employees during four scheduled meetings and several additional meetings.

To contextualise the decisions we have taken in the current year, it is important to elaborate on events that occurred at the end of last year and during the current year. COVID-19 had a fundamental impact on Aveng, resulting in lockdowns and a cash flow impact of approximately R400 million. The Group had an inherited gearing structure of over R2 billion and, combined with financial losses and cash flow impacts, this resulted in an unsustainable capital structure. Executive management supported by the Board negotiated with funders and providers of capital to restructure the balance sheet.

Group FD Report

The restructure affected the Group's future sustainability and impacted numerous stakeholders, including shareholders and funders, and the livelihoods of employees. The effort and determination of the executive team in negotiating this restructure cannot be underestimated as, firstly, it rescued the Group from a capital structure that could have resulted in financial distress and, secondly, it set the Group on a path to execute its strategy and return to sustainable profitability.

As part of the restructure, the shareholders who underwrote the recapitalisation of the business, wanted to ensure that the Group was placed on a stable footing with adequate equity capital, a sustainable debt structure with reasonable repayment terms and sufficient monthly cash flow headroom. As part of that decision-making, the underwriters wanted to ensure that management was adequately aligned with its objectives and so a management incentive plan (MIP 2021) was put in place as part of the restructure process, with oversight by the remcom to ensure that it met all stakeholders' requirements and complied with the corporate governance requirements of King IV.

In addition, as reported last year, many employees, executive management and the Board undertook salary sacrifices. As part of our decision-making process, we decided that given the improved financial performance and capital structure, employees' salary sacrifices would be recognised during bonus awards.

Performance

During 2021, the Group reported a profit of R988 million and basic earnings per share of 2,7 cents. The balance sheet is substantially healthier with capital of R493 million secured from the various rights offers and debt reduced from R2,4 billion to R1,4 billion.

MIP 2021 was implemented as a forfeitable share plan, giving the executives identical rights to all other shareholders except that the shares are subject to vesting and performance conditions. As a result, the executives were entitled (but not obliged) to follow their rights on the additional rights offer in April 2021 and I am very pleased to report that all the participants elected to follow their rights and invested their own capital of R6,9 million. This reflects their commitment to the business and their belief in its future strategy and direction.

Finally, I would like to thank the executive team for its incredible effort during these difficult times and my fellow remcom members for all their support and effort in implementing our decisions.

The report is split into three sections:

Part 1: Overview: Work performed by the remcom during the year; and focus areas for 2022

Part 2: Remuneration Policy

Part 3: Implementation of remuneration policies

The Board will put both the Remuneration Policy and the implementation report forward for non-binding advisory shareholder resolutions at the upcoming AGM.

I look forward to your support on the abovementioned resolutions.

MJ Kilbride
Chairman
Remuneration and nomination committee

12 October 2021

PART 1: OVERVIEW

Work performed by the remcom during the financial year ended June 2021

The remcom continues to consider the impact of COVID-19 on employee wellbeing, the necessity to continue to retain and motivate key talent and the remuneration structure required in terms of the changed social and economic environment. To this end, the remcom decided on, and implemented, the following during the year:

- Given that no employees received an increase in the 2020 financial year, it was considered imperative to increase salaries and wages by at least inflation in order for employees to sustain cost of living increases. All employees, including executive and senior management, were given a 4% increase.
- Given that certain senior employees and the Board made salary sacrifices in 2020 due to COVID-19 circumstances and the uncertainty the Group faced, it was considered appropriate and equitable, given the improved capital structure and positive financial performance, that employees who made a salary sacrifice were awarded a merit bonus. As the non-executive directors (NEDs) are not subject to incentives, no increase was approved for 2021 and the NEDs did not participate in the temporary employer – employee relief scheme (TERS), it was considered appropriate to reimburse the amount sacrificed as part of their 2021 fees.
- Evaluation of the Short-Term Incentive (STI) metrics set for 2021 against the targets as approved by the Board at the beginning of the year and the appropriateness of the outcomes as set out in part 3.
- The metrics for the 2022 STI were carefully considered in light of the achievement of the balance sheet restructure, the improved financial performance and the key priorities for the execution of the future strategy. The metrics are set out in part 2. As the business is still experiencing volatility and a significant turnaround, the remcom considered it prudent not to disclose the targets prospectively but rather retrospectively until the financial performance stabilised.
- Benchmarking of NED fees and making appropriate recommendations for approval by shareholders at the AGM.
- Engaged with our largest shareholders and the underwriters of the rights offer regarding the implementation of MIP 2021.
- Engaged with the major shareholders on the introduction of a new long-term incentive (LTI) scheme for senior executives, excluding the existing MIP 2021 participants. The salient features of the LTI scheme are set out in the AGM notice.

2022 focus areas

- Succession planning at executive director level and senior positions in the two core businesses to ensure that the Group has adequate bench strength internally or to identify appropriate talent externally to fill the succession pipeline.
- Continue to evaluate internal and external employment equity across the Group, including gender and race equity.
- Further enhance the Group's ESG capabilities and how these factors are integrated into executive remuneration and performance scorecards.
- Allocations of the new LTI for the next level of executives and senior management not included in MIP 2021.
- As no benchmarking was performed for executives for 2021, it is likely we will conduct a survey during 2022 and, based on the results, consider whether executive director remuneration is market-related, whether the remuneration mix is still relevant and whether any adjustments are required.

Statement of fairness and responsibility

We are constantly reviewing the way we remunerate our employees to ensure that our pay is fair, responsible and transparent. Our employees' remuneration should be deemed impartial, objective and rational. We continue to strive to ensure this is implemented across the Group.

External advisors

The Group continued to use DG Capital to provide advice regarding executive remuneration and incentives, including assisting in the design of the MIP 2021 and new proposed LTI. In addition, the remcom requested additional advice from the Group's legal counsel and obtained senior counsel opinion on certain governance-related matters concerning the MIP 2021 in order to properly discharge the committee mandate.

