AVENG

Providing a better life

2022

INTEGRATED REPORT

Contents

ABOUT OUR REPORT

Aveng's integrated report outlines how the Group fulfils its purpose of "Providing a better life". The report enables stakeholders to assess our ability to create and preserve value, while minimising the erosion of value.

Our 2022 sustainability report, which is available at www.aveng.co.za provides additional information on our environmental and social impacts and the investments we make to support sustainable development and contribute to positive ESG outcomes.

WHO WE ARE AND HOW WE CREATE VALUE

This section of our report provides information on our core operations and our leadership. Our business model describes the primary resources we use to create value and the extent to which we delivered value during 2022. We also explain how we align our values and strategy with our purpose to improve economic, social and environmental outcomes for our stakeholders.

MATERIALITY AND STRATEGY

The matters which Aveng recognises as material have the most potential to significantly impact our performance or ability to create sustainable value for key stakeholders over the longer term. These inform our strategy 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.

PERFORMANCE

This section of the report provides information on how we performed in relation to our strategic objectives and provides insight into our future prospects. We extract summarised information from the sustainability report to inform stakeholders of the investments we make to support sustainable development and contribute to positive ESG outcomes.

GOVERNANCE AND REMUNERATION

Our governance report describes how ethical and effective leadership and good governance can create and sustain value, while minimising value erosion.

The remuneration report provides information on our remuneration governance and practices and shows how we align remuneration and reward with stakeholder interests.

SHAREHOLDERS' INFORMATION

2022

WELCOME TO THE AVENG 2022 INTEGRATED REPORT

This report forms part of our integrated and environmental, social and governance (ESG) reporting and is supplemented by our Sustainability Report, our Annual Financial Statements and our shareholder information which can all be found at www.aveng.co.za.

Feedback
Please share your feedback and opinions on our report by emailing info@avenggroup.com

Forward-looking statements
This report contains certain forward-looking statements about Aveng's anticipated performance, operations, and prospects. Although these statements represent our future expectations and judgements, these are subject to risks and uncertainties that could adversely impact our business and financial performance. Undue reliance should not be placed on opinions, forecasts, or data. Forward-looking statements apply to the date on which they are made. Aveng does not undertake any obligation to publicly update or revise any of its opinions or forward-looking statements, whether to reflect new data, future events, or circumstances.

Navigating this report:

This icon indicates where further information or supplementary reports can be found **online.**

This icon indicates where further information on a matter can be found elsewhere **in this report.**

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.

Our 2022 integrated report

We report on our performance for the financial year from 1 July 2021 to 30 June 2022 and our strategy for the period ahead. We provide context for our performance and highlight the material matters that influence our performance and our ability to be a sustainably profitable and ethical organisation.

Aveng is committed to creating and preserving value and preventing the erosion of value for its many stakeholders. We apply the principle of materiality to determine the content of our reporting and define materiality as matters that substantially affect the Group's ability to create and sustain value over the short, medium and long term. Materiality, page 18.

Content scope and boundary

The report covers the Group's operations across all the geographies in which it operated during the year under review. The content is based on the reporting requirements listed below, the information needs of our stakeholders and our material matters.

Frameworks, reporting approach and assurance

Key reporting frameworks applied	Integrated Report	Annual Financial Statements
IFRS Foundation's Integrated Reporting Framework, 2021 (<IR> Framework)[1]	✓	
King Report on Corporate Governance™ for South Africa (King IV)[2]	✓	✓
International Financial Reporting Standards (IFRS)		✓
Companies Act 71 of 2008 (Companies Act)	✓	✓
JSE Limited (JSE) Listings Requirements	✓	✓
Board Governance Framework	✓	✓
Aveng safety, health and environment (SHE), and human resource policies and frameworks	✓	
BBBEE Codes of Good Practice (BBBEE)	✓	

Note 1 Previously the International Integrating Reporting Council's Integrated Reporting Framework, 2021.
Note 2 The King IV Report on Corporate Governance™. The copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

Environment, social and governance (ESG) disclosures are provided in the Group's sustainability report and certain information was extracted from the sustainability report for the integrated report in line with leading practice and internationally accepted standards. Independent assurance was obtained from KPMG Inc on selected safety, health and environment indicators. 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.

+ Independent assurance report, Aveng 2022 sustainability report, **www.aveng.co.za**

Approval of the integrated report

The report's content was prepared and reviewed by several internal stakeholders. The Board, assisted by its audit, risk and other Board committees, assessed the report and believes that it presents a balanced account of Aveng's performance and prospects.

The integrated report was approved by the Board on 27 October 2022:

PA Hourquebie
Non-executive Chairman

SJ Flanagan
Chief Executive Officer

M Kilbride
Independent non-executive director

B Modise
Independent non-executive director

AH Macartney
Chief Financial Officer

M Hermanus
Lead independent non-executive director

B Meyer
Independent non-executive director

B Swanepoel
Independent non-executive director

Providing a better life

We align our values and sustainability goals with our purpose of providing a better life to improve economic, social and environmental outcomes for our stakeholders. Good governance underpins our ability to create sustainable value.

Our purpose

Providing a better life for our stakeholders

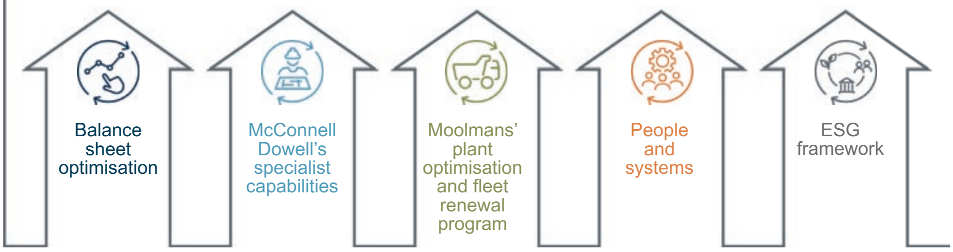
- Customers
- Employees
- Subcontractors and other suppliers
- Communities
- Shareholders and financial institutions
- Government and regulators
- Trade unions

Our strategy

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.

Our growth levers

Aveng identified five levers as the drivers of future growth. The core operations renewed their strategies within the context of these levers.



Our values-aligned ESG framework

During 2022, Aveng formalised its values-aligned ESG framework and performance indicators. This has enabled us to integrate and improve the work we do in managing, measuring and reporting on our environmental and social impacts and successes.

Our values	ENVIRONMENT Carbon and our environment	SOCIAL Our community and our people	GOVERNANCE Conduct and compliance
Safety and care Home without harm, everyone every day. The health, safety and wellbeing of our people, the community and the environment is paramount.	**Carbon emission** Reduce carbon intensity and outline roadmap to carbon neutrality	**Home without harm** Consistently improving our lead indicator performance	**Decision-making** Sustainability forms part of all decision-making processes
Honesty and integrity We do what is right – consistently and transparently.	**Environment awareness** Environmental education and reporting transparency	**Supply chain** Commitment and partnership with our supply chain for sustainable practices	**Corporate governance** Financial (including tax) transparency and compliance
Customer focus We build relationships by collaborating and delivering on our promises with excellence.	**Climate change** Engineering and design considers climate change and adaptation measures	**Customer relations** Innovation through strong and effective customer relationships	**Risk management** Clear and effective risk management frameworks and controls
Working together We respect and cooperate with each other and leverage our rich knowledge and diversity.	**Resource depletion** Partnerships with all stakeholders to reduce consumption and improve resource efficiency	**Community** Direct economic value generated by community investments	**Internal procedure governance** Delivering compliant projects in accordance with governing policies, operating standards and procedures
Performance excellence We hold ourselves and each other accountable and always strive to exceed expectations.	**Waste and pollution** Reducing waste, diverting waste from landfill and increasing recycling. Identify and remediate sources of pollution	**People and development** Diversity and inclusion. Learning and development commitment to all employees	**Ethical conduct** All business performed in accordance with the Code of Conduct and verified by annual pledge

Providing a better life continued

Living our values

Our communities and our people

Safety and care

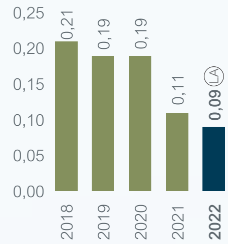
>one million

LTI free hours
on J108 Mass Rapid Transport project in Singapore

zero

fatalities or material environmental incidents

Lost-time injury frequency rate (LTIFR)



Supporting our communities

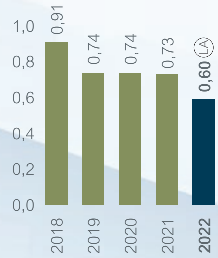
R2,3 million

Our projects create jobs and improve social infrastructure and safety. We also contribute directly to the communities we work in. In 2022, we invested R2,3 million in projects to improve education and support vulnerable communities.

Constant improvement in key safety indicators

1,6 million LTI free hours at Trident Steel operations

Total recordable injury frequency rate (TRIFR)



Diversity and inclusion

Level 4 BBBEE contributor

R2,11 billion
paid to black-owned suppliers, of which

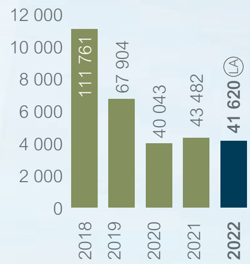
R1,55 billion
went to black women-owned suppliers

Learning and development

R52 million
spent at Moolmans

19 755 hours training for McConnell Dowell employees

Total carbon emissions (tCO_2e)



(LA) These items were subject to a limited assurance engagement by KPMG.

Working together

Small business development

We invested in black, SME and women-owned South African businesses, including a start-up company and two small businesses that transport our steel.

Women in mining

We improved our work policies to create safer work environments for a growing number of women in our South African mining projects.

Empowering people with disabilities

We formed partnerships to employ and train people with disabilities in our operations in Australia, including 25 000 hours of work done by 20 people on the Echuca Moama bridge project.

Aveng 2022 sustainability report, www.aveng.co.za

Our carbon and our environment

Customer focus

Award-winning projects

Our Mordialloc Freeway project won the Excellence in Environmental Outcomes Award at the 2021 Infrastructure Sustainability Council Awards. The project implemented several world-first sustainability initiatives, creating Australia's greenest freeway with 30 million water bottles used in the noise walls and 97% of construction waste diverted from landfill.

Our economy and our sustainability

Performance excellence

Group revenue
R26,2 billion
2021 | R25,7 billion

Operating earnings
R576 million
2021 | R536 million

Normalised earnings for the year[1]
R204 million
2021 | R66 million

External debt
R481 million
2021 | R879 million

Net cash
R1,1 billion
2021 | R1,1 billion

Work in hand
R30,8 billion
2021 | R25,3 billion

Gross profit margin
8,1%
2021 | 7,6%

Cash generation
R612 million
2021 | R1,5 billion

New work won
R27,9 billion
2021 | R25,4 billion

[1] Normalised earnings refer to performance excluding the effects of specific non-recurring items associated with the capital restructure of the Group, IFRS 5 adjustments and adjustments for non-core assets.

Our core operations

The scale, specialist capabilities, management capacity and brand reputation of our core operations equip us to capitalise on growing markets.

McCONNELL DOWELL
CREATIVE CONSTRUCTION™

McConnell Dowell has built a reputation as a technically skilled contractor, delivering complex infrastructure with our customers and communities across Australia, New Zealand and Southeast Asia for over 60 years.

Professional engineers and construction teams earn their customers' loyalty with systematic and structured approaches to safety and project management.

Diversity across geographies, customers, industry sectors and specialist disciplines mitigates risk.

2022 performance highlights

Financial value created

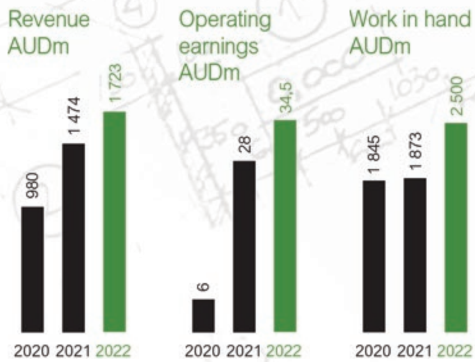
Strong financial performance

Work in hand increased 33% to AUD2,5 billion at 30 June 2022

Preferred status projects amount to additional AUD2,4 billion at 30 June 2022

Operating free cash flow of AUD64 million

Strong liquidity position with AUD210 million



Social and environmental value created

19 755 hours employee training

Employee value proposition with development opportunities and an engaged culture

ZERO fatalities or major environmental incidents

LTIFR improved to **0,07** (2021: 0,06)

THE UNIVERSITY OF MELBOURNE | MELBOURNE BUSINESS SCHOOL

Integrated leadership and technical development programme in partnership with Melbourne Business School

Increased focus on diversity and inclusion in project teams

Aveng 2022 sustainability report, **www.aveng.co.za**

Winner
2022 Contractor Excellence Award
Mordialloc Freeway Project

Winner
2022 Kofax Customer Excellence Award for Innovation
Australian IT Systems and Finance teams

Finalist
2022 Australian Construction Association Construction Awards

Market risks and opportunities

Australia Exceeding expectations	New Zealand and Pacific Increasing confidence and certainty	Southeast Asia Highly competitive	Built Environs Successful strategy execution
• Market strength sustained by public and private investment • Supply chain disruption and cost increases driving inflation • Engineering and construction capacity / capability constraints – a risk and opportunity • Major opportunities ahead in marine, social infrastructure, transport and energy	• Several awards due to renewed post-COVID momentum but mobility and inbound skills migration lagging • Increasing activity in water / wastewater, transport and energy • Inflationary pressures • Pacific Islands slowly reopening post-COVID • Geopolitical concerns driving public sector investment in marine infrastructure	• Strong addressable market, challenged by competition and operational landscape • Low uptake of alliance model limits ability to differentiate with value engineering and creative construction design • Future pipeline and ability to differentiate strongest in marine, resources, energy and water opportunities	• Focus on hospitals, schools and recreation driving growth, with major new projects secured in Adelaide, Auckland and Melbourne • Strong education project pipeline in Victoria • Sustained public sector investment • Private sector opportunities in logistics and advanced manufacturing

How we mitigate contractor risk and capitalise on opportunity

CEO review, page 37.

Drivers of sustainable future growth

We consider a range of global trends to inform our decisions. Our risk and opportunity management system ensures that we mitigate risks and maximise enabling trends and opportunities in our operating environments.

Global themes	Mega trends				
Markets and customers	Developing countries' economic development	Globalising engineering and construction	Bigger, more complex projects	Ageing infrastructure	Large financing needs
Society and workforce	Urbanisation	Health and wellness	Talent and available workforce	Stakeholder pressures	Politicisation of decision-making
Sustainability and resilience	Energy transition	Resource scarcity	Water security	Climate resilience	Cyber threats
Politics and regulation	Complex regulation	Stricter safety, health and environment laws	Slow permit approvals	Defence self-reliance	Corruption
Technology breakthroughs	Digitisation	Automation of production	Advanced building materials	Modular construction	New transport modes

Market trends Enabling trends

Our market driven solutions

Market and enabling trends in our target markets offer significant upside potential.

Our **capability platform** with specialist, general and enabling capabilities enables us to capitalise on our strong brand and positioning as a local expert in our geographic markets.

We differentiate our value offerings across diversified market sectors to secure higher-return projects that require specialised capabilities.

Our core operations continued

WHY

Purpose: Providing a better life

Values: SAFETY & CARE | HONESTY & INTEGRITY | CUSTOMER FOCUS | WORKING TOGETHER | PERFORMANCE EXCELLENCE

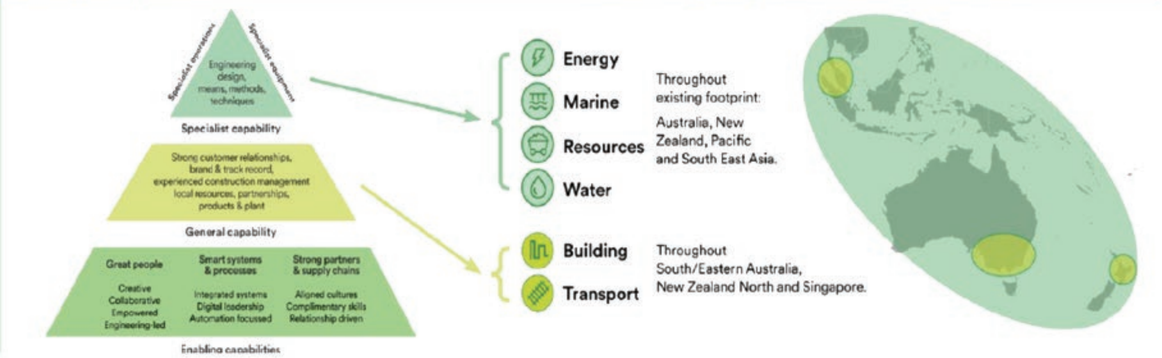
WHAT

Strategic Themes: Water security | Climate resilience | Defence self reliance | Transitioning energy | Urbanisation

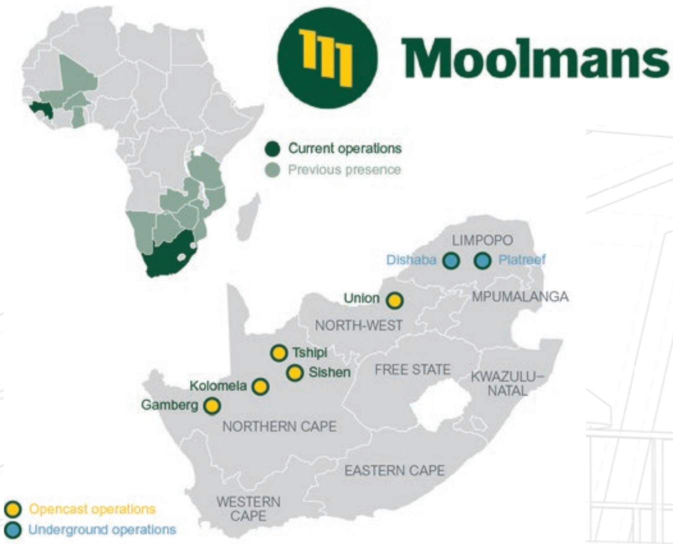
Strategic Positioning: To be an engineering-led specialist multi-disciplinary contractor working with our customers, partners and the community to deliver complex infrastructure solutions in the resources, energy, marine and water sectors. Underpinned by a significant civil/transport infrastructure and building presence in major urban markets.

HOW

Operating Strategy:



Moolmans, is a mining contractor, delivering specialised mining services throughout Africa in a range of commodities for several reputable clients for more than 60 years.



Moolmans focuses on open cast mining and mainly utilises 100 tonne trucks.

Sound client relationships and ability to work in remote and difficult locations underpin Moolman's strong reputation in selected markets.

Positioning to be an African mining solutions provider, leveraging core competencies and best safety practices to offer clients comprehensive services across the mining value chain.

2022 performance highlights

Financial value created

Focused on contract quality and project execution

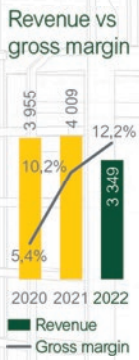
Completion of **Nkomati, Lefa, Klipspruit and Gamsberg projects** impacted revenue

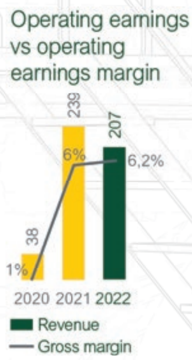
Gross margin maintained improvement trend

Operating **earnings in line with prior year** which included a R33 million profit on sale of project assets

Operating free cash flow of **R91 million**

Work in hand **R3,1 billion**





Social and environmental value created

Level 2 BBBEE contributor

R2,1 billion paid to black-owned suppliers, of which

R1,55 billion went to black women-owned suppliers

Increasing opportunities and improving conditions for women in mining

R52 million invested in employee learning and development

Effective water management, including innovative solutions to dust suppression on project sites.

Interventions to anticipate and mitigate risk strengthened safety culture

ZERO fatalities or major environmental incidents

LTIFR **0,11** (2021: 0,14)

Aveng 2022 sustainability report, www.aveng.co.za

Our core operations continued

Market risks and opportunities

Growth opportunities in a positive commodities cycle

- Under-investment in the mining of metals essential to energy transitions, together with supply shocks and high energy prices are maintaining the positive commodities cycle
- Global mining financing hit an eight year high in 2020, with funds raised by junior and intermediate miners continuing to increase year-on-year
- Predominant opportunities exist in copper in Zambia and DRC, gold in West Africa and other commodities (coal, iron and zinc) in Southern Africa, where Moolmans has a track record
- The decarbonisation drive and the rise of green energy and electric vehicles has implications for mining customers
- Investment in its fleet optimisation and renewal is linked to the size and quality of Moolmans' work in hand

How we mitigate contractor risk and capitalise on opportunity

CEO review, page 41.

Competitive advantages

Brand reputation

Experience in remote and difficult environments

Relationships with established mining houses

African leader in open cut contract mining

R2,3 billion fleet to serve client onsite needs

Diversity by client, commodity, discipline

Specialist capabilities and equipment

Load, haul and dump trucks

Excavation of material by a primary loader (e.g. front shovel excavator or a wheel loader) and hauling using dump trucks

Drill and blast

A technique using a drill rig to drill a hole into the surface of the rock, packed with explosive material, and detonated

Ancillary equipment

Equipment used to support mining activities and other site activities required in the project (e.g. graders, dewatering pumps, mobile cranes and service trucks)

Drivers of sustainable future growth

Key focus areas

Competitive advantages

MOOLMANS: Africa's premier open cast mining contractor for medium to large projects

Project execution – *continued improvement in:*
- Systems
- Processes
- Our people
- Equipment

Technology and innovation
- Investment in technology
- Continuous improvement initiatives
- Building a culture of innovation and growth

Customer value proposition
- Be a strategic partner
- World-class Fleet
- Uphold performance standards

ESG
- Doing the right thing for the business and stakeholders
- Greater collaboration with our communities
- Risk management and environmental stewardship

Investment in Heavy Mining Equipment

Select the right contracts
- Right margins
- Dollar-based contracts
- Reduce the cost of capital

We have defined our future growth aspiration and identified our target markets. Our strategic goals are enabled by our **value proposition to customers, investment in our people, equipment, process and systems**. A **Moolmans Way** has been implemented to operationalise and underpin our value proposition.

We conduct our activities in a sustainable manner which supports the efficient and ethical management of all our resources and stakeholder relationships. We are an employer of choice.

