2023 Integrated Report

AVENG

Providing a better life

Contents

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 2023 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 environmental, social and governance (ESG) outcomes.

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 2023. We also explain how we align our values and strategy with our purpose to improve ESG outcomes for our stakeholders.

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 engineering-led contractor focused on infrastructure, resources and contract mining in selected markets and capitalising on the expertise and experience of McConnell Dowell and Moolmans.

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.

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.

Stay informed

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

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.

Feedback

Please share your feedback and opinions on our report by emailing

info@avenggroup.com

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**.

Mordialloc Freeway project won the Excellence in Environmental Outcomes Award at the 2021 Infrastructure Sustainability Council Awards.

AVENG
Providing a better life

WELCOME TO THE AVENG 2023 INTEGRATED REPORT

This report forms part of our integrated 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.**

McCONNELL DOWELL
CREATIVE CONSTRUCTION™

Moolmans

Our strategy is to be an international engineering-led contractor, with two businesses focused on infrastructure, resources and contract mining in selected markets.

Over the past three years, Aveng has been simplified and recapitalised for **sustainable long-term profitability**.

Having disposed of the remaining non-core businesses, we are able to focus exclusively on McConnell Dowell and Moolmans which are both on a path of **long-term growth**, with strong work in hand.

In challenging operating conditions, McConnell Dowell experienced setbacks resulting in significant losses on the Batangas LNG terminal project (BLNG project) in the Philippines which impacted the Group's financial performance in 2023. These setbacks have been addressed and both businesses remain on track to achieve their longer-term strategic objectives.

Our 2023 integrated report

We report on our performance for the financial year from 1 July 2022 to 30 June 2023 (2023) 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 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 20.

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
Integrated Reporting Framework, 2021 (<IR> Framework)	✓	
King Report on Corporate Governance™ for South Africa (King IV)[1]	✓	✓
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)	✓	

[1] *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.*

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 2023 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 2023:

PA Hourquebie
Non-executive chairman

SJ Flanagan
Chief executive officer

AH Macartney
Chief financial officer

B Modise
Independent non-executive director

Eastland Port Wharf 7 upgrade, New Zealand.

Providing a better life

We align our values and sustainability goals with our purpose of providing a better life to improve ESG 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 engineering-led contractor focused on infrastructure, resources and contract mining in selected markets.

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.

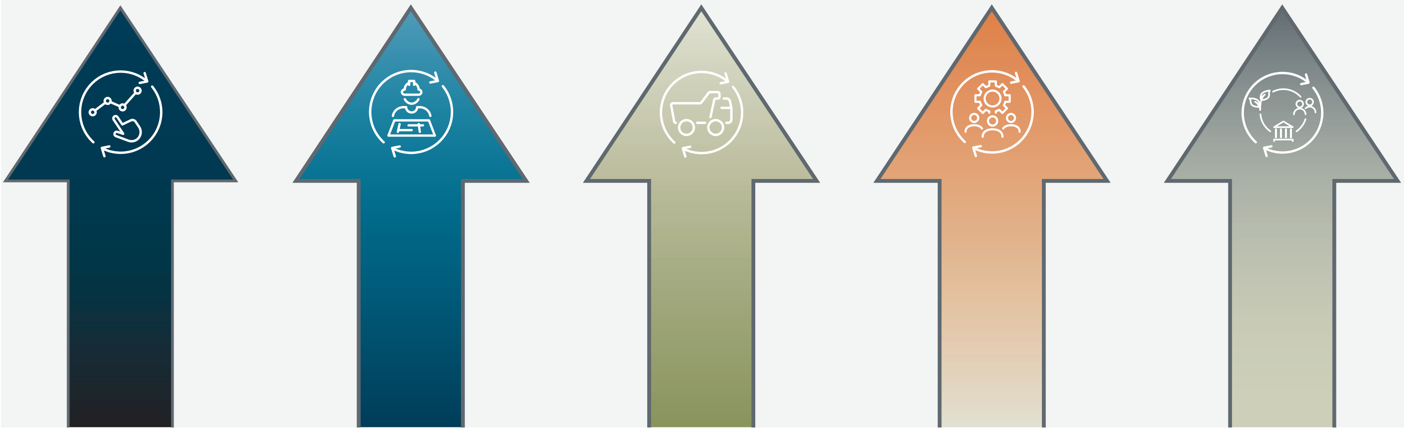
Strong balance sheet

McConnell Dowell's specialist capabilities

Moolmans plant optimisation and fleet renewal programme

People and systems

ESG framework



Tshipi é Ntle, South Africa.

Our values-aligned ESG framework

Aveng made further progress in implementing its values-aligned ESG framework and performance indicators. We are integrating and improving the work we do in managing, measuring and reporting on our environmental and social impacts and successes. Baseline metrics continue to be measured against the targets for 2023 and the achievement of ESG key performance indicators (KPIs) is linked to the short-term incentives of management.