REMUNERATION REPORT CONTINUED

Shareholders

At the 2020 AGM held on 21 January 2021, the 2020 remuneration report was presented and voted on as follows:

	2020 %	2019 %	2018 %
Remuneration policy	97,55	93,23	89,28
Implementation report	97,96	67,10	89,30
Non-executive directors' remuneration	83,29	92,79	90,84

The advisory vote on both the Group´s Remuneration Policy and implementation report was approved by more than 75% of shareholders present in person or represented by proxy at the AGM. In terms of the implementation report, this is a significant improvement from the prior year.

MIP 2021, an equity-settled forfeitable share plan, was also put to a shareholder vote at the Extraordinary General Meeting (EGM) on 20 January 2021 and 98% of shareholders approved the scheme.

The Board will present both the updated Remuneration Policy and Implementation Policy as non-binding advisory shareholder resolutions at the 2021 AGM.

In addition, the Board will present the proposed new LTI for a shareholder special resolution vote at the AGM.

We have considered the impact of King IV and the amended JSE Listings Requirements on the Remuneration Policy and present below in part 2: The Remuneration Policy and part 3: The implementation of the policy during the year.

PART 2: REMUNERATION POLICY

Introduction

This report deals specifically with the remuneration of the Group' executive management (executive directors and prescribed officers). Disclosure is provided in line with the requirements of South African legislation and King IV.

The key objectives that drive our Remuneration Policy are as follows:

Governance and the remcom

Remcom responsibility

The Board, which provides a mandate to remcom, carries the ultimate responsibility for the Remuneration Policy. The duties and responsibilities of the remcom are governed by the remcom committee's charter (charter).

Composition, mandate and attendance for remcom

The members of the remcom, with the necessary knowledge, skill, experience, expertise and capacity to perform their duties, are appointed by the Board and should comprise at least three non-executive directors on the Board, the majority of whom are independent.

The chair of the Board and the lead independent director are members of the remcom. The chief executive officer (CEO) is a standing invitee to all meetings of the remcom but is recused from the meetings when matters concerning their remuneration and / or performance are discussed. The remcom meets at least four times a year but may at its discretion meet more often, depending on the circumstances.

The attendance for these meetings is reported on page 55.

The terms of reference as set out in the charter include:

- Overseeing the development and regular review of a Remuneration Policy that is aligned insofar as appropriate with the recommended practices of King IV, has taken into consideration the Illustrative Guidance (Guide to the Application of Remuneration Governance), articulates and gives effect to the Board's direction on fair, responsible and transparent remuneration, and achieves the following objectives:
  - to attract, motivate, reward and retain human capital;
  - to promote the achievement of strategic objectives within the Group's risk appetite;
  - to promote positive outcomes; and
  - to promote an ethical culture and responsible corporate citizenship.
- Ensuring that a summary of the main provisions of the Remuneration Policy is presented to the shareholders at the AGM for the purposes of a non-binding advisory vote
- Reviewing the outcomes of the implementation of the Remuneration Policy and ensuring, among other things, that its objectives are achieved
- Ensuring that the implementation report complies with King IV and has taken into consideration the Illustrative Guidance (Guide to the Application of Remuneration Governance)
- Ensuring that the Remuneration Policy and the implementation report are both presented to the shareholders at the AGM for the purposes of two separate non-binding advisory votes
- Assisting the Board to ensure that the executive directors and senior executives of the Group are remunerated on a fair, responsible, transparent and competitive basis and in line with the principles of the Remuneration Policy
- Ensuring that a process exists for the setting and administration of remuneration at all levels of the Group and objectively monitoring the credibility of the Group's remuneration systems
- Ensuring that an adequate grading system exists and is operational throughout the Group
- Identifying appropriate comparative groups and reviewing current industry practice including professional executive recruitment developments and trends
- Regularly reviewing and being aware of developments in methods of remunerating executive directors and senior executives to ensure that the mix of fixed and variable pay, in cash, shares and other elements is competitive, sustainable, meets the Group's operational requirements, strategic objectives and is aligned to the Remuneration Policy as well as best market practices so as to promote positive outcomes
- Recommending proposed changes to remuneration packages of executive directors and approving changes in respect of senior executives within the parameters of the Remuneration Policy
- Ensuring that all benefits, including retirement and other financial arrangements, are justified and that a process exists to ensure that these are correctly valued
- Considering the remuneration structure for non-executive directors, considering appropriate and credible benchmarks and recommending the proposed remuneration for non-executive directors to the shareholders for approval at the AGM
- Approving annual and interim salary mandates for salaried employees in the corporate office and businesses and recommending relevant salary mandates for executive directors to the Board for approval.

REMUNERATION REPORT CONTINUED

Remuneration

Remuneration structure

Aveng's remuneration structure provides for guaranteed and variable remuneration components. The guaranteed component comprises employees' total guaranteed pay (TGP). The variable pay portion is driven by Group and individual business unit performance and the quantum varies based on meeting pre-defined targets. This policy focuses on executive management (executive directors and prescribed officers) but also includes information about all employees' remuneration options.

	Component, objective and link to strategy	Policy	Future changes
TGP	**Base package** Designed to attract and retain employees in line with the scope, nature and skills requirements of the role. It must be competitive in the market and internally fair based on similar job profiles. Increases are typically linked to Consumer Price Index (CPI), performance and affordability. Reviewed annually in January.	To pay all employees at the median of the market for full competency and expected performance, while allowing for performance-based differentiation through variable pay. Increase recommendations for the Aveng executive committee members are proposed by the CEO and presented to the remcom for approval and implementation. The CEO and finance director's (FD) increase is approved by the remcom.	No changes are proposed for FY2022
	Benefits Provides employees with contractually agreed basic benefits such as medical aid, retirement funding, group life and insured benefits (death cover, disability cover, and accidental death benefit cover). These benefits recognise the need for a holistic approach to guaranteed package.	Salaried employees are required to be members of the Company-nominated medical schemes unless they are already members of their spouse's medical aid schemes. Employees have the option to structure their pension and provident fund contributions and risk benefits. Risk at either 70%, 80% or 100% of TGP. Pension voluntary contributions up to a maximum of 27,5% of remuneration earned. In terms of group life benefits employees have the option of 2,5x, 3x, 3,5x, 4x and 4,5x life cover of annual pensionable salary.	No changes are proposed for FY2022