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 capital to fund growth
- Proceeds from non-core disposals
- Sound cost and working capital management
- Growth in quality work in hand
- Sound operational performance

Human capital

- 5 211 employees
- Strong executive and operational leadership
- Skilled project management
- Adequate capacity and capability to support growth
- Values-driven culture

Social and relationship capital

- Effective stakeholder engagement
- Strong relationships with investors and financial community, clients, employees and communities

Intellectual capital

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

Manufactured capital

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

Natural capital

- Energy and water use in operations
- Waste generated by operations

Value offering

ENGINEER

PROCURE

CONSTRUCT

MAINTAIN

Business activities

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

Our core businesses leverage their world-class brands and specialist capabilities to deliver solutions to their clients.

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.

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	People management
Capital allocation	Performance management
Treasury and financial reporting	Safety
Culture and values	

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

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.

Aveng 2022 sustainability report
Read more about our economic, environmental and social impacts and the investments we make to support sustainable development and contribute to positive ESG outcomes.

Outcomes

Our business activities and outputs have the following impact on Aveng and stakeholders:

- Reduced external debt and strengthened balance sheet
- Both core operations profitable and cash generative
- Proceeds from non-core disposals improved liquidity
- Reduced legacy construction liabilities and settled outstanding claims

CEO and FD reports

- 0 fatalities
- Sustained improvement in other safety and health indicators
- Strengthened Board mining skills with new appointment
- Effective executive and operational management, including new IT and Risk capacity
- Increased focus on talent management and succession planning
- Implemented measures to address labour market constraints

CEO and FD reports

- BBBEE level 4
- Paid R2,11 billion to black-owned suppliers, of which R1,55 billion went to black women-owned suppliers
- Focused on community engagement to ensure our projects improve community infrastructure and employment without impacting safety, health or natural environments
- Improved working conditions for women in mining
- Created employment opportunities for people with disabilities
- Invested in projects to improve education and support vulnerable communities

- McConnell Dowell and Moolmans brand strength
- Delivering projects with local community

Our core operations

- Invested R624 million in components for Moolmans fleet

CEO and FD reports

- 0 major environmental incidents
- New ESG framework, with targets and KPIs linked to management remuneration, demonstrates commitment to improve management of environmental impacts

Board of directors

EXECUTIVE DIRECTORS

SEAN FLANAGAN (62)*
Group chief executive officer
BSc (Building)
Appointed to the Board: November 2015
Experience: 33 years of industry and related experience
Board committees:
Member: TR

ADRIAN MACARTNEY (54)
Group finance director
BCom, BCompt (Hons), CA(SA)
Appointed to the Board: September 2014
Experience: 28 years of industry and related experience
Board committees:
Member: TR

INDEPENDENT NON-EXECUTIVE DIRECTORS

PHILIP HOURQUEBIE (69)
Independent non-executive chair
CA(SA), BCom (Hons), BAcc
Appointed to the Board: August 2015
Board committees:
Chair: Board, IC
Member: RC RN SET TR

MAY HERMANUS (62)
Lead independent non-executive director
BSc (Geology), MSc (Physical Metallurgy), Takemi Fellow, Harvard University
Appointed to the Board: September 2009
Board committees:
Chair: SHE SET
Member: RN

MICHAEL KILBRIDE (70)
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:
Chair: RC RN TR
Member: AC SHE

KEY AND SENIOR MANAGEMENT

SCOTT CUMMINS (59)**
Chief executive officer McConnell Dowell Corporation Limited
BEng (Monash University); MBA (Strathclyde University)
Experience: 32 years of industry and related experience
At Aveng for: Seven years

JEROME GOVENDER (50)
Managing director Moolmans
MSc, BSc (Quantity Surveying), MBA (Wits Business School)
Experience: 28 years of industry and related experience
At Aveng for: Three years

HERCU AUCAMP (54)***
Managing director Aveng Trident Steel
BCom Management Accounting, Middle Management Programme (Wits University), Executive Development Programme (Kellogg Business School)
Experience: 32 years of industry and related experience
At Aveng for: 11 years

The Aveng Board is ultimately responsible for the governance of the Company. The Board is committed to the highest standards of governance, ethics and integrity.

AC	Audit committee
RC	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.*

BRADLEY MEYER (43)**

Independent non-executive director

Bachelor's degree (Harvard University)

Appointed to the Board: May 2021

Board committees:

Member: AC RN IC

BRIDGETTE MODISE (55)

Independent non-executive director

BCompt (Hons), CA(SA), CIMA

Appointed to the Board: November 2019

Board committees:

Chair: AC

Member: RC IC SET

BERNARD SWANEPOEL (61)

Independent non-executive director

BSc Mining Engineering, BCom (Hons), Mine Manager Certificate Competency

Appointed to the Board: October 2021

Board committees:

Member: RC IC SHE TR

WOUTER DE GIDTS (68)***

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: 43 years of industry and related experience

At Aveng for: 42 years – retired on 1 July 2022

LIESL TWEEDIE (54)

Group financial controller

BCom (Hons), CA(SA)

Experience: 27 years of industry and related experience

At Aveng for: Five years

EDINAH MANDIZHA (42)

Group company secretary

LLB, Associate member of Chartered Secretaries Southern Africa

Experience: 16 years of industry and related experience

At Aveng for: 10 years

We determine material matters by assessing trends in the business environment and responding to unforeseen developments. Our material matters inform our strategy and enable the Group to create value.

Granite Island Causeway – Australia

Materiality

MATERIAL MATTERS

Aveng defines material 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 relevant internal and external trends in the changing business environment and responding to unforeseen developments. Our material matters inform our strategy, thereby enabling the Group to create sustainable value.

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

STEP 1 Identifying relevant internal and external matters

STEP 2 Evaluating the importance of matters identified

STEP 3 Prioritising material matters

STEP 1 IDENTIFYING RELEVANT INTERNAL AND EXTERNAL MATTERS

The Group's risk and opportunity management, stakeholder engagement and external environment inform the material matters.

Enterprise risk and opportunity management

Aveng's risk and opportunity management process aims to achieve an appropriate balance between realising opportunities for gain, while minimising adverse impacts.

The Board, assisted by the risk committee, is responsible for the governance and effective oversight of risk and opportunity management. The risk committee was established as a separate Board committee during the year, increasing the focus on risk and opportunity management.

A group risk register is updated quarterly and reported to the Board and the risk committee. The risk register is based on macro-economic risks impacting the Group, risks to the implementation of the strategy, risks escalated from the subsidiary risk registers and alignment to the enterprise risk and opportunity management approach.

2022 improvements

Aveng refreshed its enterprise risk and opportunity management approach and matured its existing framework to improve management insights and strategic decision-making. Guided by the risk committee, the Group:

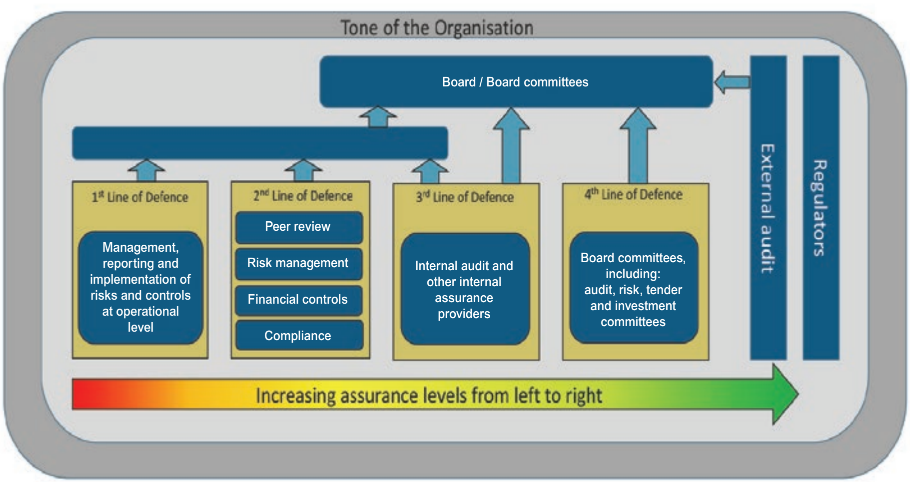
- Simplified and standardised its **risk and opportunity management policy**
- Modified its **risk and opportunity management framework** in alignment with global standards (ISO31000) and integrated the framework into processes, systems and activities across the organisation to deepen the risk culture and improve risk effectiveness
- Standardised its **risk and opportunity management methodology** with clearly defined and documented processes and reporting structures to identify, manage and monitor risks and opportunities

Aveng renewed its internal audit function and made further progress in adopting a combined assurance model to ensure a structured and proactive assurance process.

Risk and opportunity management framework

Lines of defence

Aveng adopts a four lines of defence model to bridge the gap between risk management and assurance functions. These lines include the audit, risk, investment and tender risk Board committees, and assurance provided by external audit, who oversee and assure the Group's risk and opportunity management. Significant renewal and support from executive management has elevated the role of internal audit in compliance and risk management.



Governance, page 58.

External environment

Changes in the Group's business or project environments are continuously reviewed.

2022 macro-economic risks identified by the World Economic Forum and their impact on Aveng

Macro-economic risk*	Impact on Aveng
Climate action failure Worsening environmental degradation has increased concerns about the ability to contain climate change	• Emphasis on the importance of ESG and the achievement of internal ESG targets • Importance of SHEQ compliance • Disruption to business continuity and establishment of new ways of working • Impact on employee wellbeing • Impact on operational and financial performance • Acceleration of cyber threats outpacing effective management and prevention • Supply chain disruption impacting the sourcing of resources, materials and equipment needed to implement projects • Impact on project performance • Difficulty in passing on price escalation to clients • Increased pressure on margins • Slow economic growth impacts the operations' ability to achieve growth targets and grow their work in hand • Increase in cost of capital
Infectious diseases COVID-19 has heightened the risk of pandemic diseases as a significant global threat	
Cyber security The acceleration of digital adoption and dependency has increased vulnerability to cyber attacks	
Escalating geopolitical tensions Geopolitical fractures are creating global divergence, including increased competition between the USA and China, Russia's invasion of Ukraine and the USA's strengthening Indo-Pacific alliances	
Price instability Substantial price increases have created extraordinary inflationary pressures	
Global recession COVID-19 and other major shocks, including a decline in market liquidity have resulted in a downturn in the global economy	

** World Economic Forum Global Risk Report 2022*

Stakeholder engagement

Aveng has a diverse range of stakeholders who have an interest in our business. Our operations may impact them positively or negatively. By engaging constructively with our stakeholders, we can create lasting value together.

Aveng identifies its main stakeholders and engages openly and continuously with them through various formal and informal methods. Aveng has a stakeholder engagement plan and report-back process that enables the corporate office and operations to identify and respond to their material stakeholders. Our stakeholder engagement processes identify areas of concern and seek mutually beneficial sustainable outcomes.

Customers	How we engage
	• Formal and informal engagements and meetings • Project reviews • SHEQ specifications
Material stakeholder interests • Project performance • Strategy to carbon zero • Investment in safety technology	**Key conversations and our response** **Carbon neutral policy.** Aveng has made good progress in developing a 2050 carbon zero roadmap. **Actions to limit injuries in high risk areas.** The Group is investing in new technologies to assist its project teams, such as wearable sensors to prevent plant/people interaction. We are also increasing our focus on leading indicators such as fatigue management.
Employees **AUSTRALASIA** **Overhead** 424 **Project staff** 1 354 **Waged** 711 **SOUTHERN AFRICA AND OTHER** **Salaried** 847 **Waged** 1 875	**How we engage** • Formal employee engagement and information sharing sessions • Informal employee engagement sessions • Internal learning and development sessions • Visible felt leadership • Toolbox talks and shift briefing sessions • Formal engagement sessions with organised labour • Employee engagement surveys • Employee workplace forums

Materiality continued

Stakeholder engagement continued

Material stakeholder interests	Key conversations and our response
• Work life balance, including remote working • ESG commitment • Keeping pace with rising costs • COVID-19 • Business updates • Culture and values alignment • Question and answer sessions • Production and safety briefing sessions • Project performance • Strategy to carbon zero • Investment in safety technology	**Remote working.** Aveng promotes a healthy work/life balance through its health campaigns. We have a flexible work policy but encourage employees to work from the office or official place of work unless there is a compelling reason for remote working. **ESG approach.** Aveng has developed an ESG framework and baseline targets, with plans to achieve the targets over a given period. ESG forms 10% of management's remuneration which illustrates the Group's commitment. **Competitive remuneration.** Aveng strives to provide competitive salaries or wages that are of a living standard.
Subcontractors and other suppliers	**How we engage** • Supplier meetings • Supplier and contractor audits
Material stakeholder interests	**Key conversations and our response**
• Passing down of the head contract conditions • Contract compliance • Contract negotiations	**Contract compliance.** We provide constant education to assist our subcontractors to meet the conditions of head contracts. **Conduct.** All subcontractors are required to comply with the Group's Code of Conduct and its approaches to the fair treatment and upholding of the human rights of employees and communities.
Communities	**How we engage** • Community forum meetings
Material stakeholder interests	**Key conversations and our response**
• The impact of projects on health and jobs • Contributing to the local economy • Corporate Social Investment	**Community support.** Aveng focuses on increasing its procurement from previously disadvantaged or indigenous communities. As part of this process, the Group complies with project-specific social and local procurement targets set by our customers. **Empowerment.** In South Africa we comply with BBBEE requirements and the mining charter. In both community support and empowerment we strive to go above and beyond compliance.
Shareholders and financial institutions	**How we engage** • Results presentations to market and SENS • One-on-one meetings • Investor conferences and calls
Material stakeholder interests	**Key conversations and our response**
• Profitability and liquidity • Future growth strategy • ESG policy	**Debt repayment.** Aveng has met all debt repayment commitments. **Profitability.** Improving operational performance is a strategic imperative. Progressive improvement in operational performance is contributing to improved profitability. **Delivering value to shareholders:** Aveng's strategy is based on achieving sustainable long-term growth. As its core operations accelerate growth, Aveng's approach is to reinvest in the operations and settle the outstanding legacy claims.
Government and regulators	**How we engage** • Results presentations to market and SENS • One-on-one meetings • Investor conferences and calls
Material stakeholder interests	**Key conversations and our response**
• Compliance reporting • Engagement	**Compliance.** Aveng complies with Health, Safety and Environmental regulations. The Group is tax compliant. We fulfil the requirements of industry charters. **Engagement.** The Group engages with regulators case-by-case and participates in industry engagements on matters concerning the sectors in which it operates.

Stakeholder engagement continued

Unions	How we engage
	• Engagement via formal union leadership structures • Onsite formal and informal engagement meetings • Workplace Forum meetings
Material stakeholder interests	**Key conversations and our response**
• Salary and wage negotiations • Conditions of employment • Project performance and structuring • Responsible disposal of non-core assets • Matters of mutual interest	**Salary and wage negotiations:** Aveng negotiates in good faith and endeavours to pay market related salaries/wages that are of a living standard. **Disposal of non-core assets:** Where possible, the Group has disposed of all businesses as going concerns, thus ensuring that our people continue to be employed after the sales process.

STEP 2 EVALUATING THE IMPORTANCE OF MATTERS IDENTIFIED

Risks or opportunities specific to the operations are monitored and managed under eight categories. They are evaluated annually and assigned risk levels based on their potential impact on Aveng and likelihood of occurrence. Risk appetite and tolerance levels are established to achieve strategic outcomes and ensure that the Group's business is conducted within predetermined risk thresholds.

Materiality continued

STEP 3 PRIORITISING MATERIAL MATTERS

Our top material matters derived from our risk and opportunity management process, stakeholder engagement and external environment reviews are:

Material matters

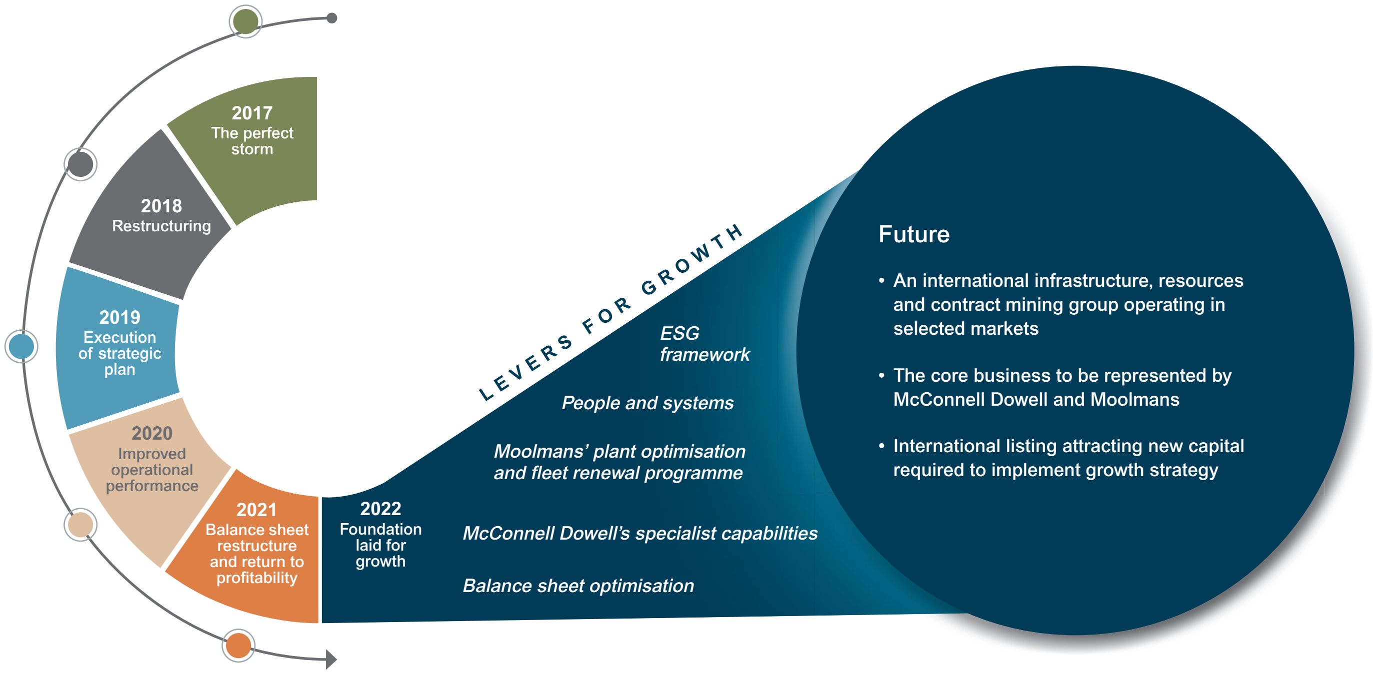
Material matter	Our treatment in 2022
Execution of enterprise strategy, including ESG plan **Stakeholders impacted:** Clients, subcontractors and other suppliers, Shareholders and financial institutions, Employees, Communities	• Specialists engaged to manage legal and regulatory requirements of a potential primary listing offshore • Proven track record in strategy implementation • Leading and lagging ESG indicators within acceptable tolerances • Several safety and culture reviews conducted and action plans implemented
Cash flow management **Stakeholders impacted:** Clients, subcontractors and other suppliers, Shareholders and financial institutions	• Rigorous monitoring of cash management • Intensive monitoring of underperforming projects to minimise margin erosion • South African external debt settled from proceeds of non-core disposals • Potential offshore listing to fund future growth
Building an attractive investment case **Stakeholders impacted:** Shareholders and financial institutions; Clients, subcontractors and other suppliers	• Focused on achieving core operations' growth and profitability targets • Additional capacity sourced to drive ESG strategy • Completed non-core disposal programme
Human capital challenges **Stakeholders impacted:** Employees, Clients, subcontractors and other suppliers	• Several actions implemented to mitigate skills shortages, including incentivisation to drive targeted behaviour, performance and talent retention • Succession plans developed for key executive roles • Focus on securing appropriate candidates for all key project management roles • Specialist advisors appointed to navigate regulatory environments in different jurisdictions
Cyber vulnerabilities **Stakeholders impacted:** Employees, Clients, subcontractors and other suppliers	• Invested in cyber security threat prevention, detection and response • Updated security incident response procedures • Conducting monthly user awareness training • Enforcing multi-factor authentication
Unforeseen Safety, Health, Environmental incident/s impacting business **Stakeholders impacted:** Employees, Clients, subcontractors and other suppliers; Government and regulators	• ESG strategy and roadmap finalised and approved by core operations • Leading and lagging ESG indicators within acceptable tolerances • Several safety and culture reviews conducted and action plans implemented
Operational performance **Stakeholders impacted:** Shareholders and financial institutions; Clients, subcontractors and other suppliers	• All but one of Moolmans' projects were profitable at year end, with specific interventions in place to address underperformance on one project • 85% of McConnell Dowell's projects were at or above tender margins and three projects were loss-making at year end • Intensive interventions to address under-performance and minimise margin erosion
Price escalations **Stakeholders impacted:** Clients, subcontractors and other suppliers	• Cost and inventory management • Hedging of imported materials prices • Analysis and management of procurement lead times • Strategic client engagement
IT systems and infrastructure **Stakeholders impacted:** Employees, Clients, subcontractors and other suppliers	• Replacing redundant systems across all platforms • Adequate back-up and recovery systems in place • Major interventions underway at core operations • Migration to cloud computing reduces reliance on outdated systems and infrastructure
Legal, regulatory or compliance related matters **Stakeholders impacted:** Employees, Clients, subcontractors and other suppliers; Government and regulators	• Outstanding legacy claims and other contractual matters managed by project management office (PMO) and legal advisors • Risk provisions to protect against future liabilities are regularly reviewed • PMO achieved significant reduction in South African bond exposure

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.

Following significant restructuring, Aveng restored profitability in 2021 and moved its focus from recovery to the acceleration of sustainable long-term growth.