	Environment	Social	Governance
Our values	**Carbon and our environment**	**Our community and our people**	**Our 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.	**Environmental 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 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** Reduce waste, divert waste from landfill and increase 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.

Living our values

E	Roadmap to **carbon neutrality**	Plans to improve **diesel consumption rate** per BCM	**Divert waste** from landfill	**Resource saving** initiatives per project	Mandatory **Environmental awareness** training provided to all employees
S	**Safety** LTIFR – 0,11 TRIFR – 0,73	Black-owned business supplier spend of **R1 billion**	Client social procurement spend of **AUD281 million**	**Developing our people** • R36 million spent in Moolmans • 19 779 hours training in McConnell Dowell	**Diversity and inclusion** Women in mining Increasing minority representation
G	ESG framework implemented – **forms 10% of management's KPIs**	Implemented an **Enterprise Risk Management** framework	New **sexual harassment** policy	Aveng **Board refresh** with appointment of two new non-executive directors	Aligned **IT frameworks** with global best practice to strengthen cyber security response

Providing a better life *continued*

Safety and care

Living our values continued

Our communities and our people

Supporting our communities

R730 000

About R730 000 invested to improve access to water and sanitation for the South African communities in which we operate.

McConnell Dowell's client social procurement spend amounted to **AUD281 million**.

We work with science, technology, engineering and mathematics education providers to **support the career choices of children** interested in civil engineering.

Learning and development

R35,7 million
spent at Moolmans

19 779 hours
training for McConnell Dowell employees

Diversity and inclusion

Level 4 BBBEE
contributor

R1 billion
spent with black-owned suppliers, of which:

R575 million
went to black women-owned suppliers

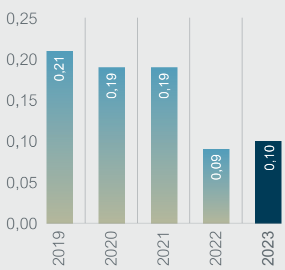
Aveng 2023 sustainability report, **www.aveng.co.za**

Constant improvement in key safety indicators

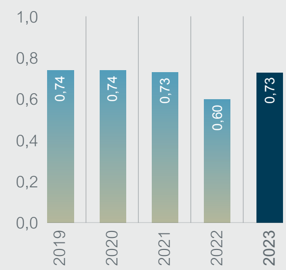
22 years
LTI free hours
at Loy Yang Plant Yard, Singapore

Zero
fatalities or material environmental incidents

Lost-time injury frequency rate (LTIFR)



Total recordable injury frequency rate (TRIFR)



Working together

Small business development

We invested in black, SME and women-owned South African businesses, including a R1,37 million interest-free loan to a 100% black-owned, 51% black women-owned local beneficiary from Phola, near our Klipspruit project.

Women in mining

- We trained and licensed 12 women from Moolmans' local communities as dump truck operators; and offered them employment
- About 15 female apprentices were appointed and developed as earthmoving equipment mechanics and auto electricians at Moolmans

A new start for the unemployed

Our pre-employment programme on the New Bridgewater Bridge Project in Tasmania saw 56 long-term unemployed or disadvantaged people start a new career in our industry

Customer focus

Our carbon and our environment

Innovative environmental solutions

McConnell Dowell helped develop and introduce the 'Solarator' – a compact containerised power plant for construction sites that combines solar panels, batteries and a small diesel generator.

Award-winning projects

Built Environs was recognised at the Australian Institute of Building South Australian and Northern Territory Chapter 2023 Professional Excellence in Building Awards.

Our State Sports Park team received the Professional Excellence award in the Commercial Construction AUD25-50 million category and our Golden Grove Park 'n' Ride team received the Professional Excellence award in the Industrial category.

Eddie Bampton was named the joint winner of the AIB SA Building Professional of the year award.

Aveng 2023 sustainability report, **www.aveng.co.za**

Performance excellence

Our economy and our sustainability

Revenue[1]
R28,9 billion
2022 | R22,5 billion

Operating (loss)/earnings[1]
R1,06 billion loss
2022 | R360 million earnings

Operating earnings for the year[2]
R183 million
2022 | R360 million

Settled external legacy debt of
R481 million

Cash on hand
R2,38 billion
2022 | R2,61 billion

Work in hand
R52,2 billion
2022 | R30,8 billion

[1] *Continuing operations.*
[2] *Excluding the BLNG project operating loss.*

Our core operations

MCCONNELL DOWELL
CREATIVE CONSTRUCTION™

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

McConnell Dowell has a reputation as an engineering-led contractor, delivering complex solutions in the transport, water and wastewater, ports and coastal, energy, resources and commercial building sectors.