	Component, objective and link to strategy	Policy	Future changes
STI	**STI** To motivate and incentivise delivery of financial and non-financial performance targets, consistent with the Group's strategy over a one-year period. The purpose of the scheme is to reward executives for their measurable contribution based on a well-balanced set of metrics set out in the adjacent column. The STI quanta, metrics and targets are reconsidered each year to determine whether they are still appropriate. Performance metrics are disclosed prospectively but performance targets are disclosed retrospectively given that the Group is in a turnaround position and setting targets is difficult as compared to a stable company environment. The STI, subject to meeting performance targets, will be paid in cash as soon as practically possible after the release of the financial results each year. Remcom has discretion to apply its mind and adjust the final amounts payable.	Threshold, target and stretch performance targets are set for the following metrics: • Balance sheet restructure • Core businesses EBIT performance • Non-core businesses EBIT performance • Operating free cash flow (OFCF) on-core disposal proceeds • Safety, health and environmental (SHE) • COVID-19 compliance protocols and measures. The two core businesses had similar scorecards focused on the key metrics for each of those businesses. Each of the measures are appropriately weighted and based on the total score for each metric. The final STI quantum is determined and the maximum payout for CEO and FD is 100% of TGP. The weightings and percentage payable of TGP for threshold, target and stretch performance are set out on page 71.	The main changes for FY2022 are as follows: 1. The balance sheet restructure was removed as a metric at Group level due to the successful restructuring of the balance sheet. 2. COVID-19 compliance protocols were dropped as a metric across all business units as these are well established and complied with. 3. Return on capital employed (ROCE) was re-introduced at a Group level. 4. ESG-linked performance targets were introduced across all business units which include specific ESG KPIs, SHE and BBBEE and transformation

REMUNERATION REPORT CONTINUED

	Component, objective and link to strategy	Policy	Future changes
LTI	**MIP 2021** To motivate and incentivise delivery of long-term, sustainable performance and deliver on the objectives and strategy to achieve the restructured balance sheets goals over the next three years. This aligns executives' interests with all stakeholders' interest through a long-term equity-settled LTI. MIP 2021 is a combination of retention shares and shares subject to performance targets as set out in the right-hand column. The targets are disclosed prospectively. Remcom has discretion to apply its mind to the achievements of the performance targets and the final vesting percentages and make adjustments.	The cash-settled scheme was discontinued and replaced during the year by MIP 2021 as disclosed in the circular to shareholders dated 18 December 2020. MIP 2021 was approved by 98% of shareholders at the AGM on 21 January 2021. The Group performance metrics for MIP 2021 for the financial year 2022 and 2023 comprise the following: • EBIT targets • Cash flow conversion factor of EBIT • ROCE • Debt: EBITDA targets • Debt repayment profile targets. For executive directors and corporate office participants vesting occurs: • 20% after the completion of the balance sheet restructure • 40% after the release of the June 2022 results • 40% after the release of the June 2023 results For other participants at the core operations vesting occurs: • 50% after the release of the June 2022 results • 50% after the release of the June 2023 results	The main changes for FY2022 is the introduction of a new LTI for the next level of senior management (ie those not participating in MIP 2021) to participate in the long-term performance of the Group and drive the future strategy. Details of the proposed scheme are set out in the AGM notice for approval by shareholders.

Revised STI for 2022

The table below sets out the revised STI targets for 2022. There are six metrics against which performance will be measured and each one appropriately weighted for the current year. The percentage payable at threshold, on-target and stretch is 40%, 80% and 100% of TGP respectively for Group CEO and Group FD. The performance metrics are set out in the table below and will be reported on in the 2022 implementation report. The rationale for not disclosing the targets in advance is that the business is volatile and still in the turnaround phase and it is difficult to provide consistent earnings projections at this stage. The decision regarding disclosing prospective performance targets will be re-evaluated and reported on in next year's remuneration report.

Aveng Group – STI performance scorecard

Short-term incentive Rm		Weighting %	Threshold 40%	On target 80%	Stretch 100%
Financial	Core EBIT	30	To be disclosed retrospectively in the FY22 implementation report		
Financial	OFCF (SA OFCF + MCD Div, excluding disposals and excluding IFRS 16)	20			
Financial	Disposal proceeds – steel	10			
Financial	Disposal proceeds – other	5			
Financial	ROCE	15			
Non-financial	ESG metrics	20			
		100			

Similar scorecards are applicable to the CEO and FD and their respective management team in respect of the two core businesses, except the metrics are specifically targeted to the objectives of the two core businesses.

Long-term incentive

All schemes prior to MIP 2021 are suspended, allocations forfeited or not operational and no new awards will be made under any of these schemes. Any information relating to these schemes is reported on in previous remuneration reports.

Management Incentive Plan

As part of the balance sheet restructure, the Company proposed the implementation of a new management incentive plan (MIP) named MIP 2021, which was approved by 98% of shareholders at the EGM.

The salient features and performance conditions are set out below.

Rationale:

The rationale for the implementation of MIP 2021 is to ensure that, post the balance sheet restructure (BSR) (fully described on page 62), the senior executives successfully implement the Group's future strategy and business plan.

Purpose and objectives:
The purpose of the MIP 2021 is to provide executive directors and key management with a once-off opportunity to receive forfeitable shares in the Company through the granting of a once-off award, thereby:
(a) Recognising the extraordinary contributions of the CEO and FD to complete the balance sheet restructure.
(b) Recognising that the majority of awards will be subject to performance conditions and will only vest if such performance conditions are met.
(c) Aligning the interest of the participants and the interest of shareholders in terms of the rights offer by ensuring the participants have a meaningful shareholding in the Company.
(d) Retaining participants in the employ of the Company.