Our path to sustainable profitability

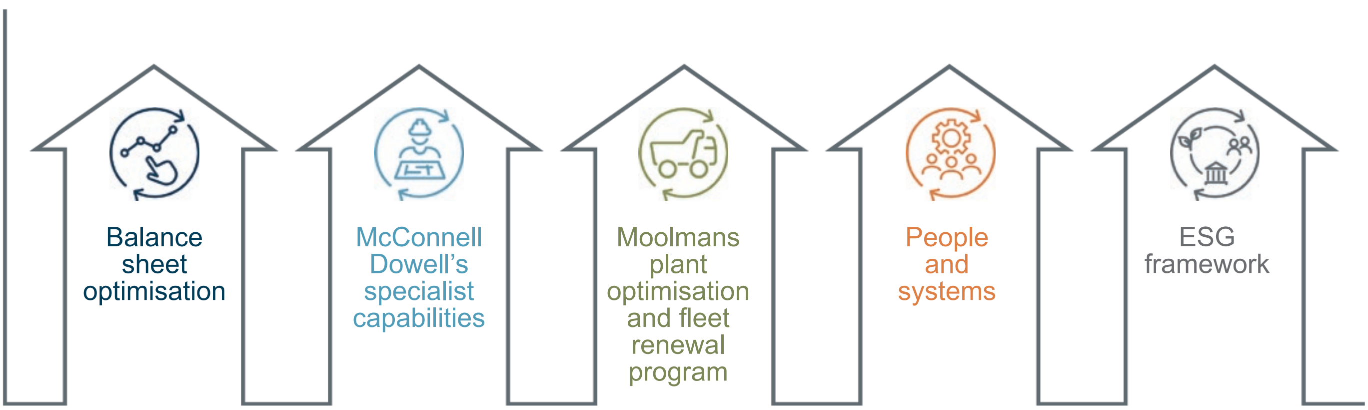


Implementing a growth strategy

Aveng reviews its strategy regularly to ensure it remains relevant and responsive to changes in the Group's external environment. Executive management reviewed and proposed changes to the strategy to enable the acceleration of the Group's growth momentum. The Board approved the changes in November 2021 and monitors progress in the implementation of the strategy at its quarterly board meetings.

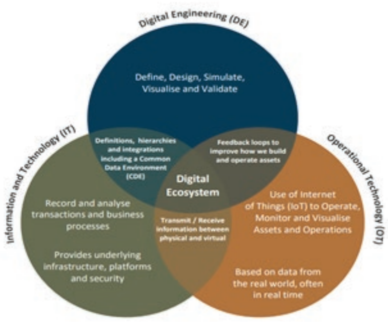
Our levers for growth

Aveng identified five levers as the drivers of future growth. The core operations renewed their strategies within the context of these levers.



Strategy continued

Our levers for growth continued

Levers for growth – focus areas	Progress in 2022
Balance sheet optimisation	
• Conclude Trident Steel sale • Optimise debt facilities (tenure, pricing, repayment terms) • Capital planning to support future growth, including M&A, working capital and Moolmans fleet renewal • Consideration of several options to increase value for shareholders and secure the necessary access to capital and liquidity to fund future growth	• Reduced external debt from R879 million to R481 million • Received further asset disposal proceeds of R143 million • Concluded disposal of infrastructure and equity-accounted investment assets subject to regulatory approvals • Reduced South African bond exposure by 37% to R350 million • Settled legacy claims • On 3 October 2022, post year end, we concluded a sale agreement to dispose of Trident Steel for R700 million
McConnell Dowell's specialist capabilities	
• Leverage specialist capabilities in marine, tunnelling and underground, pipelines, hydropower and dams and complex civil infrastructure • Focus on complex projects in sectors and economies with growth potential • Target renewable and clean energy sectors, water and wastewater treatment and mining • Prioritise margin improvement	• Won new work amounting to AUD2,4 billion in rail, marine and renewable energy • Work in hand grew 33% to AUD2,5 billion at 30 June 2022 • EBIT margin improved to 2% • After the year end, additional work amounting to AUD833 million was secured
Moolmans plant optimisation and fleet renewal programme	
• Dedicated task team appointed to design and implement plant optimisation strategy • Fleet renewal programme implemented for new and existing contracts • Negotiations underway with original equipment manufacturers (OEMs) • Maximise Moolmans' return on investment by operating optimal mix of new and old equipment	• Completed analysis of the fleet's optimal age profile • Activated disposal plan for sub-optimal equipment • Implemented plans to maximise economic life of existing fleet • Approved strategy to acquire new equipment • Negotiations underway with OEMs to secure equipment and related finance for new contracts
ESG framework	
• Prioritise ESG initiatives and align decisions with Aveng's Purpose and Values • Integrate ESG into the ways we work, project scoping and tendering • Aspire to go above and beyond policy requirements and market expectations	• Developed and implemented ESG framework • Established baseline metrics • Conducted external readiness review of processes and controls to ensure accurate reporting • Finalised targets for 2023 financial year • ESG KPI set at 10% of management short-term incentive for 2023
People and systems	
• Invest in skills, competencies and leadership • Adapt employee value proposition to changing world of work • Succession planning across core operations and corporate • New investment in technology and systems • Digitise processes and adopt new ways of working • Continue to build core engineering capabilities	

Progress in 2022

- Skills shortages addressed by international recruitment campaign and internal development
- Succession planning implemented across the Group
- Management team strengthened with new appointments in IT and Risk & Assurance
- Developing an engineering-led organisation
- Planned investment of R90 million in technology and systems across the Group

Our values-aligned ESG framework, page 3.

McConnell Dowell

McConnell Dowell completed the seventh year of its 10-year **Vision 2025** strategy and continues to achieve key milestones, including the delivery of planned revenue and profitability, balance sheet strength and leveraging of specialist capabilities and expertise.

McConnell Dowell endorsed a longer term **Horizon 2030** strategy which establishes a framework for longer term decision-making. This extended strategic roadmap will build on the strong foundations established over the past seven years, while also looking to a range of new opportunities to leverage and enhance McConnell Dowell's engineering capabilities. These include:

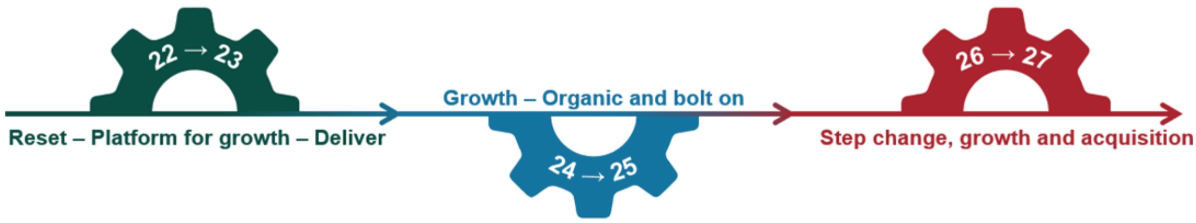
- Rapidly emerging renewable and clean energy sectors
- Water or wastewater treatment
- Mining and processing of 21st century metals
- Changing urban transport, education, health and recreation trends across McConnell Dowell's markets

Strategy continued

Moolmans

Moolmans is in the second phase of its turnaround strategy - delivering and preparing for growth. With its focus on securing commercially viable contracts, strengthening operational performance and renegotiating underperforming existing contracts, Moolmans is improving internal processes and embarking on a fleet optimisation and renewal programme.

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 fleet optimisation and renewal programme will improve onsite productivity and enhance Moolmans' value offering to its customers during a positive stage in the commodity cycle. The programme will be implemented in a phased and disciplined manner to ensure a suitable return to shareholders.



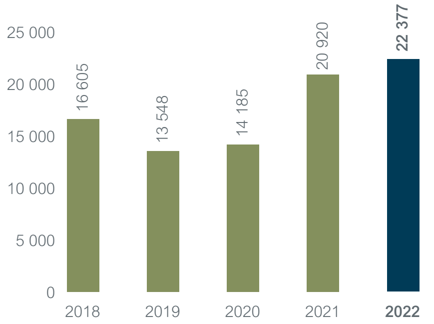
- Finalise renegotiated contracts
- Prepare to bid according to new **premier offering** with an alliance contract
- Fill all executive and senior vacancies
- Win **premier offering** project(s) in the next 12 months
- Build relationships with mine design consultants

- Win **premier offering** projects and **flexible offering** projects in rest of Africa
- Build the Moolmans' brand by delivering, networking and marketing
- Consider bolt-on acquisition in Africa
- Build appropriate in-house mine design capacity
- Have adequate geological capacity to screen quality of ore/projects

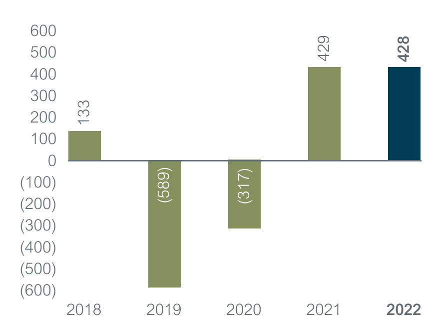
- Win most of the **premier offering** projects we decide to bid for
- Target 70% of revenue from rest of Africa
- Explore a significant transformational acquisition of an African focused contract miner with a footprint outside Africa
- Run the **premier** and **flexible offerings** as two separate divisions

Our financial performance demonstrates successful strategy execution

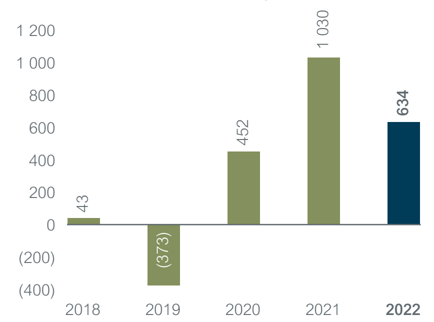
Progressive core revenue growth



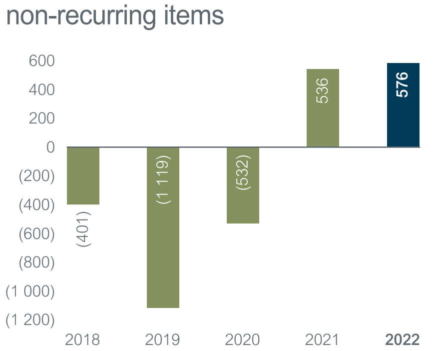
Both core businesses remain profitable



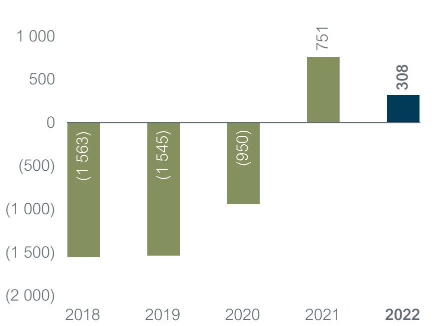
Cash-generative core businesses with sound cash management



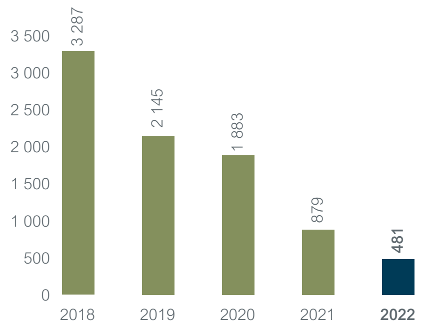
Group operating earnings before non-recurring items



Headline earnings / (loss)



External debt



Post year end, debt was further reduced by R75 million to R406 million.

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.

Tshipi è ntle – South Africa


302
MS-RDT
302

Review of the chair

Underpinned by a stronger capital base and profitable operations, Aveng has completed its transition from recovery and turnaround to profitability and we are now in a position to focus our full attention on sustainable long-term growth.

Philip Hourquebie
Independent non-executive chair

2022 focus areas

The Board focused on matters that materially improve Aveng's ability to create and sustain value:

1 **Renewing** the strategy to drive disciplined growth

2 **Monitoring** effective strategy implementation by the operations

3 **Delivering** financial sustainability to support growth

4 **Ensuring** effective leadership

5 **Implementing** an ESG strategy and approach

Overview

Aveng implemented its strategy consistently in an uncertain and volatile business landscape during the 2022 financial year. The Group remained profitable and focused on further strengthening governance and equipping its people, operations and systems for a path of sustainably profitable growth.

Our transition over the past four years coincided with world-shifting events such as the COVID-19 pandemic and escalating geopolitical tensions as a result of rivalry between the US and China and Russia's invasion of Ukraine. These events have far-reaching effects on global inflation, international travel, logistics and supply chains, food and energy security and economic growth. Rising international migration of people fleeing conflict and the increasing incidence of catastrophic natural disasters signal the urgency of sustainable responses to material shifts in global economic, environmental, social and governance trends. As decision-makers get to grips with the impacts of these major trends, they remain constantly alert to the ever-increasing cyber threats that accompany the accelerating pace of digital transformation.

Materiality, page 18.

Aveng's operations in its primary markets in Australia, New Zealand and the Pacific Islands, Southeast Asia and South Africa are not immune to the ripple effects of these macro events. However, I am pleased to report that their overall financial and operational performance remains sound, largely as a consequence of:

- The restoration of a **sustainable capital base**
- Our **geographic and sectoral diversification**
- Significant strategic undertakings of our businesses to find **growth markets** and make the most of opportunities in those markets with **optimised leadership, operations and systems**
- **Committed management teams and people**

Review of the chair continued

McConnell Dowell's Australian construction sector remained buoyant as the country's new government maintained investment in infrastructure to stimulate economic growth. Our operations in Australia and New Zealand both benefitted from ongoing demand for social infrastructure to support population growth. Strong growth in the Australian operations and renewal of activity in New Zealand post-COVID-19 restrictions mitigated the continued impact of the pandemic across our operations in Southeast Asia. We remain committed to significant opportunities in the region as it addresses infrastructure backlogs.

Our mining and steel operations in South Africa continued to be influenced by opportunities and risks in their external environments. As a mining contractor, Moolmans' prospects are linked to those of its clients. While sustained increases in commodity prices positively impacted mining, ongoing supply chain disruptions, rising fuel and other input costs and ongoing power blackouts moderated the pace of expansion, and this is reflected in Moolmans' work in hand. However, improvement in its financial performance, driven by improved efficiencies and client relationship management, remains a source of encouragement. Trident Steel is to be commended for overcoming extreme weather and flooding, civil unrest in KwaZulu-Natal, a steel industry strike, power outages and the global shortage of semi-conductors, to deliver robust performance across its financial and non-financial measures.

CEO Review, page 34; CFO page 44.

The Board's key focus areas

Strategy

The Board reviews Aveng's strategy regularly to ensure that it remains relevant and responsive to changes in the Group's external environment. Since 2018, we have reduced debt and recapitalised the Group, restored profitability and completed the non-core disposal programme. Now we have pivoted to the longer term growth of the two core operations. During a process to redefine our strategy for the following three years, we identified the levers that will drive future growth. The core operations renewed their strategies within the context of these levers and continue to achieve significant strategic milestones.

Strategy, page 23.

Financial sustainability

Financial sustainability underpins our shift from value erosion of the past to value protection and creation. This requires an unwavering focus on disciplined, profitable growth that enables the Group to invest in the future while providing an acceptable return to shareholders.

Building a sustainable balance sheet with manageable levels of debt remains a primary material matter for Aveng. The Group made further progress in reducing debt during the year with scheduled repayments of external debt, settlement of legacy claims and ongoing work by the project management office to resolve the tail end of outstanding construction liabilities. We expect to settle the remaining outstanding debt and further strengthen the Group's financial position during the 2023 financial year.

We do not believe these positive developments are reflected in Aveng's share price which currently trades at a discount to its net asset value. The Board is considering several options to increase value for shareholders and secure the necessary access to capital and liquidity to fund future growth.

CEO Review, page 34; CFO page 44.

People and systems

The shift in our strategic focus is demonstrated by several initiatives to further advance the maturity of Aveng's governance, risk and information technology systems. We have simplified and standardised enterprise risk and opportunity management across the organisation and modernised our information technology systems to future-proof Aveng. We recognise the need to embed these system enhancements into our organisational culture in order to ensure that they support our future growth trajectory.

CEO Review, page 34; Materiality page 18.

Ensuring effective leadership remains a key focus area. The stable, experienced and competent corporate leadership and operational management teams we have built across the Group continue to implement our strategy effectively. They are supported by the Group's 5 211 employees who remain committed to the strategy despite the challenges of internal change and external volatility.

In line with our sustainable growth strategy, the focus of our human capital management has extended from building leadership bench strength to longer term succession planning and talent management.

Aveng 2022 Sustainability Report

ESG

Aveng made good progress in its journey to formalise its environmental, social and governance (ESG) approach. The Board approved an ESG framework aligned with the Group's values and incorporated into the strategy. As management integrates the framework throughout the Group, we continue to implement our well-established existing management systems and processes to ensure continuity in our commitment to ethical and responsible business conduct. I am pleased to report that the Group achieved its goal of zero fatalities and continued to report incremental improvements in all other key safety, health and environmental (SHE) indicators. This was largely attributable to:

- Sound project selection and implementation;
- Disciplined compliance with SHE management systems and local regulatory requirements;
- Steady integration of the Group's new ESG framework;
- Management visibility and employee engagement at project sites;
- More rigorous use of leading indicators as early alerts to risk;
- Increased monitoring and reporting of hazards encountered at project sites; and
- Ensuring that lessons learnt from incidents inform future behaviour and practices.

Governance

As a values-driven organisation, Aveng 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

In ensuring effective leadership, the Board seeks to achieve appropriate independence and diversity of skills, experience, race and gender. As at 30 June 2022, the Board comprised eight members, six (75%) of whom are independent non-executive directors and two (25%) of whom are black women.

The Group's new strategic direction requires a renewal of the Board's composition to ensure it represents an adequate balance of relevant skills and experience to provide governance and future strategic guidance. This process has commenced with the appointment of new directors. During the year under review, Bernard Swanepoel was appointed as an independent non-executive director with effect from 20 October 2021. At the same time, he joined the Board's risk committee, the safety, health and environment committee and the investment committee. With over 40 years of experience in the South African mining industry, largely in executive management roles, Bernard is ideally positioned to strengthen the Board's mining knowledge. We welcome Bernard to the Board.

The next stage in the process will be the retirement by rotation of Board members whose tenure exceeds nine years. Over the following two years this will provide leadership continuity, while making way for new directors who will replace critical skills lost during this process and represent the Group's future profile. The Board will be cognisant of the Group's diversity targets during this director recruitment process.

Our Board committees operate effectively and demonstrate continuous improvement. Following a proposal made during the 2021 internal evaluation of the Board and its committees, the Board reviewed the structures and mandates of the committees to ensure they remain fit-for-purpose to oversee the risks and opportunities of the growth strategy. One of the primary outcomes of the review was a decision to restructure the audit and risk committee into two separate committees. This has significantly enhanced the Board's focus and oversight of risk and opportunity.

Board evaluation

An external independent evaluation of the performance of the Board and the board committees was conducted during 2022.

The key outcomes of the evaluation were:

- A shift in the Board's focus from liquidity and restructuring to long-term strategic objectives
- Succession planning for Board and executive management roles
- Ongoing focus on diversity in the compositions of the Board and its committees
- Continuous focus on IT governance and IT risk, including cyber security

The Board and board committees developed action plans to address these outcomes.

Governance Report, page 58.

Acknowledgement

Restoring disciplined growth has called for singular focus and commitment from our employees and the executive leadership team led by our CEO Sean Flanagan. Turbulent operating environments have increased the demands made on our teams across the organisation. On behalf of the Board, I wish to acknowledge and thank all of our employees for consistently implementing our purpose and strategy, regardless of the challenges they face.

Many of our relationships with our customers, subcontractors, other suppliers, shareholders and financiers have been put to the test in recent years and the majority have strengthened into mutually beneficial partnerships. We are grateful to our loyal stakeholders and to those who remind us of when we need to work harder to achieve our purpose of providing a better life.

Our small but highly functional Board has maintained a stable foundation during Aveng's transition, with members who provide wise counsel and guide the Group as we keep our sights on the sustainable future we are all building together. I thank you individually and collectively for your valuable insights and commitment.

Information on Aveng's future prospects is available in the Outlook report on page 55.

Philip Hourquebie
Independent non-executive chairman

Review of the Group chief executive officer

Aveng achieved significant strategic advances during 2022, despite challenging operating conditions. The Group remains profitable, cash generative and on track to convert sound prospects into sustainable long-term growth.

Sean Flanagan
Group chief executive officer

2022 focus areas

Management focused on establishing a stable foundation for sustainable growth:

1 **Ensuring** a sustainable long-term capital structure

2 **Improving** the quality of our earnings

3 **Formalising** an ESG approach and integrating ESG management

4 **Investing** in people and systems

5 **Growing** work in hand to support long-term growth

Overview

The Group reported revenue growth of 2% to R26,2 billion after strategic disposals of non-core assets and a second consecutive year of profitability as net operating earnings, before non-recurring items, grew by 7,5% to R576 million. The gross profit margin increased to 8,1% (2021: 7,6%), demonstrating improvement in the quality of operational performance.

Work in hand grew by 22% to R30,8 billion and the Group made further progress in the reduction of its debt as it continued on a path of sustainably profitable growth.

Subsequent to the financial year end, on 3 October 2022, Aveng concluded an agreement to sell Trident Steel, the last of its major non-core assets, for R700 million. In addition, Aveng will receive R264 million, which represents the cash in the business, and a ticking fee of R7,45 million monthly until the closing date. Trident Steel was sold as a going concern to a consortium of local and US funders, including its management. The proceeds will be used to settle Aveng's outstanding South African debt of R406 million, and will also go towards the renewal of Moolmans' equipment fleet and McConnell Dowell's growth plans.

Strategic goals	Our performance to date	We continue to focus on
Ensure a sustainable long-term capital structure CFO review	• Reduced external debt by **R350 million to R481 million.** Reduced by a further **R75 million to R406 million** in September 2022. • Received proceeds of **R143 million** from non-core asset disposals, excluding the post year end sale of Trident Steel. • Settled long-standing legacy claims in Australia and South Africa. • Reduced South African legacy bond exposure by **37% to R350 million**, further reduced to **R191 million** in September 2022. • Maintained disciplined cost and liquidity management in difficult trading conditions.	Disposal of Trident Steel – Aveng has entered into a Sale of Business Agreement, on 3 October 2022, to dispose of the subsidiarity for **R700 million**. The disposal is subject to Conditions Precedent and the proceeds of the Transaction will be applied to the reduction of Aveng's remaining South African debt and to enhance liquidity
Improve the performance of the core businesses	• McConnell Dowell and Moolmans are profitable and cash generative • Both businesses operate in growing markets and have adapted their strategies to capitalise on opportunities. • Diversification across geographies, sectors and customers mitigates risk in uncertain environments.	Growing Moolmans' order book Sustaining continuous improvement in operational performance by accelerating the fleet renewal programme Improving McConnell Dowell's profit margins
Formalise ESG approach and integrate ESG management	• Implemented ESG framework, with baseline metrics. • Conducted external readiness review of processes and controls to ensure accurate reporting. • Achieved continuous improvements in key safety, health and environment performance indicators.	Achieving 2023 ESG targets Implementing ESG KPI – **10%** of management short-term incentive

Review of the Group chief executive officer continued

The Group increased its investments in its people and systems to accommodate growth.

We simplified and standardised our enterprise risk and opportunity management approach in response to our volatile, uncertain and complex operating environments. The enhancements align our approach with leading best practice and are being integrated across the organisation to create a single point of reference that provides better insights for decision-making.

Following a review of our IT capacity, we are modernising the Group's information technology systems with new generation technologies and cloud migration to future-proof our operations. This will ensure that our IT supports the strategy by creating a data-driven decision-making culture that creates value for our customers and our employees by improving operational efficiencies and safety.

We continue to invest in the technical capability and leadership capacity of our people, either through our learning and development programmes or new appointments and we are addressing the challenge of skills shortages in some of our markets with targeted interventions. To ensure that we have the human resource profile to enable the achievement of our growth strategy, we have increased our focus on talent development and succession planning.

Improving the performance of the core businesses

The primary geographic markets of McConnell Dowell and Moolmans 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.

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 is an engineering led company and differentiates its offerings across diversified market sectors to secure higher-return projects that require specialist capabilities.

Financial and operational performance

	AUD million			R million		
	2022	2021	Variance (%)	**2022**	2021	Variance (%)
Revenue	**1 723**	1 473	17	**19 034**	16 911	12
Gross earnings	**124**	108	15	**1 378**	1 185	16
Operating earnings	**34,5**	28	23	**385**	312	23
Operating free cash flow	**64**	58	10	**676**	711	(5)
Capital expenditure	**17**	15	13	**187**	170	1
Total assets	**674**	631	7	**7 401**	6 590	12
Total liabilities	**456**	428	(6)	**5 205**	4 703	(11)
Work in hand	**2 500**	1 873	33	**27 768**	19 919	39

Buoyed largely by its Australian growth engine, with support from the New Zealand and Built Environs operations, McConnell Dowell recorded 33% growth in work in hand to AUD2.5 billion.

McConnell Dowell maintained strong growth momentum, with revenue increasing by 17% to the highest level in six years as work in hand continued to grow in its specialist disciplines across most geographic markets and public and private sectors. Sound operational performances from the majority of projects in a balanced portfolio contributed to 23% growth in operating earnings and 36% growth in profit after tax. However, operational and business development performances across the Southeast Asian operations were impacted by ongoing COVID-19 restrictions, although future market opportunities in the region remain promising.

Approximately 85% of McConnell Dowell's projects operated at or above tender margins. A small number of projects did not meet expectations and are being closely monitored and managed.

Work in hand of AUD2,5 billion supports 91% of budgeted revenue for the 2023 financial year. Post year end, McConnell Dowell won a further AUD883 million in new work after the awarding of the Bridgewater Bridge contract, Tasmania's largest ever transport infrastructure project. McConnell Dowell is also the preferred bidder on projects valued at AUD1,7 billion. This strong opportunity pipeline continues to facilitate strategic selection of projects that support profitable growth.

Operating free cash flow improved from AUD58 million to AUD64 million and the liquidity position remained strong, with cash reserves of AUD210 million, minimal debt and sufficient available guarantee facilities to meet growth aspirations.

McConnell Dowell's projects provide a better life by delivering new, modern social, commercial and industrial infrastructure for customers and communities, while creating opportunities for employees.

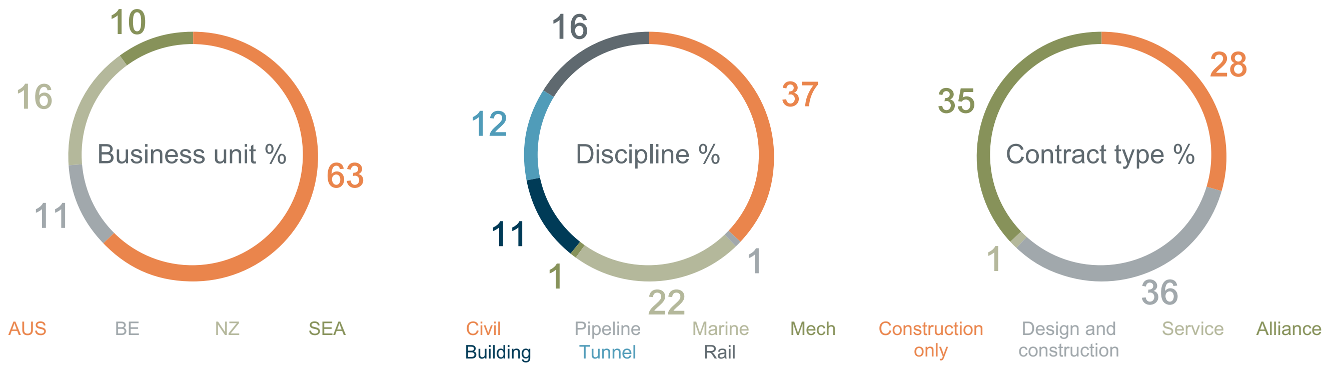
How we mitigate contractor risk and capitalise on opportunity

Contractor risk is heightened by the increased size and complexity of construction projects and competitive market conditions. McConnell Dowell mitigates this risk and capitalises on opportunities by:

- Diversifying geographically, by discipline and by contract type
- Entering into collaborative contracting approaches such as alliances and early contractor involvement that reduce risk
- Differentiating its offerings with specialist capabilities that enhance returns

71% of McConnell Dowell's work in hand is made up of public sector projects from all government tiers across core geographic markets and 35% of these are alliance contracts.

Work in hand – a diverse portfolio



Australia operations – driving growth

The Australia operations continued to grow in an enabling environment as all levels of government invested in infrastructure to drive a post-COVID recovery, while private sector investment in resource and energy markets remained robust.

An increase in tendering resulted in significant growth in work in hand. New contracts were awarded in all Australian regions across a range of project sizes and contract types in most of McConnell Dowell's specialist disciplines, maintaining a sound level of diversification.

New awards amounting to AUD2,4 billion (2021: AUD1,5 billion) include the new Metronet Midland train station and BCI Minerals' Mardie marine structures in Western Australia; the Heysen Tunnels Managing Contractor development phase in South Australia; Australia Industrial Energy's import terminal at Port Kembla in New South Wales; and the Archer River Crossing, the latest project in a Roads of Strategic Importance programme funded by the Australian and Queensland governments. Victoria continues to contribute significant revenue and work in hand, with new contracts awarded with existing customers such as the Level Crossing Removal Project, Major Road Projects Victoria, Rail Projects Victoria, Australian Rail Track Corporation and the Port of Melbourne. Numerous smaller rail services contracts were secured in Victoria for several clients including V/Line, VicTrack, and MTM. The Water Framework infrastructure development programme in South Australia remains a source of ongoing repeat work which is improving the state's water and sewerage services.

Major preferred status opportunities are pending award in the first half of the 2023 financial year, including the Inland Rail Albury to Beveridge project. However, with a change of federal government and the need to control debt, future infrastructure spend may be moderated.

Review of the Group chief executive officer continued

PROVIDING A BETTER LIFE

Bridgewater Bridge
City-shaping infrastructure that improves people's lives

Customer	Contract	Location	Project capabilities
Tasmanian Department of State Growth	Early contractor involvement	Tasmania, Australia	Transport infrastructure

Located, 20kms north of Hobart's CBD, the iconic new bridge will replace an existing lift span bridge built in the 1940s with a modern structure spanning 1km over the Derwent River.

The design features a new four lane bridge downstream of the existing crossing, enhanced interchanges at either end and a dedicated pathway for cyclists and pedestrians.

The bridge will benefit 22 000 people daily, improving safety, connecting communities and creating more open spaces. Participation by local constructors will improve the economic benefit to Tasmania.

New Zealand and Pacific Islands – a track record of reliable project delivery
COVID-19 restrictions delayed project awards during the first half of the financial year, resulting in a 9% reduction in revenue. However, operating earnings remained in line with the prior year as the business unit successfully completed several major transport infrastructure and water supply projects. Renewed investment in infrastructure projects during the course of the year contributed to a material improvement in work in hand and liquidity.

Projects were completed across a range of McConnell Dowell disciplines and contributed to significant improvements in transport and water supply networks.

These included the Puhinui Station Interchange Project in Auckland (in joint venture with Built Environs), the Christchurch Southern Motorway Stage 2, and the City Rail Link Contract 2 in Auckland – all important upgrades and augmentations to New Zealand's road and rail network.

In the water sector, the Auckland-based Snells Algies Wastewater Pipeline and Outfall, and the St Marys Bay Water Quality Improvement projects were completed. The New Zealand operation continued to support regional water needs with projects such as the Pukekohe WWTP, Warkworth to Snells pump station and Dunedin City Council Panel works.

The Pacific Islands operations completed the Te Mato Vai project, a multi-staged upgrade of the water supply network on Rarotonga Island. McConnell Dowell delivered Stage 2, involving the design and construction of ten new water intakes across the island and construction of 12 kilometres of replacement trunk main from the intakes to a new ring main.

New work won grew to AUD437 million (2021: AUD104 million). New project awards included Barber Grove, Gisborne Wastewater Treatment Plant, Corbans Reserve, and Continuing works at AIAL on the Fuel network and Eastland Port.

In the Pacific Islands McConnell Dowell was awarded contracts to upgrade the lighting at Fitiuta Airport and Pago Runway 5/23000 in American Samoa and the Queen Salote Wharf in Tonga. These awards continue the company's long history of projects across the archipelago.

The New Zealand and Pacific Island operations have a growing pipeline of opportunities in the transport, water/wastewater and energy sectors.

PROVIDING A BETTER LIFE

Snells Algies Wastewater Pipeline and Outfall

Improving water quality and upgrading wastewater systems

Customer	Contract	Location	Project capabilities
Watercare Services Ltd	Design and Construct	Auckland, New Zealand	Marine pipelines and tunnelling

The highly complex project involving the installation of 4.3 kms of 630 diameter pipeline was successfully completed, building on McConnell Dowell's proud track record in marine and tunnelling infrastructure.

Like other similar trenchless pipelines installed by McConnell Dowell in New Zealand, it improves the quality of harbour water and upgrades wastewater systems to accommodate fast-growing regions.

The project set a new DirectPipe® world record of 2 021m for the longest single drive by a micro tunnel boring machine.

McConnell Dowell engaged extensively with local landowners, residents, Mana Whenua and the Auckland Council to build and maintain trusting relationships in the close-knit community of Mahurangi East.

Built Environs – expanding into new geographic markets

Built Environs, the commercial building arm of McConnell Dowell, increased its revenue by 20% following the award of previously deferred projects in all its markets.

The strong focus on new business and market exposure across each of the three regions Built Environs serves resulted in 215% growth in new work won to AUD312 million (2021: AUD99 million).

The business successfully delivered the Auckland City Mission Home Ground project and the Puhinui Station Interchange project in New Zealand, the State Sports Park in Adelaide, and its first project in Victoria, the Beaumaris Secondary College project for the Victorian Schools Building Authority.

Key project awards include the Queen Elizabeth Hospital Stage 3 Redevelopment in Adelaide for the South Australian state government and the Fitzroy Sports Centre for the Victorian state government. Built Environs extended its successful partnership with McConnell Dowell in New Zealand with the joint venture award of the A40 Central Plant and Tunnel Project for the Auckland District Health Board.

Built Environs heads into the new financial year with several promising opportunities in all regions and the likelihood of further business growth.

Review of the Group chief executive officer continued

Southeast Asia operations – navigating complex operating environments

The Southeast Asia operations continued to be impacted by COVID-19 related travel restrictions and supply chain disruptions. Although conditions improved during the second half of the year, this did not sufficiently mitigate the impact on certain projects, which contributed to an operating loss in the business unit.

Active projects include Tangguh LNG and Palembang Wastewater project in Indonesia; Jurong Regional Line (J108) project for the Land Transport Authority, C1A, and Tuas Water Reclamation Works in Singapore; and FGEN LNG Multi-Purpose Jetty and Gas Receiving Facility in the Philippines.

No new work was secured in line with the Group's strategic decision to reduce tendering activities until the operations return to full capacity.

While the region remains challenging for McConnell Dowell, management is committed to stabilising operations and focusing on promising longer term opportunities. A review of the opportunity pipeline identified quality prospects aligned with the Group's specialist engineering capability and delivery strengths.

Safety, health and environment performance

McConnell Dowell recorded a 12-month rolling LTIFR of 0,07 (2021: 0,06), against a target of 0,09 and total recordable injury frequency rate (TRIFR) of 0,54 (2021: 0,74) against a target of 1,00.

No serious environmental incidents were recorded.

PROVIDING A BETTER LIFE

Several projects were recognised for excellence in safety performance

The J108 Mass Rapid Transport project in Singapore achieved over one million hours without a lost-time injury and the Palembang City Sewerage project in Indonesia achieved one million hours LTI-free.

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

People and leadership

Due to the level of activity in the Australian market, human resource capacity and capability constraints are acute, with overseas recruitment campaigns and other management responses in place to combat the issue.

McConnell Dowell partners with Australia's top-ranked business school, The University of Melbourne - Melbourne Business School, to deliver an integrated development programme geared to develop leadership capabilities in an intensive learning experience.

The inaugural Senior Leadership Programme (SLP) was successfully delivered during the 2022 financial year. The second SLP is now underway and due for completion in November 2022. An Operational Leadership Programme targeting emerging leaders in project management team roles will launch during the 2023 financial year with an intensive five-day programme.

These leadership programmes are underpinned by various other development pillars, including individual coaching and team development initiatives at the executive committee and business unit leadership team levels, project manager forums, internal and external technical development courses, and mentoring, all captured in individual and accelerated individual development plans.

The McConnell Dowell team undertook an extensive review of their succession planning in the year. Incumbents were identified for key positions. They were put through assessments to understand their cognitive abilities and suitability to the roles they were identified for. Development plans allow the incumbents to obtain necessary skills and experience.

Graduate programmes in all four business units with proactive university and industry engagement secure bright minds for annual intakes. Future developments of this programme include international rotations once immigration and mobility pressures ease.

Moolmans

Moolmans, is a tier-one contract mining business operating in Africa, with a primary focus on open cast mining. Moolmans continued to focus on the quality of its contracts and enhancing project execution during the year. Operational performance benefitted from investments to strengthen capacity in the disciplines of engineering, commercial and procurement, and support Moolmans' fleet renewal programme.

Financial and operational performance

	R million		
	2022	2021	Variance (%)
Revenue	**3 349**	4 009	(16)
Gross earnings	**409**	407	–
Operating earnings	**207**	239	(13)
Operating free cash flow	**91**	480	(81)
Capital expenditure	**622**	649	(4)
Total assets	**2 856**	3 008	(5)
Total liabilities	**812**	1 251	35
Work in hand	**3 086**	5 445	(43)

Moolmans focused on the implementation of its strategy in volatile operating conditions, focusing on the quality of its contracts and improving operational performance.

Moolmans reported lower revenue of R3,3 billion for the year ended 30 June 2022 (2021: R4,0 billion) due to the termination or completion of four projects during the year. The decrease in revenue was partially offset by extensions and expansions on other existing contracts. Subsequent to year end, a new contract was secured at Klipspruit in support of the rehabilitation of the mine.

Earnings before non-recurring items (operating earnings) declined by 13% to R207 million compared to the R239 million of the prior year which included a R33 million gain from the sale of contract assets realised on the completion of a contract.

How we mitigate contractor risk and capitalise on opportunity

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.

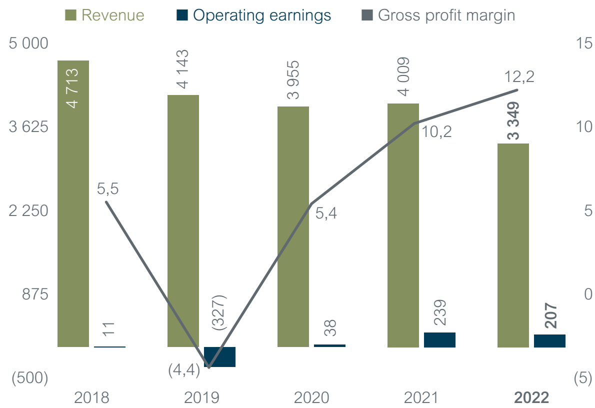
Moolmans focuses on the 5 Cs when appraising contracts, namely Customer, Commodity, Country, Climate and Currency.

Continuous improvement in Moolmans' operational performance is reflected in the progressive annual increase in its gross margin from a low of -4,4% in 2019 to 12,2% in 2022.

Strategic journey

Consistent strategy implementation and disciplined project management sustained Moolmans' profitability and improved its gross profit margin.

Key factors driving Moolmans' performance included:
- Renewed focus and discipline in project execution
- Improvements in contract management, fleet management, safety performance and procurement practices



Despite the challenges of ongoing load shedding and inflationary pressures, Moolmans maintained prudent management of costs and capital expenditure, resulting in operating free cash flow of R91 million.

Work in hand decreased to R3,1 billion (2021: R5,4 billion) mainly due to the deliberate termination of the Gamsberg contract, offset by a R1 billion extension of the Sishen contract. Post year end, Moolmans was awarded a new R576 million coal rehabilitation project at Klipspruit, increasing work in hand to R3,5 billion which supports 78% of 2023 revenue.

Moolmans is at an advanced stage of negotiations for a new five-year contract at Tshipi é Ntle mine and is the preferred bidder on projects valued at R11,4 billion. Furthermore, Moolmans has tenders worth R23,3 billion awaiting decisions and is preparing to submit tenders for contracts valued at R17,4 billion. This significant project pipeline includes existing and new customers in gold, copper, lithium and uranium projects in west and sub-Saharan Africa.

Fleet optimisation and renewal programme

Moolmans' fleet requires investment in heavy mining equipment for new and existing contracts.

A strategy has been developed to dispose of ageing equipment, replace or procure new equipment and implement an engineering-led approach to improve the average age and economic life of the fleet.

The strategy will be implemented during 2023 in a phased and disciplined approach to ensure an attractive return to shareholders.

Review of the Group chief executive officer continued

PROVIDING A BETTER LIFE

Tshipi Borwa

Supporting South Africa's biggest manganese exporter

Customer	Contract	Location	Project capabilities
Tshipi é Ntle	Open cut mining services	Northern Cape, South Africa	Open cut mining

Moolmans was awarded an initial five-year contract to establish open cut mining operations for overburden and manganese ore at the Tshipi Borwa mine. Services include bush clearing, topsoil stripping, drilling and blasting, loading and haul of ore and waste.

When manganese prices fell in 2016, the contract scope was reduced but Moolmans resumed full mining services when the market recovered.

Contract extensions have been awarded and Moolmans currently mines in excess of 12 million BCMs per annum, supporting South Africa's biggest manganese exporter and providing employment to the local community.

Safety, health and environment performance

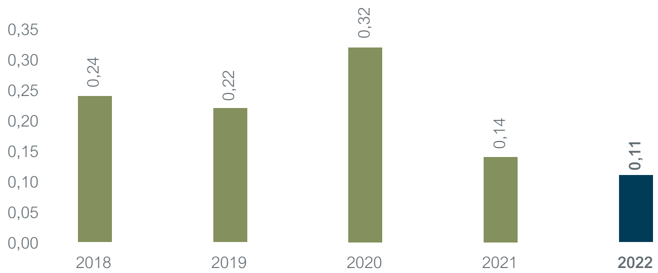
Employee safety and wellbeing is fundamental to Moolmans' reputation as an employer of choice, and we implement targeted measures to improve safety performance. Respect for, and upliftment of the communities which host our operations, combined with responsible stewardship of the natural environment,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

Safety

An improvement in Moolmans' overall safety performance was reflected in the decline in the LTIFR to 0,11 (2021: 0.14), against a target of 0,19.

The TRIFR dropped to 0,43 (2021: 0,59), against a target of 0,60.

LTIFR performance – per 200 000 hours worked



Among the measures Moolmans implements to create safer working environments are:

- Continuous employee engagement onsite by senior management
- Higher levels of awareness among employees of risk controls in all mining and maintenance activities
- Safety training and retraining
- Sharing of lessons learnt from incident investigations
- Implementation of action plans to address the findings of safety culture assessments conducted in 2021

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, ISO9001:2015 and OHSACT 18001:2007 accreditations.

Environmental stewardship

Moolmans continues to monitor 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 provides funding for six external students studying towards Engineering degrees at recognised tertiary institutions. Of these students, three are African females and three are African males.

Thirty employees are receiving study assistance across Moolmans towards the attainment of qualifications in line with career paths and organisational skills requirements. Of these, 24 (80%) are historically disadvantaged South Africans (HDSA) and 15 (50%) are female. Further work is required in 2023 to implement specific programmes that will develop the managerial skills of middle managers and identified future talent.

Moolmans has 121 apprentices on a formal apprenticeship programme which is managed and run internally by Moolmans as an accredited apprenticeship training school. Of these, 116 (96%) are HDSA and 25 (21%) are female. Of the 94 apprentices who qualified in 2022, 35 (37%) were absorbed into artisan positions.

Moolmans has 50 learners completing a formal learnership programme. Of these, 46 (92%) are HDSA and 34 (68%) are female. The programmes mainly comprise a rock breaking learnership to obtain a blasting certificate which then provides opportunities for learners to be appointed into positions at mining pit operations. Other formal learnership programmes include NQF level 3 to 5 learnerships in management and business administration, labour relations, project management and supply chain.

Moolmans enables further education for its employees, focusing on those who do not have the minimum requirements to engage in further studies. Moolmans is currently providing financial support to enable eight employees to complete their National Senior Certificate (Grade 12) qualifications. Of these, six (75%) are female HDSA individuals.

Non-core operations

Trident Steel

Trident Steel continued to deliver strong results as a steel service centre business, primarily focused on the automotive sector. Despite a challenging operating environment that included the KwaZulu-Natal riots in July 2021, industrial action in the steel industry, damages incurred by the KwaZulu-Natal floods in April 2022 and the ongoing global shortage of semi-conductors that impacted its OEM (original equipment manufacturer) clients, Trident Steel reported improvements in revenue, gross profit, EBITDA and safety performance. The KZN factory has since been restored to full production.

Revenue grew by 4% to R3,3 billion (2021: R3,2 billion) after being positively impacted by higher global steel prices, partially offset by lower sales volumes due to business disruptions and the closure of the merchanting business in 2021. EBITDA increased by 21% to R301 million (2021: R247 million).