Brief overview

Basis of awards to participants
The MIP 2021 provides for three types of awards:
(i) BSR award and / or
(ii) Performance award and / or
(iii) Retention award

Collectively referred to as forfeitable shares, the awards will be awarded on the following basis, in relation to:
(a) BSR award: vesting will take place as soon as practically possible following the completion of the rights offer
(b) Performance award: vesting is subject to the satisfaction of performance conditions and employment condition in line with the Group's approach to performance-related incentives
(c) Retention award: vesting is subject to the satisfaction of employment conditions.

Participants

The participants include the Group CEO, Group FD, Group financial controller and the CEO and FD of the two core operations.

REMUNERATION REPORT CONTINUED

Vesting of the forfeitable shares

Criteria	Vesting profile: Group executives	Vesting profile: CEO and CFO of Moolmans and McConnell Dowell
Balance sheet		
Restructure transaction award on completion of the rights offer shares	20%	0%
Retention awards after 24 months (after release of 30 June 2022 results) and 36 months (after release of 30 June 2023 results)	15% – 24 months 15% – 36 months	15% – 24 months 15% – 36 months
Performance awards* after 24 months (after release of 30 June 2022 results) and 36 months (after release of 30 June 2023 results)	25% – 24 months 25% – 36 months	35% – 24 months 35% – 36 months
Total	100%	100%

* *Performance awards are subject to the performance conditions as determined by the remcom.*

The performance awards that vest after 24 months are subject to retesting at 36 months if the performance conditions are not met at 24 months.

Performance conditions

The metrics and weightings are set out in the table below for threshold, target and stretch performance for the reporting period ended 30 June 2022 (50% vesting) and 2023 (50% vesting).

Performance criteria 2022	Weighting Vesting %	Threshold 40%	Target 80%	Stretch 100%
EBIT	35	To be disclosed retrospectively in the FY22 implementation report		
Cash flow conversion factor of EBIT	20			
ROCE	10			
Debt: EBITDA	15			
Debt repayment profile target (cumulative)	20			
	100			

Performance criteria 2023	Weighting Vesting %	Threshold 40%	Target 80%	Stretch 100%
EBIT	35	To be disclosed retrospectively in the FY23 implementation report		
Cash flow conversion factor of EBIT	20			
ROCE	10			
Debt: EBITDA	15			
Debt repayment profile target (cumulative)	20			
	100			

Manner of settlement

MIP 2021 will be settled in forfeitable shares by the upfront issue of shares at nil value. The forfeitable shares will be held in escrow from settlement date to vesting date.

Revised LTI for 2022

A new LTI scheme has been proposed for 2022 for the next level of executives who have not participated in MIP 2021, the terms of which are set out in the AGM notice for approval by shareholders.

Executive earning potential

Executive earning potential in terms of remuneration mix for TGP, STI and LTI for the Group CEO and Group FD at various levels of performance (below threshold, threshold, target and stretch) is depicted in the following graphs.

CEO and FD remuneration mix

Policy on terms of service in employment contracts and severance arrangements

Executive management

Notice periods: The termination condition of executives and prescribed officers is three months' notice, with the remainder of the Group set between one and three months' notice depending on the seniority and criticality of the role. The current CEO is on a renewed three-year limited duration contract. There is no termination payment on completion of the contract. The CEO participates in the current STI and MIP 2021. The CEO is entitled to give three months' notice. The Board can terminate this agreement prior to the termination date for reasons relating to conduct and / or capacity and / or operational requirements.

The Group's current normal retirement age is 60 years, excluding McConnell Dowell employees (for whom no retirement age is prescribed by Australian labour legislation). However, Aveng has a policy in place to extend employment for selected individuals with critical or scarce skills beyond the normal retirement age. Such extension is at the sole discretion of the Company.

Although not a requirement of King IV, Aveng directors have historically retired by rotation every three years and presented themselves for re-election at the Group's AGM. This practice will continue.

While no specific provision is made for termination bonuses, the remcom is given some discretion by the various incentive scheme rules to consider these in the case of terminations of executives and senior management under exceptional circumstances.

The following termination provisions are applicable to the MIP:

Resignation, retirement, retrenchment and dismissal

All participants terminating employment due to resignation, retirement or dismissal from the employ of the Company will be classified as "fault terminations" and will forfeit all unvested awards.

Mutual separation, disability, death, and sale of an employer company

Participants' termination of employment due to retrenchment, mutual separation, disability, death or the sale of an employer company will be classified as "no fault terminations", and all unvested awards will vest. The mutual separation is subject to impact on vesting of awards being unaffected, unless the remcom determines otherwise, in which instance the effect will be agreed, failing which, determined by an arbitrator on a fair and reasonable basis.

Malus and clawback provisions

The STI and MIP and all future LTIs will be subject to both malus and clawback provisions

If, while the award remains unvested or the STI is still unpaid, employment is terminated by reason of resignation, abscondment, early retirement or dismissal on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct, all unvested awards / unpaid STI will lapse unless the remcom in its absolute discretion determines otherwise (referred to as malus).

If a trigger event arises after variable remuneration has been paid / settled, the remcom can demand the repayment of an amount equal to the pre-tax value of any STI or LTI received (referred to as a clawback). Trigger events include:

- in the event that a material misstatement of the financial statements of Aveng / operating groups / business units is detected
- in the event of a significant adverse legal / Competition Act finding against Aveng in which the individual had some culpability.

Minimum shareholding requirement (MSR)

While the Company still does not have a formal policy regarding MSR, the executive directors are encouraged to hold a personal stake in the Company. Post the restructure and vesting of BSR shares and the executives electing to follow their rights in the follow on rights issue, the executive directors have built up significant stakes in the Company and as further shares vest in terms of MIP 2021 these interests will increase. The shareholdings are reported in the implementation report.

Shareholder engagement

The Group's Remuneration Policy and the implementation thereof is placed before shareholders for consideration and approval under the terms of an advisory non-binding vote at the annual AGM as provided for in the JSE Listings Requirements and recommended by King IV.

In the event that 25% or more of the votes cast are recorded against either the Remuneration Policy resolution or the implementation resolution, then the Company will engage with shareholders to examine their vote and note their concerns and report back to shareholders in the next remuneration report.