Earnings before non-recurring items (operating earnings) of R220 million was 11% lower due to the reclassification of Trident Steel as a continuing operation in the 2022 financial year and includes depreciation and amortisation of R81 million. The comparative period did not include a charge for depreciation and amortisation due to the classification as Held for Sale under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5).

Trident Steel generated operating free cash flow of R160 million after investing in capital expenditure and working capital in the current year. The prior year operating free cash flow of R567 million included the once-off cash on disposal of merchanting inventory.

Following the award of new first tier supply contracts for the new Ford Ranger and VW Amarok as well as increased levels of planned production on existing contracts by other OEMs, prospects for the growth of this business remain positive.

Non-core operations

Aveng Manufacturing

Manufacturing recorded lower revenues and an operating loss of R5 million, in line with the disposal of operations during the year. Subsequent to year end, the Group concluded an agreement to sell the remaining Infraset factories in Zambia and Mozambique, along with the related legal entities, as going concerns. The disposals do not require separate disclosure in terms of the JSE Listings Requirements and are subject to regulatory approvals. These are the final disposals of manufacturing businesses.

Project management office

The project management office (PMO) closes out the non-core disposals and ensures that the Group complies with all statutory, legal, technical, commercial and human resources obligations.

Outstanding obligations relate primarily to Aveng Construction: South Africa. The operation recorded operating costs of R67 million and a cash outflow of R165 million. The South African bond exposure decreased further from R554 million in June 2021 to R350 million, in line with the ongoing completion of projects. Subsequent to year end, bond exposure further reduced to R191 million.

Aveng, along with other industry players, mutually agreed to the settlement of a civil claim by the City of Cape Town relating to the Green Point Stadium. Aveng will pay the City of Cape Town R31,5 million over a three-year period. Provision has been made for this expense.

Information on Aveng's future prospects is available in the Outlook report on page 55.

Sean Flanagan
Group chief executive officer

27 October 2022

Report of the Group finance director

Aveng focused on growing revenues and improving operational performance in its businesses in order to enhance gross margins, operating earnings and cash generation.

Adrian Macartney
Group finance director

2022 focus areas

Aveng focused on executing the turnaround strategy and delivering consistent, sustainable revenue growth and profit:

1 **Revenue** of R26,2 billion

2 **Operating earnings** of R576 million

3 **Headline earnings** of R308 million

4 **Operating free cash flow** of R612 million

5 **Net cash** of R1,1 billion

Overview

Revenue increased to R26,2 billion (2021: R25,7 billion). The earnings before non-recurring items improved to R576 million from R536 million in June 2021. The Group reported a second consecutive year of profitability with headline earnings of R308 million or 252 cents per share (2021: R751 million or 1 016 cents per share (restated)). Earnings attributable to equity holders of the parent amounted to R130 million or 106 cents per share (2021: R990 million or 1 337 cents per share (restated)). Reported earnings for the year were R130 million (2021: R988 million).

Normalised earnings

In evaluating Company performance, the Board excludes non-recurring items. Such non-recurring items are either income or expenses that do not occur regularly as part of the normal activities of the Group and arise as a result of the capital restructure of the Group, IFRS 5 adjustments and adjustments in respect of non-core assets. Normalised earnings are adjusted for the effects of non-recurring items and include:

- Impairment loss on right-of-use assets and intangible assets;
- Impairment loss or reversal of impairment of long-term receivables;
- Gains or losses on disposal of non-core assets and PPE;
- Fair value adjustments of disposal groups classified as Held for Sale; and
- Early redemption of borrowings.

Normalised measures are used by management to assess the underlying sustainable performance of the Group and do not replace the measures determined in accordance with IFRS as an indicator of the Group's performance, but rather should be used in conjunction with the most directly comparable IFRS measures.

Normalised earnings of R204 million (June 2021: R66 million) were recorded. Normalised earnings per share was 167 cents (June 2021: 89 cents per share (adjusted retrospectively for the number of shares in issue after two rights offers and the share consolidation; and restated for change in classification of Trident Steel as a continuing operation)).

Report of the Group finance director continued

Classification of Trident Steel as continuing operations

While the strategy to dispose of Trident Steel remains unchanged, Aveng is required to continue to consider the application of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5). Following a compulsory annual technical evaluation, the criteria to disclose Trident Steel as Held for Sale and discontinued operations were not met as at 30 June 2022. Consequently, Trident Steel was reclassified as a continuing operation. The reclassification required the recognition of prior periods depreciation and amortisation of R155 million, partially offset by a reversal of previously recognised impairments of R103 million, resulting in a net charge of R52 million in the current year. This compares to a fair value gain of R611 million in the previous year. These amounts have been included in the reported earnings. The reclassification and related non-cash charges and gains did not impact the trading activities or cash flow of Trident Steel.

Share consolidation

The Group implemented a successful share consolidation on 8 December 2021, with every 500 shares consolidated into 1 share. This resulted in a reduction in the number of shares authorised and in issue, which in turn increased the share price commensurately. The consolidation was necessary to reduce the administrative burden associated with the large number of shares in issue, recalibrate supply and demand dynamics, improve liquidity and relevance of the share and reduce price volatility. The number of shares, earnings per share and headline earnings per share in the prior period have been restated to reflect the share consolidation.

Financial performance

Statement of comprehensive income

	FY 2022 Rm	FY 2021 Rm	Change Rm
Revenue	**26 178**	25 709	469
Cost of sales	**(24 066)**	(23 744)	(322)
Gross earnings	**2 112**	1 965	147
Other earnings	**140**	268	(128)
Operating expenses	**(1 671)**	(1 675)	4
Earnings before non-recurring items	**576**	536	40
Non-recurring items*	**(180)**	868	1 048
Earnings before financing transactions	**396**	1 404	1 008
Net finance expense	**(237)**	(375)	138
Earnings before taxation	**159**	1 029	(870)
Taxation	**(29)**	(41)	12
Earnings for the year	**130**	988	858
Basic earnings per share (cents)	**106**	1 337	(1 231)
Headline earnings for the year	**308**	751	(443)
Headline earnings per share (cents)	**252**	1 016	(764)

Core business revenue increased by 7% to R22,4 billion (2021: R20,9 billion) and makes up 86% of total Group revenue (2021: 81%).

Decreased mainly due to the recognition in the prior financial year of R60 million of COVID-19 subsidy income, a reduction of R36 million from dividends received and a reduction of R11 million from property rental income.

McConnell Dowell R385 million (2021: R312 million)
Moolmans R207 million (2021: R239 million)
Trident Steel R220 million (includes R91 million in depreciation and amortisation) (2021: R247 million, nil depreciation and amortisation).

Net interest to financial institutions decreased by 46% to R151 million, mainly due to lower levels of debt. IFRS 16 and discounting facilities interest decreased by 8%.

* Non-recurring items mainly comprised:

- Impairment loss on plant and equipment of R106 million (2021: R54 million) related to individual assets at Moolmans that are underutilised, obsolete or physically damaged;
- Impairment loss on right-of-use assets of Rnil compared to the prior year loss of R187 million on property leases, primarily associated with sale of non-core assets; and
- Fair value loss on disposal groups classified as Held for Sale of R74 million (2021: R611 million gain). R52 million was recognised in the current year on the reclassification of Trident Steel as a continuing operation. The remaining R22 million was recognised on other non-core assets.

Normalised performance measures

Normalised operating earnings before non-recurring items of R576 million (2021: R443 million).

	FY 2022 Rm	Pro-forma# FY 2021 Rm	Change Rm
Earnings before non-recurring items	**576**	536	40
Depreciation and amortisation – Trident Steel*	**–**	(93)	93
Normalised earnings before non-recurring items	**576**	443	133

* *Following a technical evaluation on the application of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (IFRS 5), the criteria to disclose Trident Steel as Held for Sale and discontinued operations were not met during the year. Consequently, Trident Steel was reclassified as a continuing operation which resulted in a charge for the year. No depreciation and amortisation were recognised while Trident Steel was classified as Held for Sale.*

\# *The presentation of the pro-forma financial information and related reconciliation as detailed, is the responsibility of the directors of Aveng Limited. The pro-forma financial information has been prepared for illustrative purposes only and may not fairly present the financial position, changes in equity, and results of operations or cash flows of Aveng Limited. The pro-forma financial information is presented in accordance with the JSE Listings Requirements and the SAICA Guide on Pro-Forma Financial information. This pro-forma financial information for the year and prior comparative year has not been reviewed or reported on by the Group's auditor.*

Normalised earnings of R204 million (2021: R66 million).

	Pro-forma# FY 2022 Rm	FY 2021 Rm	Change Rm
Earnings for the year	**130**	988	(858)
Impairment loss on intangibles assets	**8**	–	(8)
Impairment loss on right-of-use assets	**–**	187	(187)
(Reversal of) / impairment loss on long-term receivables	**(26)**	26	(52)
Loss / (gain) on disposals of Assets Held for Sale	**22**	(28)	50
Gain on sale of property, plant and equipment	**(4)**	(10)	6
Fair value adjustment of disposal groups classified as Held for Sale**	**74**	(611)	685
Gain on early redemption of borrowings and other liabilities	**–**	(486)	486
Normalised earnings for the year	**204**	66	138

** *Following a technical evaluation on the application of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (IFRS 5), the criteria to disclose Trident Steel as Held for Sale and discontinued operations were not met during the year. Consequently, Trident Steel was reclassified as a continuing operation and this resulted in recognition of prior year' depreciation and amortisation of R155 million, partially offset by a reversal of previously recognised impairments of R103 million, resulting in a net charge of R52 million. This compares to a fair value gain of R611 million in the prior year.*

\# *The presentation of the pro-forma financial information and related reconciliation as detailed, is the responsibility of the directors of Aveng Limited. The pro-forma financial information has been prepared for illustrative purposes only and may not fairly present the financial position, changes in equity, and results of operations or cash flows of Aveng Limited. The pro-forma financial information is presented in accordance with the JSE Listings Requirements and the SAICA Guide on Pro-Forma Financial information. This pro-forma financial information for the year and prior comparative year has not been reviewed or reported on by the Group's auditor.*

Normalised earnings per share was 167 cents (2021: 89 cents per share). The prior year was calculated using a pro forma comparative weighting of 122,5 million shares and restated for the change in classification of Trident Steel as a continuing operation. This metric has been used for illustrative and comparative purposes only.

Report of the Group finance director continued

Segmental results

	REVENUE			EBITDA			NORMALISED OPERATING EARNINGS/LOSS*		
	FY 2022 Rm	FY 2021 Rm	Change Rm	**FY 2022 Rm**	FY 2021 Rm	Change Rm	**FY 2022 Rm**	FY 2021 Rm	Change Rm
McConnell Dowell	**19 034**	16 911	2 123	**663**	616	47	**385**	312	73
Moolmans	**3 349**	4 009	(660)	**660**	854	(194)	**207**	239	(32)
Other and eliminations	**(6)**	–	(6)	**(161)**	(117)	(44)	**(164)**	(122)	(42)
Total core	**22 377**	20 920	1 457	**1 162**	1 353	(191)	**428**	429	(1)
Aveng Construction: South Africa	**150**	591	(441)	**(67)**	(161)	94	**(67)**	(164)	97
Aveng Manufacturing	**355**	1 035	(680)	**10**	24	(14)	**(5)**	24	(29)
Trident Steel	**3 296**	3 163	133	**301**	247	54	**220**	154*	66
Total non-core	**3 801**	4 789	(988)	**244**	110	134	**148**	14	134
Total Group	**26 178**	25 709	469	**1 406**	1 463	(57)	**576**	443	133

* *Non IFRS metric.*

- Core revenue increased by 7% bolstered by the Australian operations of McConnell Dowell.
- Non-core revenue decreased by 21%, disposal of various operations during the year.

- Core assets decreased by 14%. Decreased capital expenditure resulted in lower EBITDA for Moolmans. FY22 depreciation and amortisation was R734 million (2021: R924 million).
- Non-core assets increased by R121 million due to good performance by Trident Steel and the continued wind down of Aveng construction.

- Core assets were in line with prior year.
- McConnell Dowell recorded an improvement from prior year.
- Moolmans remained in line with prior year, excluding a R33 million gain relating to a once-off sale of assets in the prior year.
- Other and eliminations costs increased due to additional expenditure on the execution of the Group's growth strategy.
- Non-core assets increased profitability. Trident Steel recorded a 43% increase on a normalised basis (adjusted for prior year IFRS 5 depreciation impact of R93 million) and Aveng construction contributed to the majority of the improvement.

Statement of financial position

	June 2022 Rm	June 2021 Rm
Assets	**12 475**	12 445
Goodwill	**100**	100
Property, plant and equipment	**2 479**	2 463
Right-of-use assets	**606**	337
Investments	**148**	287
Deferred taxation	**738**	725
Working capital	**5 491**	3 936
Assets Held for Sale	**144**	1 989
Cash and bank balances	**2 617**	2 519
Other assets	**152**	89
Liabilities and equity	**12 475**	12 445
Liabilities		
External borrowings and liabilities	**481**	879
Deferred taxation	**121**	152
Lease liabilities	**1 039**	519
Working capital	**5 848**	4 738
Provisions	**545**	520
Employee-related payables	**695**	614
Liabilities Held for Sale	**16**	1 575
Other liabilities	**10**	–
Equity	**3 720**	3 448

Property, plant and equipment of R2,5 billion remained in line with the prior year.

The Group incurred **replacement capital expenditure** of R834 million (2021: R810 million), with no expansionary capital expenditure (2021: R9 million). The majority of the amount was spent as follows:
- R187 million (2021: R170 million) at McConnell Dowell, relating to specific projects across the business units; and
- R622 million (2021: R649 million) at Moolmans, primarily investment in components for existing fleet.

Right-of-use assets increased by R269 million to R606 million due to the inclusion of Trident Steel right-of-use assets of R574 million following the reclassification as a continuing operation, offset by additional depreciation of R147 million, not expensed whilst Trident Steel was classified as Held for Sale under *IFRS 5*.

Inventories increased by R817 million to R1,0 billion (2021: R211 million) largely due to the reclassification of Trident Steel as a continuing operation.

Contract Assets for the Group increased to R3,6 billion (2021: R3,4 billion) due to an increase in McConnell Dowell's uncertified revenue offset by a reduction in contract receivables.

Assets Held for Sale decreased by R1,8 billion to R144 million (2021: R2,0 billion) due to the reclassification of Trident Steel as a continuing operation and the disposal of non-core assets. The remaining assets classified as Held for Sale comprise Infraset factories in the *Manufacturing and Processing* disposal group and infrastructure and equity investments sold subsequent to year end, subject to regulatory approvals.

External borrowings and other liabilities decreased by R398 million to R481 million (2021: R879 million) due to R350 million senior debt repayments and the settlement of R41 million relating to asset-backed financing arrangements.

Lease liabilities increased by R520 million to R1,0 billion mainly due to the reclassification of Trident Steel as a continuing operation. In addition to the reclassification of Trident Steel, new leases of R88 million offset by R238 million of capital lease repayments.

Contract liabilities was in line with the prior year at R1,7 billion.

Liabilities Held for Sale decreased by R1,5 billion to R16 million (2021: R1,6 billion) due to the reclassification of Trident Steel as a continuing operation and the disposal of non-core liabilities. The remaining liabilities in Held for Sale comprise the Infraset factories in the *Manufacturing and Processing* disposal group.

Report of the Group finance director continued

Liquidity

	FY 2022 Rm	FY 2021 Rm	Change Rm
Net cash (including overdrafts)	**2 617**	2 519	98
South African operations	**249**	666	(417)
McConnell Dowell	**2 368**	1 853	515
Borrowings	**(481)**	(879)	398
South African operations	**(478)**	(835)	357
McConnell Dowell	**(3)**	(44)	41
Net cash	**2 136**	1 640	496
IFRS 16 finance lease liability	**(1 039)**	(519)	(520)
Post IFRS 16 net cash	**1 097**	1 121	(24)
McConnell Dowell	**676**	711	(35)
Moolmans	**91**	480	(389)
Other and eliminations	**(133)**	(161)	28
Total core	**634**	1 030	(396)
Aveng Construction: South Africa	**(164)**	(79)	(85)
Aveng Manufacturing	**(18)**	(8)	(10)
Trident Steel	**160**	567	(407)
Total non-core	**(22)**	480	(502)
Operating free cash flow	**612**	1 510	(898)

The Group continued to actively manage the liquidity and cash flow in two distinct liquidity pools i.e. McConnell Dowell and the South African liquidity pool. McConnell Dowell's liquidity benefited from the receipt of advance payments and a growing order book. As a result, McConnell Dowell reported a strong cash balance with sufficient cash and liquidity to support the growing order book and the growth opportunities that this market continues to present. The South African liquidity pool remains tightly managed and continues to demonstrate significant improvement compared to the prior period.

Cash and bank balances (net of bank overdrafts) increased to R2,6 billion (2021: R2,5 billion). Cash in McConnell Dowell increased by R515 million mainly due to the cash settlement of AUD25 million for a long outstanding legacy claim and growth in working capital. This was offset by R398 million debt repayments, debt service costs and additional working capital requirements in South Africa.

Net cash position remained in line with prior year at R1,1 billion.
- Cash and bank balances increased by R98 million
- External borrowings decreased by R398 million following scheduled repayment of external debt
- Offset by an increase of R520 million in *IFRS 16* lease liabilities following the reclassification of Trident Steel as a continuing operation

Information on Aveng's future prospects is available in the Outlook report on page 55.

Management's financial review and key ratios

Consolidated statement of financial position	2022 Rm	2021 Rm	2020 Rm	2019 Rm	2018 Rm
Property, plant and equipment*	**2 479**	2 463	2 741	2 814	3 010
Right-of-use assets*	**606**	337	439	–	–
Goodwill and other intangibles	**101**	111	115	139	147
Equity-accounted investments	**6**	30	35	45	73
Infrastructure investments	**142**	257	259	142	142
Deferred taxation	**738**	725	813	622	747
Inventories	**1 028**	211	187	214	255
Receivables**	**4 614**	3 803	2 983	2 858	3 532
Cash and bank balances	**2 617**	2 519	1 755	1 605	2 391
Assets Held for Sale	**144**	1 989	2 309	3 843	4 773
TOTAL ASSETS	**12 475**	12 445	11 636	12 282	15 070
TOTAL EQUITY	**3 720**	3 448	1 840	2 454	2 594
Deferred tax liability	**121**	152	166	86	49
Payables*** / ****	**6 553**	5 352	4 421	3 854	4 745
Provisions****	**545**	520	354	307	146
External borrowings and other liabilities	**481**	879	1 883	2 145	3 141
Lease liabilities*	**1 039**	519	497	–	–
Bank overdrafts	**–**	–	424	–	315
Liabilities Held for Sale	**16**	1 575	2 051	3 436	4 080
TOTAL LIABILITIES	**8 755**	8 997	9 796	9 828	12 476
Non-controlling interest	**7**	7	7	7	9
TOTAL EQUITIES AND LIABILITIES	**12 475**	12 445	11 636	12 282	15 070

* *Right-of-use assets which were previously presented as part of Property, plant and equipment have been moved into a separate note and presented separately on the Statement of Financial Position, due to a change in IFRS.*
** *Including trade and other receivables, contract assets, derivative instruments, taxation receivable, lease receivables and other non-current assets.*
*** *Including trade and other payables, contract liabilities, derivative instruments, taxation payables and employee-related payables.*
**** *Provisions which were previously presented as part of Trade and other payables have been moved into a separate note and presented separately on the Statement of Financial Position.*

Working capital#	2022 Rm	2021 Rm	2020 Rm	2019 Rm	2018 Rm
Inventory	**1 033**	937	1 026	1 872	2 045
Trade and other receivables	**856**	802	817	1 471	1 580
Contract assets	**3 626**	3 403	2 539	3 022	3 964
Current trade and other payables	**(4 164)**	(4 274)	(3 225)	(4 877)	(5 722)
Contract liabilities	**(1 699)**	(1 661)	(1 297)	(1 037)	(1 489)
Net working capital	**(348)**	(793)	(140)	451	378

Reflects working capital before Held for Sale adjustments.

Uncertified revenue and claims	2022 Rm	2021 Rm	2020 Rm	2019 Rm	2018 Rm
Uncertified claims and variations	**1 225**	817	660	1 316	1 646
Contract contingencies	**(81)**	(50)	(290)	(637)	(490)
Contract and retention receivables	**2 485**	2 632	2 170	2 344	2 808
Provision for contract receivables	**(3)**	(1)	(1)	(1)	–
Contract assets	**3 626**	3 398	2 539	3 022	3 964
Progress billings received	**(1 699)**	(1 656)	(1 284)	(977)	(1 404)
Amounts received in advance	**–**	(1)	(14)	(60)	(85)
Contract liabilities	**(1 699)**	(1 657)	(1 298)	(1 037)	(1 489)
Net contract assets	**1 927**	1 741	1 242	1 985	2 475
Foreign exchange impact	**68**	(92)	320	34	8

Management's financial review and key ratios
continued

	2022 Rm	2021 Rm	2020 Rm	2019 Rm	2018 Rm
Revenue	**26 178**	25 709	20 878	25 676	30 580
Gross earnings	**2 112**	1 965	971	1 048	1 798
Other earnings	**140**	268	163	110	106
Operating expenses	**(1 671)**	(1 675)	(1 647)	(2 247)	(2 292)
(Loss) / earnings from equity accounted investments	**(5)**	(22)	(19)	(30)	(13)
Earnings / (loss) before non-recurring items	**576**	536	(532)	(1 119)	(401)
Impairment on non-financial assets	**(88)**	(267)	(168)	(292)	(2 300)
Gain on redemption of convertible bond	**–**	–	–	102	–
(Loss) / Gain on sale of assets Held for Sale	**(22)**	28	24	203	
Gain on sale of subsidiaries	**–**	–	10	41	–
Gain on sale of property, plant and equipment and intangible assets	**4**	10	61	36	47
Gain on early redemption of borrowings and other liabilities	**–**	486	–	–	–
Fair value (loss) / gain on properties and disposal groups classified as Held for Sale	**(74)**	611	(13)	–	–
Earnings / (loss) before finance transactions	**396**	1 404	(618)	(1 029)	(2 654)
Finance earnings	**20**	19	32	181	246
Convertible bond	**–**	–	–	(63)	(251)
Other finance expenses	**(257)**	(394)	(461)	(524)	(434)
Earnings / (loss) before taxation	**159**	1 029	(1 047)	(1 435)	(3 093)
Taxation	**(29)**	(41)	(69)	(245)	(426)
Earnings / (loss) for the year attributed to:	**130**	988	(1 116)	(1 680)	(3 519)
Earnings / (loss) from continuing operations	**155**	983	(888)	(910)	(1 078)
Earnings / (loss) from discontinued operations*	**(25)**	5	(228)	(770)	(2 441)
Other comprehensive earnings / (loss) for the year:					
Exchange differences on translation of foreign operations	**107**	(265)	318	(73)	48
Movement in other reserves	**–**	–	–	20	–
Total comprehensive earnings / (loss) for the period	**237**	723	(798)	(1 733)	(3 471)
Earnings / (loss) for the year attributed to:					
Equity-holders of the parent	**130**	990	(1 119)	(1 681)	(3 523)
Non-controlling interest	**–**	(2)	3	(1)	4
Loss for the period:	**130**	988	(1 116)	(1 682)	(3 519)
Total comprehensive earnings / (loss) attributable to:					
Equity-holders of the parent	**237**	723	(798)	(1 731)	(3 473)
Non-controlling interest	**–**	–	–	(2)	2
	237	723	(798)	(1 733)	(3 471)
Determination of headline loss					
Earnings / (loss) for the year attributable to equity-holders	**130**	990	(1 119)	(1 681)	(3 523)
Headline earnings adjustment	**178**	(239)	169	136	1 960
Headline earnings / (loss)	**308**	751	(950)	(1 545)	(1 563)

* *In the current year, the sale of Trident Steel did not meet the highly probable criteria in terms of IFRS 5 and was transferred to continuing operations. The Group represented the results of Trident Steel for all periods presented.*

Consolidated statement of cash flows	2022 Rm	2021 Rm	2020 Rm	2019 Rm	2018 Rm
Cash from operating activities	**1 147**	1 912	279	(1 002)	430
Cash from investing activities	**(547)**	402	(284)	(1)	(464)
Operating free cash flow	**612**	(1 510)	(5)	(1 003)	(34)
Cash from financing activities	**(643)**	(69)	(490)	613	133
Net (decrease) / increase in cash and bank balances before foreign exchange movements in cash	**(43)**	1 441	(495)	(390)	99
Returns and productivity					
Net cash / (debt) position	**2 136**	1 640	(552)	(540)	(1 211)
CPI (%)	**6,5**	4,9	2,2	4,5	4,4
Current ratio (times)	**1,2**	1,1	0,7	1,0	1,0
Effective tax rate before impairment (%)	**18,3**	4,0	(5,9)	(17,1)	(13,8)
Margin – gross (%)	**8,1**	7,6	4,9	4,1	5,9
– earnings before non-recurring items (%)	**2,2**	2,1	2,5	(4,4)	(1,3)
Property, plant and equipment					
Property, plant and equipment –					
– expansion capital expenditure	**–**	9	3	47	138
– replacement capital expenditure	**834**	810	759	674	625
Operating free cashflow before expansion capital expenditure (Rm)	**612**	1 519	2	(956)	104
Headline earnings growth (%)	**(59,0)**	>100	38,6	(1,2)	74,0
Return on capital employed (%)	**10,9**	11,0	(14,2)	(25,7)	(7,0)
Return on equity (%)	**3,5**	28,7	(60,7)	(68,5)	(135,8)
Number of employees at year end	**5 211**	6 086	7 266	11 544	14 158

Operating free cash flow	2022 Rm	2021 Rm	2020 Rm
McConnell Dowell	**676**	711	506
Moolmans	**91**	480	191
Aveng Construction: South Africa	**(164)**	(79)	(545)
Aveng Manufacturing	**(18)**	(8)	(84)
Trident Steel	**160**	567	172
Other	**(133)**	(161)	(245)
Total	**612**	1 510	(5)

Net cash	2022 Rm	2021 Rm	2020 Rm	2019 Rm	2018 Rm
Cash	**2 617**	2 519	1 331	1 605	2 076
South African operations	**249**	666	(342)	581	633
McConnell Dowell	**2 368**	1 853	1 673	1 024	1 443
Borrowings (excl. IFRS 16 Lease Liabilities)	**481**	879	1 883	2 145	3 287
Convertible bond	**–**	–	–	–	1 929
South African operations	**478**	835	1 761	1 967	1 154
McConnell Dowell	**3**	44	122	178	204
Net cash / (debt)	**2 136**	1 640	(552)	(540)	(1 211)

Management's financial review and key ratios
continued

Share performance	2022	2021*	2020**	2019**	2018**
Headline earnings / (loss) (cents per share)	**251,6**	1 016,0	(4,9)	(9,7)	(290,1)
Diluted headline earnings / (loss) (cents per share)	**238,0**	928,0	(4,9)	(9,7)	(285,2)
Earnings / (loss) (cents per share)	**106,1**	1 337,0	(4,6)	(10,5)	(653,9)
Diluted earnings / (loss) (cents per share)	**100,4**	1 221,0	(4,6)	(10,5)	(643,0)
Cash generated / (utilised) by operating activities (Rm)	**1 468**	2 275	746	(580)	813
Net asset value (cents per share)	**2 873**	2 662	9	13	14
Closing share price	**1 535**	2 696	4	3	14
Number of shares (million)					
In issue	**129,5**	129,5	19 394,5	19 394,5	416,7
Weighted average	**122,5**	73,9	19 369,6	15 995,5	538,8
Diluted weighted average	**129,5**	80,9	19 369,6	15 995,5	548,0
Rand to AU dollar					
Closing	**11,27**	10,71	11,96	9,90	10,13
Average	**11,11**	10,63	11,81	10,15	9,98
Rand to US dollar					
Closing	**16,39**	14,27	17,37	14,10	13,71
Average	**15,83**	13,92	17,12	14,19	13,32

* *The 2021 share performance information was retrospectively represented for the effects of the 500-for-1 share consolidation.*
** *The share performance information is based on shares in issue as at the reporting date and has not been retrospectively represented.*

Outlook

Aveng is suitably positioned and equipped to continue on a path of sustainable, profitable growth.

The Group enters the 2023 financial year in a strong position, with core operations' work in hand (WIH) amounting to R40,7 billion, and supporting 90% of next year's revenue.

McConnell Dowell

McConnell Dowell's pipeline of preferred status and submitted tenders establishes a clear pathway to continued growth in 2023 and 2024. McConnell Dowell is expected to increase revenue and earnings in enabling operating environments in Australia and New Zealand during the year ahead.

AUD3,2bn	AUD1,7bn	AUD2,5bn	AUD1,3bn	AUD8,7bn
Work in hand	Current preferred status	Submitted tenders outstanding	Tenders in preparation	Total pipeline

Moolmans

Moolmans' project pipeline includes opportunities in a diverse range of geographic locations and commodities in Africa. However, mining project awards tend to be slower due to their longer duration and high capital investment. Moolmans' performance is expected to be steady as the operation focuses on continuous improvements in internal processes and invests in its fleet optimisation and renewal strategy to improve onsite productivity and deliver enhanced value to customers during a positive stage in the commodity cycle.

R3,5bn	R11,4bn	R23,3bn	R17,4bn	R55,6bn
Work in hand	Current preferred status	Submitted tenders outstanding	Tenders in preparation	Total pipeline

Trident Steel's revenue and operating earnings are expected to increase due to demand generated by the production of new automotive models and increased volumes from OEMs.

Corporate costs will remain consistent with the prior year as we continue to implement the Group's growth strategy.

Mitigating the effect of inflationary cost pressures in McConnell Dowell

Cost increases, driven by rising commodity prices, ongoing supply chain disruptions and higher interest rates, impact project execution. McConnell Dowell has applied the following strategies to mitigate the effect of inflationary cost pressures on existing projects and new tenders.

67% of WIH has contract protection	23% of WIH managed through	Approximately 10% of WIH remains exposed to escalation after allowing for head contract protection and risk transfer
• Alliances and cost reimbursement contracts • Rise and fall on all our selected elements • Ability to reprice elements of work	• Lump sum contingency allowances in tenders • Transfer of risk to the supply chain, in collaboration with subcontractors • Early / advanced procurement and award of subcontractors on projects	• These are considered covered by associated contingency allowances

We create value for our clients and other stakeholders whose lives are influenced by our infrastructure and mining projects.

Puhinui Station Interchange – New Zealand


Puhinui

Governance

Aveng governance is established at the top. 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. Aveng is committed to the highest standards of governance, ethics and integrity.

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 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.

Practices and frameworks are reviewed on an ongoing basis to ensure that we act in the best interest of all our stakeholders. We are mindful of the dynamic landscape in which Aveng operates, which is influenced by, among other factors, health and economic changes, geopolitics, enhanced data safety and security requirements.

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 committee, and the social, ethics and transformation committee. The Board monitors compliance with the Memorandum of Incorporation, the JSE Listings Requirements, King IV, the Companies Act, and other relevant 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.

Statement: The board assessed the company secretarial function for the year under review, as required by the JSE Listings Requirements, and confirmed that Edinah Mandizha continues to demonstrate the requisite level of knowledge and experience to carry out all duties. The company secretary is confirmed to be competent, suitably qualified and experienced to meet the governance requirements.

Governance of information and technology

The Board delegates the governance of information and technology risk to the risk committee to ensure that Aveng's IT strategy is reviewed annually, and the function is suitably resourced to support the Group's strategy. In 2021, the Group initiated a strategy and governance review of the IT function. This was led by Ziyasiza Consulting who provide specialist chief information officer services (CIO-as-a-service). The scope of the review included the IT strategy and King IV IT governance requirements. In accordance with Principle 12 of King IV, the Group ICT Steering Committee has been reconstituted. During the year the risk committee focused on enhancing cyber security given the global increase in cyber-attacks.

Following the review, the Group aligned its ICT strategy with its business strategy and integrated it throughout the organisation. By modernising its IT systems with new generation technologies and cloud migration, the Group is strengthening the resilience of its operations and creating a data-driven culture that is intended to improve operational efficiencies, safety and data security.

Governance of enterprise risk management

The Board, assisted by the risk committee, is responsible for the governance and effective oversight of risk and opportunity management.

A key outcome of the Board's effectiveness review in 2021 was the need to increase its focus on risks and opportunities as the derisking of Aveng's balance sheet enabled the Group to capitalise on growth opportunities. In response, the Board:

- Established the risk committee (previously combined with the audit committee) as a separate Board committee. This increased the focus on risk and opportunity management.
- Oversaw the strengthening of Aveng's enterprise risk management capacity and systems in response to volatile, uncertain and complex operating environments.

These enhancements align the Group's risk and opportunity management approach with global best practice and support effective strategy implementation.

Governance structure

Board composition – ensuring effective leadership

At 30 June 2022

AVENG Providing a better life

Structure of Board and Committees
June 2022

Aveng Limited
PA Hourquebie – Chair
SJ Flanagan – CEO
MA Hermanus – Lead Independent
MJ Kilbride – Non-executive
B Modise – Non-executive
BC Meyer – Non-executive
B Swanepoel – Non-executive
AH Macartney – Executive

Risk committee
MJ Kilbride – Chair
B Modise
PA Hourquebie
B Swanepoel

Tender Risk committee
MJ Kilbride – Chair
SJ Flanagan
AH Macartney
PA Hourquebie
B Swanepoel
H MacDonald
I Luck
– for MCD Tenders
D Noko
– for Moolmans Tenders

Audit committee
B Modise – Chair
MJ Kilbride
BC Meyer

Remuneration and nomination committee
MJ Kilbride – Chair
PA Hourquebie
M Hermanus
BC Meyer

Investment committee
PA Hourquebie – Chair
MJ Kilbride
B Swanepoel
BC Meyer

Safety, health and environmental committee
MA Hermanus – Chair
MJ Kilbride
B Swanepoel

Social, ethics and transformation committee
MA Hermanus – Chair
PA Hourquebie
B Modise

By invitation
* PA Hourquebie attends Audit committee meetings by invitation
* SJ Flanagan attends all committee meetings by invitation
* AH Macartney attends Audit, Risk and Investment Committees by invitation.

Independence of directors

The Board charter promotes a unitary board structure and Aveng is committed to maintaining a smaller but effective Board composed of eight executive and non-executive directors, 75% of whom are independent non-executive directors. As part of the board effectiveness evaluation conducted for the 2022 financial year, it was deemed appropriate to assess the independence of the independent non-executive directors of Aveng. This was done though an external evaluation. The conclusion was that the independent non-executive directors meet the relevant King IV criteria.

6 independent non-executive directors

2 executive directors

Board diversity

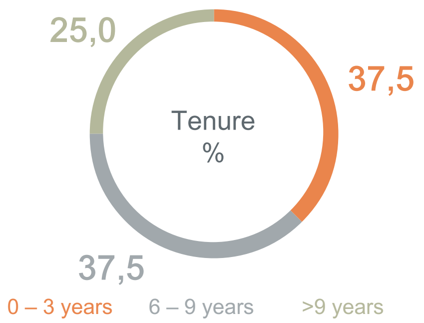
The Board ensures that its composition reflects an appropriate mix of racial, gender, age, experience and skills diversity. The Board's diversity policy targets at least three black Board members and at least two female members.

The racial diversity target was not achieved during 2022 and the remuneration and nomination committee, which assists the Board in its oversight of Board diversity, strives to address this gap in line with the strategy.

In the 2022 Board effectiveness review, it was noted that gender and race diversity represent a challenge given the history of the sectors in which the Company operates.

Gender and race	Female	Male	Black
number	2	6	2

Tenure of independent non-executive directors



Age

During the prior financial 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.

60	58	43	70
Average age of all directors	Average age of executive directors	Youngest director	Oldest director

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 corporate leadership skills. The Board is implementing a Board succession plan to ensure the staggered rotation of directors and successors to those retiring, including a period of overlap where the outgoing director hands over the "baton" to the incoming director.

Governance continued

Creating and sustaining value through governance

The Board's key focus areas in 2022

Renewing the strategy to drive disciplined growth
- Oversaw the successful completion of the recovery and turnaround strategy
- Oversaw the continued disposal of non-core assets and the improvement in the performance of core businesses
- Reviewed and approved the redefined strategy and future growth levers

Monitoring effective strategy implementation by the operations
- Oversaw the effective implementation of plans and actions to ensure disciplined operational performance and profitable growth
- Reviewed and approved measures to strengthen enterprise risk and opportunity management, including separation of the Board's audit and risk committees to sharpen the Board's focus and oversight of risk management
- Oversaw management and mitigation of information and technology risk to ensure strategy-aligned IT resilience and cyber security

Delivering financial sustainability to support growth
- Oversaw the continuation of debt reduction, settlement of legacy claims and resolutions of outstanding construction liabilities
- Considered several options to increase value for shareholders and secure access to capital and liquidity to fund future growth

Ensuring effective leadership
- Oversaw succession planning for non-executive and executive directors
- Appointed a new independent non-executive director to strengthen the Board's mining expertise
- Conducted an induction course to familiarise the new director with his role and responsibilities
- Oversaw implementation of a broad-based incentive scheme for key employees

Implementing an ESG framework and approach
- Approved an ESG framework aligned with the Group's values
- Oversaw the integration of the ESG framework into the business strategy
- Approved ESG KPIs to align management performance with ESG targets

What the Board will continue to focus on in 2023
- Address outcomes of the 2022 Board effectiveness evaluation
- Implement the Board succession plan to ensure that the Board's composition represents an adequate balance of relevant skills and experience to provide governance and future strategic guidance
- Oversee the effective implementation of the Group's strategy to achieve disciplined, sustainable long-term growth

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 was a focus area in 2022 and the Board will continue to implement the Board succession plan in 2023. The remuneration and nomination committee monitor the processes of succession, nomination, and appointment of new directors.

Long tenure non-executive directors (with over nine years of service) do individual independence self-assessments and are assessed by the remuneration and nomination committee.

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 2 December 2022, 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 renew its composition, Bernard Swanepoel was appointed as an independent non-executive director with effect from 20 October 2021. A qualified mining engineer and financial manager, Bernard has over 40 years of experience in the South African mining industry, largely in executive management roles. His extensive knowledge and experience will strengthen and diversify the Board's skills.

Board and Board committee attendance

The Board achieved 100% attendance during 2022. The board met five 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.

The Board committees achieved 100% attendance.

Board oversight - committee report-back

	Board[1]	Audit and risk committee[4]	Audit committee	Risk committee	Remuneration and nomination committee	Social, ethics and transformation committee	Safety, health and environment committee	Investment committee
Non-executive directors								
MA Hermanus	5/5	1/1			4/4	4/4[2]	4/4[2]	
P Hourquebie	5/5[2]	1/1		3/3	4/4	4/4	4/4	1/1[2]
MJ Kilbride	5/5	1/1	3/3	3/3[2]	4/4[2]	1/1	4/4	
B Modise	5/5	1/1[2]	3/3[2]	3/3		4/4		1/1
B Meyer	5/5	1/1	3/3		4/4	4/4	4/4	1/1
B Swanepoel[3]	3/3			3/3			3/3	1/1

[1] Four Board meetings and one special Board meeting
[2] Chair of Board or committee
[3] B Swanepoel appointed to the Board on 20 October 2021
[4] The audit and risk committee was split into two different committees in 2022.

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. Due to Covid-19 lockdowns, the Board participated in a virtual site visit to the Auckland City Mission, a building project in New Zealand. The project achieved accreditation to Mates in Construction in 2021.

Ongoing training and development are important contributors to an effective Board. The development of industry and Group knowledge is a continuous process. During the year, several training sessions were provided to the Board. The Board participated in a refresher course on JSE Listings Requirements and King IV requirements. McConnell Dowell in Australia also provided training on the duties and responsibilities of directors and officers on Work Health Safety. Furthermore, the Board was briefed on the Companies Act Amendment Bill.

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 2022, Aveng conducted an external independent effectiveness review of the Board, the Board chair and its committees. The outcome was positive and the overall conclusion was that the Board and its committees are effective. A key outcome of the evaluation was that the Board has focused on liquidity and restructuring but now needs to turn its attention to long-term strategic objectives.

Additional matters raised during the review include:

- Succession planning for chair in due course
- Succession planning for executive management roles
- Concerns about the diversity of committee compositions
- Continuous focus on IT governance and IT risk, including cyber security

The Board and board committees developed action plans to address the outcomes of the review.

Conflicts of interest

Conflict of interest is a standing agenda item at each board meeting. Annual declarations form part of the independence evaluations.

Share dealings

Board members formally acknowledge the requirements of the Aveng Trading policy. The company secretary cautions board members, prescribed officers and employees of closed periods when trading is prohibited

Governance continued

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 was a focus area in 2022 and the Board will continue to oversee executive succession planning in 2023.

Board oversight – committee report-back

The Board delegates governance responsibilities to six 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 committees may seek independent professional advice at the Group's expense.

AUDIT 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 three independent non-executive directors: B Modise (chair), M Kilbride, and B Meyer. The Board chair, CEO, and CFO are standing invitees to the committee meetings. The audit committee held four meetings during the year, including the meeting held as a combined audit and risk committee meeting. There was 100% attendance by the committee members.

KPMG, with Fred von Eckardstein as the designated audit partner, was appointed 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 was approved at the AGM on 10 November 2021.

2022 focus areas

- Appointment of external auditors (Audit firm tenure and rotation)
- Liquidity and Going Concern
- Internal financial controls and compliance with accounting standards
- Examined and reviewed the audited annual financial statements of the Company and interim results
- Integrated reporting
- 2023 internal audit plan and improvement plan aligned to the Group's risks
- Internal audit reviews of major projects and key issues
- Group insurance review

2023 focus areas

- Liquidity and Going Concern
- IT and cyber security monitoring
- Internal financial controls and compliance with accounting standards
- Annual financial statements of the Company and interim results
- Integrated reporting

RISK COMMITTEE

The committee ensures the identification, assessment, control, management, reporting and remediation of risks across the organisation. The committee sets its own strategy and monitors conformance with risk management policies, procedures, regulatory and internal limits and exposures, and processes and practices. The committee oversees the tender risk management committee, a subcommittee of the risk committee.

The committee is properly constituted with four independent non-executive directors: M Kilbride (chair), B Modise, P Hourquebie and B Swanepoel. Mr Swanepoel was appointed to the committee with effect from 20 October 2021. The CEO, and CFO are standing invitees to the committee meetings. The risk committee held four meetings during the year, including the meeting held as a combined audit and risk committee meeting. There was 100% attendance by the committee members.

2022 focus areas

- Group risk strategy
- IT governance and risk management
- Enterprise risks and opportunities
- Risk assurance model
- ICT business continuity
- Defining risk appetite and risk tolerance levels

2023 focus areas

- ICT business continuity and innovation
- Emerging trends and technologies
- Major risks and opportunities
- Greater focus on IT governance and cyber security

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

2022 focus areas

- Considered salary increases, based on current business and economic climate, market benchmarks and performance reviews
- Evaluated short-term incentive (STI) metrics against approved targets and applied judgement based on changed circumstances and the Group's retention objectives
- Re-evaluated 2023 STI financial and non-financial metrics and targets within the context of a shift in the Group's strategic focus to longer term growth, following the completion of key elements of the recovery and turnaround strategy
- Considered proposed amendments to management incentive plan (MIP) 2021 and long-term incentive plan (LTIP) 2022 to facilitate continued lock-in of key executives and address tax consequences for Australian participants
- Oversaw succession planning

2023 focus areas

- Ongoing monitoring of succession planning for executive and senior management in the core businesses to ensure adequate bench strength internally or identify appropriate talent externally to fill the succession pipeline
- Evaluation of internal and external employment equity, including gender and race equity
- Re-evaluation of the current mix, and appropriateness, of remuneration
- Benchmarking executive and non-executive directors' pay to consider the impact of high inflation and constrained labour markets in some areas of operation
- Consideration of the STI, the number of participants and its distribution amongst participants
- Monitoring of the LTI and consideration of any changes required.

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 ESG, including sustainability and transformation activities, social and economic development, good corporate citizenship, and environmental matters.

The board assumes ultimate responsibility for the Group's ethics performance and adherence to human rights principles.

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

The Committee is satisfied that it has complied with its responsibilities under the charter and relevant legislation.

2022 focus areas

- Environmental, Social and Governance (ESG)
- BBBEE and transformation
- Diversity and Inclusion, culture
- Modern day slavery
- Monitored social and economic development in terms of the purposes of the 10 principles set out in the UN Global Compact

2023 focus areas

- ESG and corporate citizenship
- Organisational ethics
- Annual review of the Group code of conduct and ethics policies
- Diversity and Inclusion, culture
- Review significant cases of employee conflicts of interest or questionable situations

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 four independent non-executive directors: M Hermanus (chair), M Kilbride and B Swanepoel. Mr Swanepoel was appointed to the committee with effect from 20 October 2021. The committee met four times during the year, with 100% attendance by committee members.