REMUNERATION REPORT CONTINUED

Non-executive directors

Policy

Non-executive directors are appointed by the shareholders at the AGM. Where a non-executive director holds office for longer than nine years, the independence of that director will be subjected to a review by the Board and a statement to that effect will be included in the notice of AGM. Notwithstanding this provision, non-executive directors are also subject to retirement by rotation as provided for in the memorandum of incorporation.

Fee structure

Non-executive directors and all committees are paid on a retainer basis and there is an additional fee paid per meeting in excess of scheduled meetings per year. There is also a fee paid per hour for non-executive directors for extraordinary services and an approved McConnell Dowell travel allowance. A composite fee is paid to non-executive directors based overseas.

Fee approval

Management submits annually, to the remcom, a proposal for the review of non-executive director fees. This proposal includes benchmarks from a non-executive director remuneration survey, based on similar size companies and similar industry. A comparison of the current and proposed fees against the market surveys and benchmarks informs the appropriate fee recommended by management. The services of remuneration consultants are used to obtain independent benchmarks for non-executive directors' fees. While market benchmarks provide an indication of competitiveness of non-executive director fees, company performance and affordability ultimately influence fee increases.

The Board recommends the non-executive fees which will be submitted to the AGM for approval by shareholders in terms of the Companies Act.

The non-executive director fees proposed exclude VAT, which will be charged by a qualifying non-executive director at the prevailing rate. Fees payable for four scheduled Board meetings per annum will be in proportion to the period during which the office of the non-executive director, chairman or lead independent director, has been held during the year.

Non-binding advisory vote on the remuneration policy

Shareholders are requested to cast a non-binding advisory vote on part 2 of this remuneration report.

2022 proposal

There was a 0% fee increase for 2021. For 2022, a benchmarking exercise was conducted and based on the benchmarking a 7,5% increase is recommended in respect of all Board and committee fees. See details below for non-resident director fees.

Board / committee	Category	2021 fee (R)	2022 proposed fee[1] (R)	% change
Main Board	Chairperson	[2]	[2]	
	Lead independent	477 000	512 775	7,5
	Director	340 680	366 231	7,5
	Ad hoc meetings[3]	29 890	32 132	7,5
Subsidiary Boards	Director	181 050	194 629	7,5
	McConnell Dowell travel allowance	82 680	88 881	7,5
Remuneration and nomination committee	Chairperson	229 600	246 820	7,5
	Member	91 270	98 115	7,5
Safety, health and environmental committee	Chairperson	198 220	213 086	7,5
	Member	85 650	92 074	7,5
Social, ethics and transformation committee	Chairperson	198 220	213 086	7,5
	Member	85 650	92 074	7,5
Audit committee	Chairperson	303 580	326 348	7,5
	Member	170 870	183 685	7,5
	Subsidiaries member	92 540	99 480	7,5
Risk committee	Chairperson	–	246 820	–
	Member	–	98 115	–
Investment committee	Chairperson[4]	12 080	12 986	7,5
	Member[4]	9 220	9 911	7,5
Tender risk committee	Member[4]	11 870	12 760	7,5
Ad hoc committee meetings	Member / invitee[5]	19 400	20 855	7,5
Extraordinary services rendered	Per hour fee[6]	4 770	5 128	7,5

[1] *The proposed fees exclude VAT which will be charged by any qualifying non-executive director, at the prevailing rate.*
[2] *Refer to 2022 proposal for non-resident non-executive directors.*
[3] *Per meeting in excess of the four scheduled meetings per year.*
[4] *Per meeting attended.*
[5] *Directors who are not members of a Board committee are sometimes requested on an ad hoc basis to attend meetings of certain committees. The proposed fee structure as set out above includes a fee payable under these circumstances. The meeting attendance fee to directors who are not members of the relevant committee will only be paid if attendance is based on a formal invitation from the committee chairperson.*
[6] *Per hour.*

2022 proposal for non-resident chairman and non-resident directors

For 2022, a 1,5% cost of living adjustment is recommended in respect of the non-resident UK-based chairman of the Board, as the chairman's fees were benchmarked in the prior year. A new non-resident US-based director was appointed during the year and the proposed 2022 fees are set out below.

Category	Fee	2021 fee	2022 proposed fee[1]
Non-resident UK-based non-executive (£)	Composite fee[2]	100 000	101 500
	Ad hoc meeting fee[3]	2 606	2 645
Non-resident US-based non-executive (USD)	Composite fee[4]	75 000	75 000
	Ad hoc meeting fee[3]	2 000	2 000

[1] *The proposed fees exclude VAT which will be charged by any qualifying non-executive director, at the prevailing rate.*
[2] *Composite fee paid for chairman role inclusive of all committee fees.*
[3] *Fee paid for any additional ad hoc Board or committee meetings attended.*
[4] *Composite fee paid for all Board and committee meetings attended.*

Non-binding advisory vote on the remuneration policy

Shareholders are requested to cast a non-binding advisory vote on part 2 of this remuneration report.

PART 3: IMPLEMENTATION OF REMUNERATION POLICIES DURING THE 2021 FINANCIAL YEAR

Total guaranteed pay and benefits increases

Due to the prevailing difficult business climate, as per the previous five years, the operating groups again limited annual increases to below the mandated increases and limited approximately to inflation. Both executive and general employee increases were in the same range.

	Average increase
Executive directors / prescribed officers	4%
General staff	4%

2021 STI outcomes

The table below sets out the performance metrics as disclosed in the 2020 report, including the target set and the actual performance against target. All targets were met except for "Disposal proceeds" and "SHE". This resulted in a bonus payment of 81% of TGP for executive directors.