2022 focus areas

- Review the Safety, Health, Environment and Quality (SHEQ) strategy and road map
- SHEQ risks
- Monitor the Group's SHEQ performance
- Safety incidents and lost-time injuries (LTI)
- Noise-induced hearing loss, medical surveillance and COVID-19

2023 focus areas

- Environmental aspect of ESG
- Quality aspect of the SHE safety incidents and LTI
- SHEQ risks
- Safety incidents and LTIs

Governance continued

INVESTMENT COMMITTEE

The committee considers the viability of the acquisition or disposal of equity, fixed property investments and approval of the Group's significant capital expenditure. The committee considers the effects these activities may have on the Group's cash flow and how they fit into the Group's overall strategy.

The committee is properly constituted with four independent non-executive directors: P Hourquebie (chair), B Meyer, B Swanepoel and B Modise. Mr Swanepoel was appointed to the committee with effect from 20 October 2021. The committee met once 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 2022 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 COMMITTEE REPORT

The audit 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 2022 reporting period.

Members of the committee

The committee comprised the following members at the date of this report:

- B Modise – chair
- MJ Kilbride
- 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 at **www.aveng.co.za/board-of-directors.php.**

Functions of the committee

Four meetings were held during the year under review with one meeting held under the previously combined audit and risk committee.

Details of attendance are set out on page 61 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.

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.

Appointment of KPMG Incorporated

The audit committee recommended, and the Board 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 was approved by the shareholders of the Company at the AGM on 10 November 2021.

Independence of external auditor

The committee is satisfied with the independence and objectivity of KPMG Inc as external auditor and Fred von Eckardstein as the designated auditor. The designated audit partner was assessed in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements. The committee further approved the fees to be paid to KPMG Inc and its terms of engagement, and pre-approved each proposed contract with KPMG Inc.

Statutory reporting

The committee has evaluated the annual financial statements of Aveng and the Group for the year ended 30 June 2022 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 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, Edinah 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.

Remuneration

LETTER FROM THE CHAIRMAN

Dear stakeholders

I write to you this year in a post COVID-19 environment where life is returning to "normal". However, we are now entering a world of high inflation, constrained labour markets in the geographies in which we operate and the Russian invasion of Ukraine. These have a multifaceted effect on logistics, energy and other aspects of our operations and the lives of our stakeholders.

From a remuneration perspective, this challenging environment has made it necessary for Aveng to continually re-evaluate and adapt its remuneration policy, strategy and employee value proposition.

Against this background, I report on the progress we have made in remuneration matters during the 2022 financial year (2022) and the measures we have put in place for the 2023 financial year (2023).

During the last two years, the remuneration committee (remcom) focused on ensuring that meaningful short-term and long-term incentive structures were developed and implemented. During 2022, the committee validated that the incentive structures were yielding the desired outcomes. Remcom dealt with remuneration matters at an executive level and oversaw decisions regarding the remuneration of employees during four scheduled meetings and other ad hoc meetings as required.

Performance

During 2022, the Group reported a sound set of results including the following key features, some of which were linked to incentive payments more fully set out in Part 3:

- Operating earnings of R576 million
- Strong cash flow generation of R612 million
- Interest-bearing debt reduced by R398 million to R481 million
- Good progress on our ESG strategy

In addition, the 2nd tranche of the management incentive plan (MIP) and 1st tranche of the long-term incentive plan (LTIP) vested with 92% vesting against a pre-agreed set of performance conditions more fully set out in Part 3.

The MIP 2021 will be completed in September 2023. Thereafter the current management who participate in the MIP 2021 will have no further lock-in. Therefore, it is proposed that the MIP 2021 participants be entitled to participate in the LTIP 2022 grants in order to have continuous lock-in of executives. In addition, LTIP 2022 requires certain amendments to accommodate the tax consequences of participants in the scheme in Australia. The proposed amendments to MIP 2021 and LTIP 2022 are set out in Part 2 as well as in the AGM notice for shareholder approval.

I would like to thank the executive team for the incredible effort, energy and hard work they have put into executing the strategy, disposing of all non-core assets and continuing to deliver improved financial performance in the core businesses over the last 12 months. Finally, a big thanks to my remcom members for their support and effort in implementing our decisions.

The report is split into the following three sections:

Part 1: Overview: Covering the work performed by the remcom during the year and our future areas of focus for 2023
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 above-mentioned resolutions.

MJ Kilbride
Chairman

Remuneration and nomination committee
27 October 2022

PART 1: OVERVIEW

Part 1 sets out the work performed by the remcom during 2022 and the plans for 2023.

Work performed by the committee during financial year ended June 2022

The remcom considers the effect of the current environment on employee wellbeing and the employee value proposition. It is an imperative to retain and motivate key talent and the right remuneration structure and employee value proposition is required to achieve this. To this end, the remcom considered, and implemented, the following during the year.

- Given the current business and economic climate, careful consideration was given to annual salary increases, based on market benchmarks, performance reviews and general staff increases. These increases were approved within the remcom mandate. All employees, except executive directors were given, on average, a 5% increase. Executive directors were given a 4.5% increase and the Rand differential between the 4.5% and 5% for other employees was used to make adjustments at head office to give larger increases to lower level employees to narrow the wage gap and ensure race and gender equity.
- Evaluation of the short-term incentive (STI) metrics set for 2022 against the targets approved by the Board at the beginning of the year and the appropriateness of the outcomes as set out in part 3. In this regard, the remcom had to apply discretion regarding certain performance metrics as a result of changes in circumstances and the impact on the businesses after due consideration of the original intent. The metrics for the 2023 STI were carefully considered in light of the largely complete non-core asset disposal process, resulting in the focus being weighted towards operating profit improvements, cash flow generation, the key priorities of future strategy execution, and the growing importance of ESG.
- Hence, the metrics and targets have been re-evaluated and the relevant financial and non-financial metrics are included in the scorecard in part 2. As the business is still in the late stages of the turnaround phase, the remcom considered it prudent not to disclose the targets prospectively but rather retrospectively until financial performance stabilises.
- Proposed amendments to MIP 2021 and LTIP 2022 were carefully considered. These involve entitling MIP participants to participate in LTIP 2022 from the next granting and other necessary amendments to LTIP 2022, specifically to address tax consequences for Australian participants. Details are set out in Part 2 and in the AGM notice for shareholder approval.

2023 focus areas

- Monitor 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.
- Evaluate internal and external employment equity across the Group, including gender and race equity as well as equal pay for equal work.
- Re-evaluate the current mix, and appropriateness, of remuneration.
- Benchmark both executive and non-executive directors' pay to consider the impact of the high inflation environment and the constrained labour markets in which we operate.
- Carefully consider the STI, its distribution amongst the participants, and the number of participants.
- Monitor the long-term incentive (LTI) and consider what/if any changes are required.
- Ensure that capacity exists to support the LTIP scheme.

Statement of fairness and responsibility

We constantly review 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

Management continued to use DG Capital to provide advice on executive remuneration and incentives. The remcom considered and interrogated this advice in order to discharge their mandate.

Shareholders

At the 2021 AGM on 10 November 2021, the 2021 remuneration report was presented and voted on as follows:

	2021 %	2020 %	2019 %
Remuneration policy	**99,59**	97,55	93,23
Implementation report	**99,85**	97,96	67,10
Non-executive directors' remuneration	**99,19**	83,29	92,79

The advisory votes on the Group's Remuneration Policy and implementation report were approved by more than 75% of shareholders present in person or represented by proxy at the AGM.

The Board will present the updated Remuneration Policy and the implementation report as non-binding advisory shareholder resolutions at the 2022 AGM.

We have considered the impact of King IV and the amended JSE Listing 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.

Remuneration continued

PART 2: REMUNERATION POLICY

Introduction

This report deals specifically with the remuneration for the Group's 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:

Governance and the remcom

Remcom responsibility

The Board provides a mandate to remcom and carries the ultimate responsibility for the Remuneration Policy. The duties and responsibilities of the remcom are governed by the Aveng remuneration and nomination committee 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, shall be appointed by the Board and shall comprise at least three non-executive directors on the Board, the majority of whom shall be independent.

The chair of the Board and the lead independent director are members of the remcom. The chief executive officer (CEO) shall be a standing invitee to all meetings of the remcom but shall be 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 contained on page 61.

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, and has taken into consideration the Illustrative Guidance (Guide to the Application of Remuneration Governance) and that it articulates and gives effect to the Board's direction on fair, responsible and transparent remuneration and that 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 annual general meeting (AGM) of the Company for the purposes of a non-binding advisory vote
- Reviewing the outcomes of the implementation of the remuneration policy and ensuring, amongst other things, that the objectives of the remuneration policy as listed above 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 both the Remuneration Policy and the implementation report is presented to the shareholders at the AGM of the Company 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 to promote positive outcomes
- Recommending proposed changes to remuneration packages of executive directors and approving changes for 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 of the Company, considering appropriate and credible benchmarks and recommending the proposed remuneration for non-executive directors to the shareholders of the Company for approval at the AGM
- Approving annual and interim salary mandates for salaried employees in respect of the Corporate Office and operations and recommending relevant salary mandates for executive directors to the Board for approval.

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**		
TGP	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 CPI, performance and affordability.	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's and Group FD's increase is recommended by the remcom to the board for approval and the outcomes thereof are subject to a non-binding shareholder vote.	No changes are proposed for FY2023
TGP	Reviewed annually in January.	The CEO's and Group FD's increase is approved by the remcom.	
TGP	**Benefits**		
TGP	Provides employees with contractually agreed basic benefits such as medical aid, retirement funding and 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 FY2023

Remuneration continued

Remuneration continued

Remuneration structure continued

	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 measures are disclosed prospectively but performance metrics are disclosed retrospectively given that the Group is still in the late stages of completing the turnaround. 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 measures are agreed (weightings in brackets): • Core businesses EBIT performance (30%) • Operating free cash flow (OFCF) (South Africa OFCF + McConnell Dowell dividend, excluding disposals) (20%) • Disposal proceeds on: – Steel (10%) – Other (5%) • ROCE (15%) • ESG (10%) • Single fatality at MCD or Moolmans (5%) • Succession planning (5%) Each measure is weighted as per the above and, based on the total score for each metric, the final STI quantum is determined. The maximum payout for CEO and Group FD is 100% of TGP. The percentages payable of TGP for threshold, target and stretch performance are set out under the heading Revised STI for FY 2023.	The main changes for FY2023 are: • The disposal proceeds on Trident Steel and Other was removed as a metric due to the near-completion of all non-core disposals • Strategy-linked performance objectives were introduced with targets to be set and approved by remcom • Other specific adjustments have been made to Moolmans and McConnell Dowell scorecards. • The resultant scorecard and weightings are set out under the heading Revised STI for FY2023
	MIP 2021		
LTIs	To motivate and incentivise delivery of long-term, sustainable performance and deliver on the strategic objectives to achieve the restructured balance sheets and return to profitability goals over 3 years from date of the MIP implementation. This aligns executives' interests with all stakeholders' interest through a long-term equity-settled LTI. **LTIP 2022** LTI scheme for the next level of executives and senior management not included in MIP 2021 to participate in the long-term performance of the Group and drive the future strategy. MIP 2021 and LTIP 2022 are subject to the same performance targets for FY2022 and FY2023 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 Group performance metrics for the MIP 2021 and LTIP 2022 for FY2022 and FY2023 comprise the following: • EBIT targets • Cashflow conversion of EBIT • ROCE • Debt: EBITDA targets • Debt repayment profile targets For the MIP 2021 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 the LTIP 2022 first grant vesting occurs: • 20% in September 2022 (to align with the 2nd vesting of MIP 2021) • 40% in September 2023 (to align with the 3rd vesting of MIP 2021) • 40% in September 2024 • Future grants may not vest according to this vesting profile	The main change for FY2023 is the proposed inclusion of the MIP 2021 participants in the LTIP 2022 scheme in order to have continuous lock-in of executives as the MIP 2021 will be completed in September 2023. Details of the proposed changes to the schemes are set out below as well as in the AGM notice for approval by shareholders.

STI for 2023

The 2023 STI proposal and scorecards follow a similar format to 2022 except the metrics and weightings were adjusted slightly to reflect the current drivers of the business. The table below sets out the revised STI targets for 2023. There are six metrics against which performance will be measured and each one is 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 which is consistent with the prior year. The performance metrics are set out in the table below and will be reported on in the 2023 implementation report. The rationale for not disclosing the targets in advance is that the business is still in the final phase of the turnaround and as a result it is more difficult to provide consistent earnings projections as compared to a stable more mature business. The decision regarding disclosure of prospective performance targets will be re-evaluated and reported on in next year's remuneration report.

R'm		Weighting %	Threshold 40%	On target 80%	Stretch 100%
Financial	Core EBIT (post-STI, excluding once-off items)	25			
Financial	OFCF (South Africa OFCF + McConnell Dowell dividend, excluding disposals)	25			
Financial	ROCE	20	To be disclosed retrospectively in the FY2023 implementation report		
Non-financial	ESG	10			
Non-financial	Strategy objectives	15			
Non-financial	Succession planning	5			
		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.

Financial performance weighting

Core EBIT OFCF ROCE	25% 25% 20%

Non-financial performance weighting

ESG Strategy Succession	10% 15% 5%

Remuneration continued

Long-term incentive (LTI)

The following LTI schemes are currently in place. All other historical schemes are suspended 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.

The salient features of the two current incentive schemes namely, MIP 2021 and LTIP 2022 are set out in the following table:

	MIP 2021	LTIP 2022
Rationale	To ensure that, post the balance sheet restructure (BSR) the senior executives successfully implement the Group's future strategy and business plan.	To incentivise the next layer of senior management to further drive the strategy and create a retention and succession plan for the business.
Number of participants	7	>30
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	The purpose of the LTIP 2022 is to provide selected participants with an opportunity of receiving shares in the Company through the granting of awards, thereby achieving the following objectives: (a) Motivating and rewarding participants who are able to contribute to, and influence, the performance and strategy of the Company (b) Recognising that certain awards will be subject to performance conditions and will only vest if the performance conditions are met and certain awards will be retention awards (c) Aligning the interests of the participants and the interest of both shareholders and other stakeholders by ensuring the participants have a meaningful shareholding in the Company (d) Retaining participants in the employ of the Company.
Basis of awards	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 took 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. The participants include the Group CEO, Group FD, Group financial controller and the CEO and FD of the two core operations. 7% of the issued share capital was issued in terms of MIP 2021. No further shares can be issued under MIP 2021.	The LTIP 2022 provides that a (i) Performance award and/or (ii) Retention award (collectively referred to as forfeitable shares) be awarded on the following basis, in relation to: (a) Performance award: vesting is subject to the satisfaction of performance conditions and the employment condition in line with the Group's approach to performance-related incentives. Performance conditions and employment conditions will be specified in the letter of award. To date only performance awards have been issued. (b) Retention award: vesting is subject to the satisfaction of the employment conditions which will be specified in the letter of award. The maximum shareholder dilution in aggregate is 3% of issued share capital and an individual dilution limit of 1% of issued share capital of the Company.
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.	The LTIP 2022 is intended to be settled by the issue of ordinary shares to the selected participants but could also be settled by purchase of shares in the market or the use of treasury shares. The forfeitable shares will be held in escrow from settlement date to vesting date.
Performance conditions	For 2022 and 2023 are set out in the table below.	
Targets	2022 targets and respective performance are set out in the implementation report in part 3. 2023 targets to be disclosed retrospectively in the FY23 implementation report.	

Performance conditions and targets for both the LTIP 2022 and MIP 2021:

The metrics and weightings are set out in the table below for Threshold, Target and Stretch performance for the reporting period ended 30 June 2023. 2024 targets for LTIP 2022 will be set at the beginning of that financial year.

Performance criteria 2022 R'm	Weighting Vesting %	Threshold 40%	Target 80%	Stretch 100%
EBIT	35%	See Part 3: FY22 implementation report for targets		
Cash flow conversion factor of EBIT	20%			
ROCE	10%			
Debt: EBITDA	15%			
Debt repayment profile target (cumulative)	20%			
	100%			

Performance criteria 2023 R'm	Weighting Vesting %	Threshold 40%	Target 80%	Stretch 100%
EBIT	35%	To be disclosed retrospectively in the FY2023 implementation report		
Cash flow conversion factor of EBIT	20%			
ROCE	10%			
Debt: EBITDA	15%			
Debt repayment profile target (cumulative)	20%			
	100%			

Vesting profile for MIP 2021

Criteria	Group executives	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 determined by the remcom.*

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

Vesting profile for LTIP 2022

Vesting over a three-year period subject to performance conditions i.e. 2022 (20%), 2023 (40%), 2024 (40%).

Proposed amendments to MIP 2021 and LTIP 2022

The following proposed amendments to the MIP 2021 and LTIP 2022 have been included in the AGM notice for approval by shareholders at the AGM.

1. **MIP 2021:**
   - MIP 2021 is entering its second vesting in September 2022 and the MIP will be completed in September 2023. Thereafter the current management will have no further lock-in. The MIP rules state that the participants in the MIP cannot participate in any other LTI schemes until all the shares in the MIP have vested. In hindsight the problem with this is that there is no ongoing lock-in and if further lock-in is required, additional units should start to be granted at the end of this year to ensure continuous lock in.
   - Therefore, the proposed amendment to the MIP 2021 is to remove the wording that MIP 2021 participants cannot participate in any other LTI schemes until all the shares in the MIP have vested.

2. **LTIP 2022:**
   - Post the implementation of LTIP 2022 it became apparent that tax legislation in Australia required the award to be taxed on grant rather than on vesting resulting in the Company having to provide loans to employees to fund the upfront tax. This was considered undesirable for future grants and therefore an amendment is required to allow the awarding of conditional units rather than forfeitable units. The difference is that conditional units only get issued on vesting and therefore will be taxed in Australia on vesting whereas forfeitable units are granted upfront and "taken back" if the Company does not meet the performance conditions. As the shares are issued upfront Australian tax legislation requires them to be taxed upfront. A minor amendment to the rules allowing for granting either forfeitable shares or conditional shares should resolve this tax matter. The dividend consequences (i.e. not receiving dividends) of conditional shares needs to be factored in. This will either be done in the form of a cash bonus dividend equivalent once the shares vest or no dividend.
   - Therefore, the proposed amendment to the LTIP 2022 is to include conditional awards and to allow MIP 2021 participants to participate.

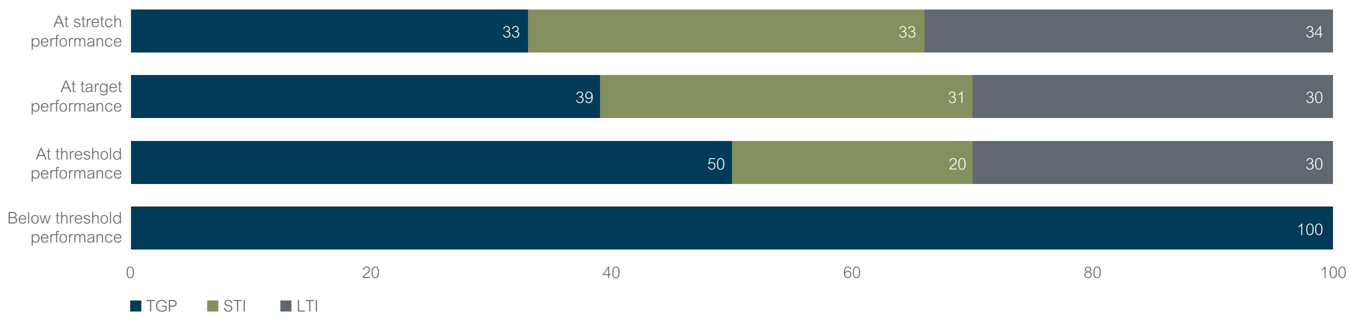
Remuneration continued

Executive earning potential

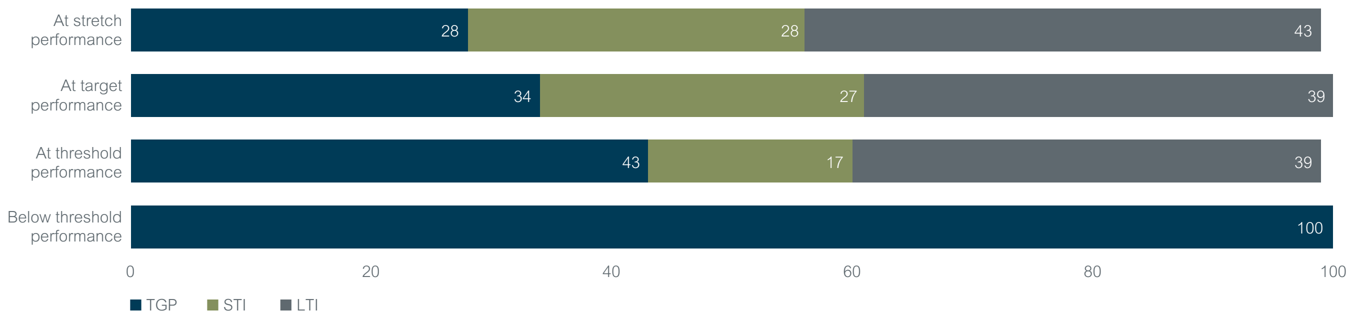
Executive earning potential in terms of remuneration mix for TGP, STI and LTI for the CEO and Group FD at various levels of performance (below threshold, threshold, target and stretch) is depicted in the graphs below.

CEO, Group FD remuneration mix

CEO



CFO



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 65 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 shall 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.

Policy on terms of service in employment contracts and severance arrangements continued

Executive management continued

The following termination provisions are applicable to the MIP 2021 and the LTIP 2022:

	LTIP 2022	MIP 2021
Termination provisions	**Resignation, and dismissal** All participants terminating employment due to resignation, or dismissal from the employ of the Company will be classified as "fault terminations" and will forfeit all unvested awards. **Retirement, voluntary retirement, retrenchment, disability, mutual separation, death, and sale of an employer company.** Participants terminating employment due to retirement, voluntary retirement, retrenchment, disability, mutual separation, death, and sale of an employer company will be classified as "no fault terminations". For unvested awards based on the above termination of employment conditions, the general vesting rule will be that there is pro-rata vesting in terms of the number of months employed relative to the total number of months in the vesting period. Awards subject to performance conditions will be tested against the most likely outcome of the performance conditions to date of termination. In exceptional circumstances the committee may, at its sole discretion, determine the actual number of awards that may vest in the above termination circumstances.	**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 terminating 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, MIP 2021 and LTIP 2022 and all future LTI's will both be subject to both malus and clawback provisions.

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

If a trigger event arises after variable remuneration has been paid or 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 or Competition Act finding against Aveng in which the individual had some culpability

Minimum shareholding requirement (MSR)

The remcom is still currently considering the most appropriate approach to MSR given the current business environment. The MSR policy will set out the minimum shareholdings which executives and other selected senior employees are required to achieve. The long-term objective and intention of the MSR policy is to encourage senior employees to maintain a meaningful ownership stake in the Company, representing their commitment to the creation of shareholder value, and demonstrating their faith in the business and alignment with shareholder interests.

Shareholder engagement

The Group's Remuneration Policy and its implementation 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, the Company will engage with shareholders to examine their vote and note their concerns and report back to shareholders in the next remuneration report.

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 integrated report. The remcom shall consider the continuation (or not) in service of any non-executive director who has reached the age of 65. Non-executive directors must retire from the Board by the age of 70. Notwithstanding this provision, non-executive directors are also subject to retirement by rotation as provided for in the memorandum of incorporation.

Remuneration continued

Non-executive directors continued

Fee structure

Non-executive directors who sit on the Board and all committees are paid on attendance at scheduled Board or Board committee meetings. For the Board and committees, 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, as well as extracts and benchmarking data from annual reports of at least three medium-sized businesses within the same industry sector. A comparison of the current and proposed fees against the market surveys and benchmarks informs the appropriate fee recommended by management. The services of independent remuneration consultants may also be 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.

2023 proposal

There was a 7.5% increase for 2022. For 2023, it is recommended that a cost-of-living adjustment is implemented as per the table below. See details below for non-resident director fees.

Board committee	Category	2022 fee (R)	2023 proposed fee (R)	% change
Main board	Chairperson	[2]	[2]	5
	Lead independent	512 775	538 414	5
	Director	366 231	384 543	
	Ad Hoc meetings[3]	32 132	33 739	5
Subsidiary Boards	Director	194 629	204 360	5
	McConnell Dowell travel allowance	88 881	93 325	5
Remuneration and nomination committee	Chairperson	246 820	259 161	5
	Member	98 115	103 021	5
Safety, health and environmental committee	Chairperson	213 086	223 740	5
	Member	92 074	96 678	5
Social, ethics and transformation committee	Chairperson	213 086	223 740	5
	Member	92 074	96 678	5
Audit Committee	Chairperson	326 348	342 665	5
	Member	183 685	192 869	5
	Subsidiaries member	99 480	104 454	5
Risk committee	Chairperson	246 820	259 161	5
	Member	98 115	103 021	5
Investment committee	Chairperson[4]	12 986	13 635	5
	Member[4]	9 911	10 407	5
Tender risk committee	Member[4]	12 760	13 398	5
Ad hoc committee meetings	Member / invitee[5]	20 855	21 898	5
Extraordinary services rendered	Per hour fee[6]	5 128	5 384	5

1 The proposed fees exclude VAT which will be charged by any qualifying non-executive director, at the prevailing rate.
2 Refer to 2023 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.

2023 proposal for non-resident chairman and director

For 2023, a 3.5% 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 4% adjustment is recommended for a US-based non-executive. In the event that there is a South Africa-based chairman, there will be a 5% adjustment from 2022 to 2023.

Category	Fee	2022 fee	2023 proposed fee[1]	2023 proposed increase % change
Non-resident UK-based non-executive (£)	Composite fee[2]	101 500	105 053	3,5
	Ad hoc meeting fee[3]	2 645	2 738	3,5
In the event that we have an SA-based Chairman (ZAR)		1 112 152	1 167 750	5
Non-resident US-based non-executive ($)	Composite fee[4]	75 000	78 000	4
	Ad hoc meeting fee[3]	2 000	2 080	4

[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.

Remuneration continued

PART 3: IMPLEMENTATION OF REMUNERATION POLICIES DURING THE 2022 FINANCIAL YEAR

Total guaranteed pay and benefits increases

As done for the previous six years, the operating Group's limited annual increases to below the mandated increases and were below inflation in the current year. Executive directors were given a 4,5% increase and other staff on average a 5% increase. The Rand differential between the 4,5% and 5% for other employees was used to make adjustments at head office to give larger increases to lower level employees to narrow the wage gap as well as ensure race and gender equity.

	Average increase percentage
Executive directors	4,5
General staff	5,0

2022 STI Outcomes

The table below sets out the performance metrics as disclosed in the 2021 report, including the target set and the actual performance against target. This resulted in a bonus payment of 79% of TGP for executive directors.

Short-term incentive R'm		Weighing %	Threshold 40%	On target 80%	Stretch 100%	Actual 2022-06	Outcome	Weighted outcome
Financial	Core EBIT	30%	439	549	604	527	72%	22%
Financial	OFCF (SA OFCF + MCD Div, excl. disposals)	20%	(433)	(394)	(355)	223	100%	20%
Financial	Disposal proceeds – Steel	10%	220	275	300	0	0%	0%
Financial	Disposal proceeds – Other	5%	122	153	170	193	100%	5%
Financial	ROCE	15%	8,67%	10,85%	11,94%	10,84%	80%	12%
Non-Financial	ESG	10%	As per ESG framework			100%	100%	10%
Non-Financial	Single Fatality at MCD or Moolmans (full 5% lost)	5%				Met	100%	5%
Non-Financial	Succession planning	5%	As approved by Remco			100%	100%	5%
		100%				**STI % payable**		**79%**

Core EBIT included the results from McConnell Dowell, Moolmans and Head Office including all related PMO costs (which includes all costs relating to managing and disposing of non-core assets). In evaluating the core EBIT metric outcome, the following items were drawn to remcom's attention and remcom discretion was applied in determining the core EBIT:

1. The settlement of the potential (contingent) Cape Town Stadium liability which was settled at a cost of R31 million which was not budgeted for in PMO costs.
2. The excellent Trident Steel performance which was not considered part of core EBIT but which management invested significant time in delivering the performance as well as negotiating the sale that is in the final stages of completion. The remcom allocated a portion of this profitability to core EBIT
3. The combined effect of the above two matters would have resulted in core EBIT increasing from R441 million by R86 million to R527 million which is close to the on-target performance of R549 million.

The table below sets out the STI that was paid to the CEO and FD respectively.

SJ Flanagan	R6,848 million
AH Macartney	R4,609 million
Total	**R11,457 million**

Other potential STI payments based on closing non-core asset disposals

Disposal of non-core assets represents 15% of the scorecard, split 10% for Trident Steel and 5% for other. Trident Steel has not been disposed of pre year end, but the transaction is significantly advanced. Therefore, instead of carrying over the disposal of Trident to next financial year as a performance condition, when the transaction is closed and the cash is received, the amount per the scorecard will be paid at the time of the receipt of the cash. This will equate to an extra 10% factor being added to the STI payable. The other non-core assets were disposed shortly after year end and the proceeds received resulting in stretched performance being achieved for this metric. The total amount payable for the Trident Steel disposal is as follows:

SJ Flanagan	R0,9 million
AH Macartney	R0,6 million
Total	**R1,5 million**

The additional amount will only be paid once the proceeds are received. The amounts will be provided for in the current year but not reflected in the single figure table until paid and will be adjusted in next year's table if the amounts are paid.

LTI vesting 2022

The table below sets out the performance metrics as disclosed in the 2021 remuneration report, including the target set and actual performance against target. This resulted in vesting of 92% for awards subject to performance conditions for both MIP 2021 and LTIP 2022.

Aveng Group – MIP / LTIP performance scorecard

Long-term incentive R'm		Weighting %	Threshold 40%	On target 80%	Stretch 100%	Actuals 2022-06	Outcome	Weighted outcome
Financial	EBIT	35%	473	526	574	**576**	100%	35%
Financial	Cash flow conversion factor of EBIT	20%	284	315	344	**320**	84%	17%
Financial	ROCE	10%	8,60%	9,60%	10,40%	**10,84%**	100%	10%
Financial	Debt: EBITDA	15%	3,50	3,25	3,00	**1,8**	100%	15%
Financial	Debt repayment profile target (cumulative)	20%	(737)	(829)	(921)	**(822)**	77%	15%
		100%				LTIP / MIP %	Payable	92%

Single figure of remuneration

The total remuneration and details on outstanding and settled long-term incentives for executive directors and prescribed officers for 2022 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

Executive directors	Year	Salary[1] R'000	Retirement fund[2] R'000	Short-term incentive (STI)[3] R'000	Long-term incentive (LTI)[4] R'000	Total[5] R'000
SJ Flanagan	**2022**	**8 709**	**–**	**6 848**	**13 254**	**28 811**
	2021	8 353	–	7 487	3 600	19 440
AH Macartney	**2022**	**5 581**	**281**	**4 609**	**13 254**	**23 725**
	2021	5 353	270	5 040	3 600	14 263

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.
2 Retirement fund contributions are also funded from the directors' TGP.
3 STI awards were approved by the remcom on 16 August 2022 and accrued for the year ended 30 June 2022. The additional amount as described above for disposal of Trident Steel non-core asset is not included in this table but will be adjusted in the next year's remuneration report should such amounts be paid.
4 Regarding the shares vested during 2022 and cash value on settlement during 2022, these shares had not technically vested due to a prohibited dealing period. 92% of the grant units vest on 5 October 2022 when the prohibited period was lifted. The cash value was based on a seven-day VWAP of R14,52.
5 The total reflected includes all remuneration made to the executive director in the financial year. The single figure of remuneration reflected in Part 3 of this remuneration report will differ to the annual financial statements based on the requirements of King IV versus the Company Act requirements.

Prescribed officers and other key management personnel

	Year	Salary[1] R'000	Retirement fund[2] R'000	Short-term incentive (STI)[3] R'000	Long-term incentive (LTI)[6] R'000	Total[7] R'000
L Tweedie	**2022**	**3 656**	**205**	**1 643**	**1 767**	**7 271**
	2021	3 445	196	1 946	480	6 067
JN Govender	**2022**	**5 079**	**280**	**2 000**	**4 390**	**11 749**
749	2021	4 824	266	3 245	–	8 335
RV Engelbrecht	**2022**	**4 324**	**188**	**1 500**	**2 195**	**8 207**
	2021	4 128	180	2 200	–	6 508
S Cummins (AUS)[4]	**2022**	**1 163**	**173**	**680**	**790**	**2 806**
	2021	1 130	168	973	–	2 271
D Morrison (AUS)[5]	**2022**	**674**	**99**	**265**	**395**	**1 433**
	2021	657	96	365	–	1 118

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.
2 Retirement fund contributions are funded from the prescribed officers' TGP.
3 STI awards were approved by the remcom on 16 August 2022 and accrued for the year ended 30 June 2022.
4 S Cummins earnings disclosed in AUD'000. Salary amount includes vehicle benefit allowance.
5 D Morrison earnings disclosed in AUD'000. Salary amount includes vehicle benefit allowance.
6 Regarding the shares vested during 2022 and cash value on settlement during 2022, these shares had not technically vested as a result of being in a prohibited dealing period. 92% of grant units vest on 5 October 2022 when the prohibited dealing period was lifted. The cash value was based on a 7-day VWAP of R14,52. For the Australian prescribed officers, the amount was converted to AUD at the average exchange rate of R11,11 for the year.
7 The total reflected includes all cash payments 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.

Remuneration continued

Schedule of unvested awards and cash flow on settlement – 2022

Executive	Award name	Granted during 2021	Vested during 2021	Closing number on 30 June 2021
SJ Flanagan	BSR Award	480 000	480 000	–
	Retention awards	720 000		720 000
	Performance awards	1 200 000		1 200 000
Total		2 400 000	480 000	1 920 000
AH Maccartney	BSR Award	480 000	480 000	–
	Retention awards	720 000		720 000
	Performance awards	1 200 000		1 200 000
Total		2 400 000	480 000	1 920 000
Prescribed officers				
L Tweedie	BSR Award	64 000	64 000	–
	Retention awards	96 000		96 000
	Performance awards	160 000		160 000
Total		320 000	64 000	256 000
JN Govender	Retention awards	192 000		192 000
	Performance awards	448 000		448 000
Total		640 000	–	640 000
RV Engelbrecht	Retention awards	96 000		96 000
	Performance awards	224 000		224 000
Total		320 000	–	320 000
S Cummins	Retention awards	384 000		384 000
	Performance awards	896 000		896 000
Total		1 280 000	–	1 280 000
D Morrison	Retention awards	192 000		192 000
	Performance awards	448 000		448 000
Total		640 000	–	640 000

Notes

1 *The retention awards vesting in 2023 were valued at the 20 day VWAP below and assume 100% vesting.*
2 *The performance awards vesting in 2023 were valued at the 20 day VWAP below and assume 92,14% vesting.*
3 *The 20 day VWAP for determining the value of unvested awards at 30 June 2022 is 15,10.*
4 *The 20 day VWAP for determining the value of unvested awards at 30 June 2021 is 18,67.*
5 *The prior year number of shares was adjusted for the effects of the 500 for 1 share consolidation to make the numbers comparable.*
6 *Regarding the shares vested during 2022 and cash value on settlement during 2022, these shares had not technically vested as a result of being in a prohibited dealing period. 92% of the shares vested on 5 October 2022 when the prohibited period was lifted. The cash value was based on a seven-day VWAP of R14,52.*

Cash value on settlement during 2021	Closing estimated fair value at 30 June 2021	Granted during 2022	Vested during 2022	Closing number on 30 June 2022	Cash value on settlement during 2022	Closing estimated fair value at 30 June 2022
3 600 000						
	13 438 800		360 000	360 000	5 227 200	5 437 571
	16 798 500		552 830	647 170	8 027 092	9 775 091
3 600 000	30 237 300	–	912 830	1 007 170	13 254 292	15 212 661
3 600 000						
	13 438 800		360 000	360 000	5 227 200	5 437 571
	16 798 500		552 830	647 170	8 027 092	9 775 091
3 600 000	30 237 300	–	912 830	1 007 170	13 254 292	15 212 661
480 000						
	1 791 840		48 000	48 000	696 960	725 009
	2 239 800		73 710	86 290	1 070 269	1 303 355
480 000	4 031 640	–	121 710	134 290	1 767 229	2 028 365
	3 583 680		96 000	96 000	1 393 920	1 450 019
	6 271 440		206 389	241 611	2 996 768	3 649 380
–	9 855 120	–	302 389	337 611	4 390 688	5 099 399
	1 791 840		48 000	48 000	696 960	725 009
	3 135 720		103 194	120 806	1 498 377	1 824 698
–	4 927 560	–	151 194	168 806	2 195 337	2 549 707
	7 167 360		192 000	192 000	2 787 840	2 900 038
	12 542 880		412 779	483 221	5 993 551	7 298 745
–	19 710 240	–	604 779	675 221	8 781 391	10 198 783
	3 583 680		96 000	96 000	1 393 920	1 450 019
	6 271 440		206 389	241 611	2 996 768	3 649 380
–	9 855 120	–	302 389	337 611	4 390 688	5 099 399

Remuneration continued

The executive directors hold the following number of shares in their personal capacity. The table below sets out the current director shareholding.

Interest of directors of the Company in share capital (including direct and indirect holdings)

	Ordinary shares 2022	Ordinary shares 2021*
Executive directors		
SJ Flanagan	**1 257 561**	755 505
AH Macartney**	**1 259 749**	757 693
Non-executive directors		
MJ Kilbride	**4 588**	588
P Hourquebie	**50 000**	–
ZB Swanepoel***	**21 800**	–
Prescribed officers		
L Tweedie	**167 674**	100 734
J Govender	**239 782**	73 468
RV Engelbrecht	**119 888**	36 734
S Cummins***	**751 715**	146 936
D Morrison***	**401 257**	73 468
	4 274 014	1 945 126

* *The prior year number of shares was retrospectively represented for the effects of the 500-for-1 share consolidation.*

** *In the prior year, Mr. Macartney entered into a pledge and cession of Aveng Limited ordinary shares in securitatem debiti for a fixed loan facility with Investec Limited. The carrying value of the shares pledged amounts to R11.6 million. The pledge was not disclosed in the prior year financial statements or integrated report due to administrative oversight on the part of the director. The reason for the pledge was to use the proceeds of the loan to subscribe for the rights issue as well as retain the full amount of shares that vested in terms of the BSR award and pay the tax required on vesting out of his own resources rather than selling the shares to fund the tax.*

*** *Indirectly held. S Cummins and D Morrison have not made an election on the shares vested 5 October 2022.*

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
2022						
MA Hermanus	**30**	**495**	**411**	**137**	**–**	**1 073**
MJ Kilbride	**445**	**–**	**423**	**643**	**–**	**1 511**
B Modise	**415**	**–**	**315**	**369**	**–**	**1 099**
B Swanepoel[2]	**268**	**–**	**–**	**319**	**–**	**587**
	1 158	**495**	**1 149**	**1 468**	**–**	**4 270**
B Meyer($)[3]	**79**	**–**	**–**	**–**	**–**	**79**
P Hourquebie (£)[4]	**89**	**–**	**17**	**16**	**–**	**122**
2021						
MA Hermanus	90	477	446	527	105	1 645
MJ Kilbride	430	–	287	824	101	1 642
B Modise	430	–	304	427	47	1 208
B Meyer	115	–	–	66	–	181
EK Diack[5]	–	–	–	–	119	119
	1 065	477	1 037	1 844	372	4 795
P Hourquebie (£)[4]	91	–	–	17	11	119

[1] *In 2021, the Board members received an additional special fee.*
[2] *B Swanepoel was appointed as a non-executive director effective from 20 October 2021.*
[3] *B Meyer fees are disclosed in United States Dollars ($).*
[4] *PA Hourquebie fees are disclosed in British Pounds (£).*
[5] *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.*

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' information

as at 25 June 2022

Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1,000 shares	34 995	88,16	3 502 746	2,79
1,001 – 10,000 shares	3 895	9,81	12 223 815	9,75
10,001 – 100,000 shares	720	1,81	19 479 365	15,54
100,001 – 1,000,000 shares	72	0,18	20 797 649	16,59
1,000,001 shares and above	13	0,03	69 323 789	55,31
Total	39 695	100,00	125 327 364	100,00

Beneficial shareholder

Category	Total shareholdings	% of issued capital
Hedge Fund	42 135 832	33,62
Private Investor	37 550 843	29,96
Trading Position	12 881 043	10,28
Custodians	6 401 537	5,11
Pension Funds	2 812 989	2,24
Unit Trusts	1 841 234	1,47
Mutual Fund	1 145 986	0,91
Insurance Companies	576 706	0,46
University	294 218	0,23
Stock Brokers	145 249	0,12
Charity	20 000	0,02
Remainder	19 521 727	15,58
Total	125 327 364	100,00

Beneficial shareholders split by category
Public and non-public shareholdings

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Public shareholders	39 680	99,96	116 249 879	92,76
Non-public shareholders*	15	0,04	9 077 485	7,24
Directors and prescribed officers	10	0,03	2 046 326	1,63
Aveng Limited Share Purchases Trust	2	0,01	12 036	0,01
Aveng Management Company Pty	1	0,00	1 577	0,00
Aveng LTIP	1	0,00	7 000 373	5,59
Community Investment Trust	1	0,00	17 173	0,01
Total	39 695	100,00	125 327 364	100,00

* *Includes Directors, Pension/Retirement Funds and Treasury shares*

Beneficial shareholdings above 3.0%

Beneficial shareholdings	Total shareholdings	% of issued capital
Highbridge Capital Management LLC	16 934 389	13,51
Whitebox Multi-Strategy Partners. LP.	9 629 026	7,68
Steyn Capital Equity Fund	7 399 154	5,90
Whitebox Caja Blanca Fund. LP	4 330 000	3,45
Total	38 292 569	30,55

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

Investment manager	Total shareholdings	% of issued capital
Whitebox Advisors LLC	18 311 304	14,61
Highbridge Capital Management LLC	16 934 389	13,51
Steyn Capital Management (Ply) Ltd	10 662 970	8,51
First World Trader (Ply) Ltd	3 786 161	3,02
Total	49 694 824	39,65

Geographic split of investment managers and Company related holdings

Region	Total shareholdings	% of issued capital
South Africa	76 462 773	61,01
United States of America and Canada	35 322 893	28,18
United Kingdom	941 579	0,75
Rest of Europe	2 960 730	2,36
Rest of World	9 639 389	7,69
Total	125 327 364	100,00

Geographic split of beneficial shareholders

Region	Total shareholdings	% of issued capital
South Africa	76 245 609	60,84
United States of America and Canada	24 228 256	19,33
United Kingdom	941 579	0,75
Rest of Europe	2 960 730	2,36
Rest of World	20 951 190	16,72
Total	125 327 364	100,00

Shareholders' diary

Financial year end	30 June
Annual general meeting	on 2 December 2022

Publication of results

Half year ended 31 December 2022	on 21 February 2023
Year ended 30 June 2023	on 22 August 2023

Corporate information

Directors
PA Hourquebie*# (Chair), SJ Flanagan (Group CEO), AH Macartney (Group FD), MA Hermanus (Lead independent director)*#, MJ Kilbride*#, B Modise*#, BC Meyer*#, ZB Swanepoel*#

**Non-executive #Independent*

Company secretary
Edinah Mandizha
Business address and registered office 3rd Floor, 10 The High Street, Melrose Arch, Johannesburg, 2076, South Africa
Telephone +27 (0) 11 779 2800

Company registration number
1944/018119/06

Share codes
Share code: AEG
Share ISIN: ZAE 000302618

Website
www.aveng.co.za

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 (Pty) Ltd
Pinsent Masons

Sponsor
Investec Bank Ltd
Registration number: 1925/002833/06
100 Grayston Drive, Sandown
Sandton, 2146
Telephone +27 (0) 11 286 7000

Registrars
Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue
Rosebank 2196, South Africa
PO Box 61051
Marshalltown, 2107
South Africa
Telephone +27 (0) 11 370 5000

Auditor
KPMG Inc. Registration number: 1999/021543/21 KPMG Crescent
85 Empire Road, Parktown, 2193
Private Bag 9, Parkview, 2122
South Africa
Telephone +27 (0) 11 647 7111

AVENG

Providing a better life

www.aveng.co.za