Aveng Group – STI performance scorecard

Short-term incentive		Weighting %	Threshold 40%	On target 80%	Stretch 100%	FY21 actual perfor-mance	% achieved	Outcome %	Weighted outcome %
Financial	Balance sheet restructure	25	0%	0%	100%	100%	100	100	25
	Core assets profitability (EBIT pre STI)	25	352	433	560	510	92	92	23
	OFCF (SA OFCF + MCD Div, excluding disposals and excluding IFRS 16)	15	(280)	(220)	(180)	565	100	100	15
	Disposals proceeds	10	463	544	626	120	0	0	0
	Non-core EBIT (pre-STI)	15	16	42	64	49	86	86	13
Non-financial	SHE (based on Moolmans and MCD scores)	5	40%	80%	100%	0%	0	0	0
	COVID-19 compliance protocols and measures in place across the Group	5	40%	80%	100%	100%	100	100	5
		100					STI % payable		81

REMUNERATION REPORT CONTINUED

Based on the performance scorecard, the table below sets out the STI that will be paid to the Group CEO and Group FD respectively, post year end but accrued in the 30 June 2021 results.

2021 STI	R'000
S J Flanagan	7 487
A H Macartney	5 040
Total	12 527

Single figure of remuneration

The total remuneration and detail on outstanding and settled long-term incentives for executive directors and prescribed officers for 2021 is reflected in the following tables. This disclosure is aligned to the King IV recommended total single figure disclosures of remuneration.

Executive directors and prescribed officers

Directors' emoluments below are disclosed in Rand thousands (R'000):

Executive directors	Year	Salary[1] R'000	Retirement fund[2] R'000	Statutory termination payments[3] R'000	STI[4] R'000	Cash-settled CSP[5] R'000	LTI[6] R'000	Total[7] R'000
EK Diack[8]	**2021**	**–**	**–**	**–**	**–**	**–**		**–**
	2020	6 047	–	425	–	–		6 472
SJ Flanagan	**2021**	**8 353**	**–**	**–**	**7 487**	**–**	**3 600**	**19 440**
	2020	7 412	–	–	–	–		7 412
AH Macartney	**2021**	**5 353**	**270**	**–**	**5 040**	**–**	**3 600**	**14 263**
	2020	4 798	192	–	–	1		4 991

1 *Salary for South African directors is total fixed earnings inclusive of contributions towards medical aid, admin and risk benefit expenses, accident cover and vehicle benefits, all of which is funded from the TGP. In the prior year, operations were in full lockdown in the month of April and the principle of "no work, no pay" was applied.*
2 *Retirement fund contributions are also funded from the directors' TGP.*
3 *Statutory termination payments include leave pay and notice pay.*
4 *STI amounts were approved by the remcom on 17 August 2021 and accrued for the year ended 30 June 2021.*
5 *Vested cash-settled conditional share plan (CSP) awards (FY16 award) relating to the final tranche of bonus shares.*
6 *LTI awards under MIP 2021 that vested.*
7 *The total reflected includes all cash payments and accrued STI made to the executive director in the financial year. The single figure of remuneration reflected in part 3 of the remuneration report will differ based on the requirements of King IV, as compared to the directors' emoluments in the annual financial statements.*
8 *EK Diack stepped down as executive chairman with effect from 30 April 2020.*

	Year	Salary[1] R'000	Retirement fund[2] R'000	STI[3] R'000	LTI[4] R'000	Total[5] R'000
L Tweedie[6]	**2021**	**3 445**	**196**	**1 946**	**480**	**6 067**
	2020	3 335	156	–	–	3 491
JN Govender	**2021**	**4 824**	**266**	**3 245**	**–**	**8 335**
	2020	4 311	210	–	–	4 521
RV Engelbrecht[6]	**2021**	**4 128**	**180**	**2 200**	**–**	**6 508**
	2020	3 650	128	–	–	3 778
S Cummins (Aus)[7]	**2021**	**1 130**	**168**	**973**	**–**	**2 271**
	2020	1 048	151	–	–	1 199
D Morrison (Aus)[6, 7]	**2021**	**657**	**96**	**365**	**–**	**1 118**
	2020	608	87	–	–	695

1 *Salary for South African prescribed officers is total fixed earnings inclusive of contributions towards medical aid, admin and risk benefit expenses, accident cover and vehicle benefits, all of which is funded from the TGP. In the month of April 2020, operations were in full lockdown and the principle of "no work, no pay" was applied. Salary reductions were also applied at McConnell Dowell in the last quarter of the prior financial year.*
2 *Retirement fund contributions are funded from the prescribed officers' TGP.*
3 *STI amounts were approved by the remuneration and nominations committee on 17 August 2021 and accrued for the year ended 30 June 2021.*
4 *LTI awards under MIP 2021 that vested.*
5 *The total reflected includes all cash payments and accrued STI made to the prescribed officer in the financial year. The single figure of remuneration reflected in Part 3 of the remuneration report will differ based on the requirements of King IV, as compared to the directors' emoluments in the annual financial statements.*
6 *Included as a prescribed officer in the current year due to the participation in the MIP as announced on SENS on 25 November 2020.*
7 *Earnings disclosed in AUD'000. Salary amount includes vehicle benefit allowance.*

Schedule of unvested awards and cash flow on settlement

2021

Executive	Award name	Granted during 2021	Vested during 2021	Closing number on 30 June 2021	Cash value on settlement during 2021	Closing estimated fair value at 30 June 2021
SJ Flanagan	BSR Award	240 000 000	240 000 000	–	3 600 000	
	Retention awards	360 000 000		360 000 000		13 438 800
	Performance awards	600 000 000		600 000 000		16 798 500
Total		1 200 000 000	240 000 000	960 000 000	3 600 000	30 237 300
AH Macartney	BSR Award	240 000 000	240 000 000	–	3 600 000	
	Retention awards	360 000 000		360 000 000		13 438 800
	Performance awards	600 000 000		600 000 000		16 798 500
Total		1 200 000 000	240 000 000	960 000 000	3 600 000	30 237 300
Prescribed officers						
L Tweedie	BSR Award	32 000 000	32 000 000	–	480 000	
	Retention awards	48 000 000		48 000 000		1 791 840
	Performance awards	80 000 000		80 000 000		2 239 800
Total		160 000 000	32 000 000	128 000 000	480 000	4 031 640
JN Govender	Retention awards	96 000 000		96 000 000		3 583 680
	Performance awards	224 000 000		224 000 000		6 271 440
Total		320 000 000		320 000 000		9 855 120
RV Engelbrecht	Retention awards	48 000 000		48 000 000		1 791 840
	Performance awards	112 000 000		112 000 000		3 135 720
Total		160 000 000		160 000 000		4 927 560
S Cummins	Retention awards	192 000 000		192 000 000		7 167 360
	Performance awards	448 000 000		448 000 000		12 542 880
Total		640 000 000		640 000 000		19 710 240
D Morrison	Retention awards	96 000 000		96 000 000		3 583 680
	Performance awards	224 000 000		224 000 000		6 271 440
Total		320 000 000		320 000 000		9 855 120

Notes
1 *The BSR awards vested on 15 March 2021 at the rights offer share price of 1.5c.*
2 *The retention awards vesting in 2022 were valued at the 20 day VWAP below and assume 100% vesting.*
3 *The retention awards vesting in 2023 were valued at the 20 day VWAP below and assume 100% vesting.*
4 *The performance awards vesting in 2022 were valued at the 20 day VWAP below and assume 75% vesting.*
5 *The performance awards vesting in 2023 were valued at the 20 day VWAP below and assume 75% vesting.*
6 *The 20 day VWAP for determining the value of unvested awards at 30 June 2021 is 0,03733.*

2020 LTIP

	Date from which exercisable	Number entitled to at 1 July 2020	Number redeemed or taken up during the year	Number forfeited during the year
AH Macartney	December 2020	1 323 142	483 131	840 011
		1 323 142	483 131	840 011

The executive directors hold the following number of shares in their personal capacity. The table below sets out the current direct shareholding and as a percentage of the total issued share capital.

	Number of shares held directly	% of issued share capital
SJ Flanagan	377 752 920	0.61%
AH Macartney	378 846 918	0.61%

REMUNERATION REPORT CONTINUED

Non-executive directors

	Directors' fees R'000	Lead independent directors' fees R'000	Chairperson fees R'000	Committee fees R'000	Other fees[1] R'000	Total R'000
2021						
MA Hermanus	**90**	**477**	**446**	**527**	**105**	**1 645**
MJ Kilbride	**430**	**–**	**287**	**824**	**101**	**1 642**
B Modise[2]	**430**	**–**	**304**	**427**	**47**	**1 208**
B Meyer[3]	**115**	**–**	**–**	**66**	**–**	**181**
EK Diack[4]	**–**	**–**	**–**	**–**	**119**	**119**
	1 065	**477**	**1 037**	**1 844**	**372**	**4 795**
PA Hourquebie (£)[5,6]	**91**	**–**	**–**	**17**	**11**	**119**
2020						
MA Hermanus	84	428	321	251	–	1 084
MJ Kilbride	389	–	166	460	–	1 015
B Modise[2]	309	–	–	154	–	463
EK Diack[4]	83	–	181	14	–	278
	865	428	668	879	–	2 840
PA Hourquebie (£)[5,6]	83	–	–	13	–	96

1 *In 2021, the Board members received an additional special fee.*
2 *B Modise was appointed as a non-executive director effective from 1 November 2019 and was appointed as chair of the audit and risk committee and a member of the investment committee effective 17 June 2020.*
3 *B Meyer was appointed as a non-executive director effective from 28 May 2021 and was appointed to the audit and risk committee and the remuneration and nomination committee.*
4 *EK Diack stepped down as executive chairman with effect from 30 April 2020 and continued as a non-executive chairman until he retired from the Board on 12 June 2020.*
5 *PA Hourquebie fees are disclosed in British Pounds (£).*
6 *PA Hourquebie was appointed as non-executive chairman on 17 June 2020.*

Non-binding advisory vote on the implementation report

Shareholders are requested to cast a non-binding advisory vote on the remuneration implementation report as contained in part 3 of this report.

Approval of remuneration report by the Board of directors

This remuneration report was approved by the Board of directors of Aveng Group Limited.

SHAREHOLDERS' ANALYSIS
AS AT 25 JUNE 2021

Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	10 826	31,30	2 989 654	0,00
1 001 – 10 000 shares	8 679	25,09	33 411 459	0,05
10 001 – 100 000 shares	7 535	21,78	279 121 725	0,45
100 001 – 1 000 000 shares	5 091	14,72	1 743 429 384	2,80
1 000 001 shares and above	2 462	7,11	60 204 730 196	96,70
Total	34 593	100,00	62 263 682 419	100,00

Beneficial shareholder categories

Category	Total shareholding	% of issued capital
Hedge fund	24 064 882 501	38,65
Private investor	17 369 767 545	27,90
Trading position	7 175 917 381	11,53
Custodians	3 520 347 779	5,65
Unit trusts	1 627 850 115	2,61
Mutual funds	571 740 690	0,92
Pension funds	456 602 531	0,73
Corporate holding	265 001 000	0,43
Charity	113 843 124	0,18
Stockbrokers	58 874 201	0,09
Investment trust	15 528 785	0,02
Black economic empowerment	8 586 593	0,01
Exchange-traded fund	1 179 079	0,00
Remainder	7 013 561 095	11,28
Total	62 263 682 419	100,00

Public and non-public shareholdings

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	9	0,03	4 473 273 864	7,18
Directors and prescribed officers	5	0,01	843 995 375	1,36
Aveng Limited Share Purchase Trust	1	0,00	6 018 386	0,01
Aveng Management Company Proprietary Limited	1	0,00	788 684	0,00
Aveng LTIP	1	0,00	3 610 389 174	5,80
Community Investment Trust	1	0,00	12 082 245	0,02
Public shareholders	34 584	99,97	57 790 408 554	92,82
Total	34 593	100,00	62 263 682 419	100,00

Beneficial shareholders holding more than 3%

Beneficial shareholdings	Total shareholding	% of issued capital
Highbridge Tactical Credit	7 592 261 786	12,19
Milpro Proprietary Ac (custodian) – Highbridge	3 820 293 793	6,14
Whitebox Multi-Strategy Partners, L.P.	3 708 903 000	5,96
Steyn Capital Equity Fund	3 343 277 446	5,37
Whitebox Caja Blanca Fund, L.P.	2 165 000 000	3,48
Total	16 809 442 232	33,14

SHAREHOLDERS' ANALYSIS CONTINUED
AS AT 25 JUNE 2021

Substantial investment management and beneficial interests above 3%
Investment management shareholdings

Investment manager	Total shareholding	%
Highbridge Capital Management LLC	11 412 555 579	18,33
Whitebox Advisors LLC	9 266 152 112	14,88
Steyn Capital Management (Pty) Ltd	3 343 277 446	5,37
Total	24 021 985 137	38,58

Geographic split of investment managers and Company-related holdings

Region	Total shareholding	% of issued capital
South Africa	37 493 394 232	60,22
United States of America and Canada	20 695 186 770	33,24
United Kingdom	1 410 556 143	2,27
Rest of Europe	1 796 363 511	2,89
Rest of the world[1]	868 181 762	1,39
Total	62 263 682 419	100,00

[1] *Represents all shareholdings except those in the above regions.*

Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	36 341 835 462	58,37
United States of America and Canada	7 445 106 205	11,96
United Kingdom	1 516 595 708	2,44
Rest of Europe	1 796 363 511	2,89
Rest of the world	15 163 781 532	24,35
Total	62 263 682 419	100,00

Class A shares

Beneficial shareholdings	Total shareholding	% of issued capital
Highbridge Capital	2 477 989 637	100,00

SHAREHOLDERS' DIARY

Financial year end	30 June
Annual general meeting	10 November 2021

Publication of results

– Half year ended 31 December 2020	22 February 2021
– Year ended 30 June 2021	24 August 2021

ABOUT THIS REPORT

OUR 2021 INTEGRATED REPORT

Aveng's 2021 integrated report provides information to our shareholders and other stakeholders about the Group's performance, governance, material risks and opportunities, strategy and future prospects.

Scope and boundary

This report covers the performance of the Group's operations across all the geographies it operated in during the financial period 1 July 2020 to 30 June 2021. Relevant developments between 1 July 2021 and the date of publication are included. We endeavour to report on matters that influence our ability to create value, including information about the effect of our business activities on our stakeholders.

Frameworks, reporting approach and assurance

Key frameworks applied	IR	AFS
International Integrated Reporting <IR> Framework	√	
King IV	√	√
International Financial Reporting Standards (IFRS)		√
Companies Act	√	√
JSE Listings Requirements	√	√
Board Governance Framework	√	√
Aveng safety, health and environment and human resource policies and frameworks	√	
BBBEE Codes of Good Practice	√	

Aveng applies the principle of materiality to determine the content of its reporting and defines materiality as matters that substantially affect the Group's ability to create and sustain value over the short, medium and long term.

In this integrated report Aveng demonstrates how it is implementing its strategy to be an international infrastructure, resources and contract mining business. We show how our business model and strategy are informed by an understanding of the relationships and resources we rely on to create value.

Materiality, Business model and Strategy reports

Assurance and comparability

No significant changes were made in the scope, boundary or measurement methods applied in this report and the rest of the suite of reports. There were no restatements to comparatives unless otherwise stated in the relevant sections.

The summarised audited consolidated financial statements were extracted from the audited consolidated financial statements, and independently audited by Ernst & Young Inc.

Pursuant to the Group's commitment to transparency and effective communication, Aveng has provided disclosures in the sustainability report on the website and extracted certain information from the sustainability report for this integrated report in line with best practice and internationally accepted standards.

Independent assurance on selected safety, health and environment was obtained from our external auditor, Ernst & Young Inc. The limited assurance engagement was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information and in accordance with ISAE 3410 Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board.

Aveng's combined risk management assurance model is encapsulated in its "three lines of defence" approach and is continuously improved.

ABOUT THIS REPORT CONTINUED

Materiality

2021 suite of reports

The integrated report should be read in conjunction with:

- the Group annual financial statements, which provide full audited financial statements, a directors' report, an independent auditor's report and an audit and risk committee report
- the Aveng sustainability report, which provides information on safety, health and environment, people management, diversity and inclusion and corporate social investment.

Stay informed

The report is complemented by our online information and resources at www.aveng.co.za

Feedback

We welcome feedback on our suite of reports to ensure that we continue to disclose information that is pertinent. Please refer queries or suggestions to info@avenggroup.com

Board responsibility and approval

The Board, assisted by its audit and risk committee and other Board committees, is ultimately responsible for overseeing the integrity of the integrated report. The Board has applied its collective mind to the preparation and presentation of the integrated report and concluded that it is presented in accordance with the International <IR> Framework.

The integrated report was approved by the Board on 12 October 2021 and signed on its behalf by:

PA Hourquebie
Non-executive chairman

SJ Flanagan
Chief executive officer

AH Macartney
Chief financial officer

May Hermanus
Lead independent non-executive director

Michael Kilbride
Independent non-executive director

Bridget Modise
Independent non-executive director

Bradley Meyer
Independent non-executive director

CORPORATE INFORMATION

Directors

PA Hourquebie*# (Chairman), SJ Flanagan (Group CEO), MA Hermanus (Lead independent director)*#, MJ Kilbride*#, B Modise*#, AH Macartney (Group FD), B Meyer*#^

*Non-executive #Independent ^Australian citizen

Company secretary

Edinah Mandizha

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Company registration number

1944/018119/06

Share codes

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Share ISIN: ZAE 000111829

Website

www.aveng.co.za

Auditor

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Principal bankers

Absa Bank Limited
FirstRand Bank Limited
HSBC Bank plc
Investec Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited
United Overseas Bank Limited

Corporate legal advisers

Alchemy Law Africa
Pinsent Masons

Sponsor

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Forward looking statements

This report contains forward looking statements about the Group's operations and financial conditions. They are based on the best estimates and information of Aveng at the time of writing. They are nonetheless subject to significant uncertainties and contingencies, many of which are beyond the control of the Group. Unanticipated events will occur, and actual future events may differ materially from current expectations due to new business opportunities, changes in priorities by the Group or its joint operations and other factors.

Any of these factors may materially affect the Group's future business activities and its ongoing results.

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