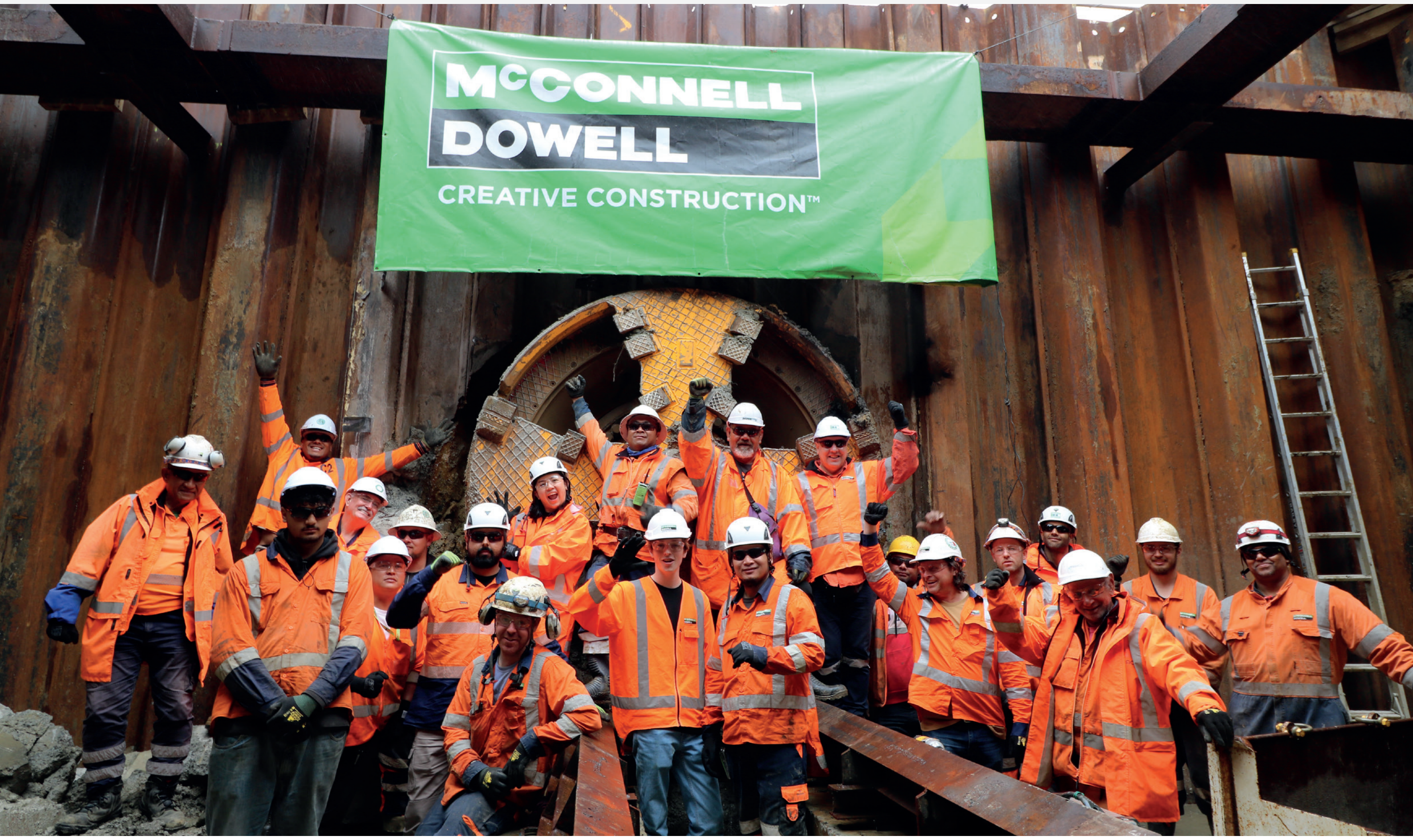
McConnell Dowell has worked across Australia, New Zealand and Pacific Islands and Southeast Asia for over 65 years. Business units in each of these geographies capitalise on the Company's strong brand and positioning as a local expert in its markets. Our professional engineers and construction teams work with their customers and communities, earning their loyalty with systematic and structured approaches to safety and project management.

We differentiate our offerings across diversified market sectors to secure projects that require specialist capabilities. Diversity across geographies, customers, sectors and specialist disciplines mitigates risk.

Winner
Commercial Construction AUD25-50 million category of the Australian Institute of Building South Australian and Northern Territory Chapter 2023 Professional Excellence in Building Awards (Built Environs, State Sports Park team).

Winner
Industrial AUD25-50 million category of the Australian Institute of Building South Australian and Northern Territory Chapter 2023 Professional Excellence in Building Awards (Built Environs, Golden Grove Park 'n' Ride team).

Winner
Eddie Bampton was named the joint winner of the AIB SA Building Professional of the year award.



Corban Reserve stormwater upgrade, New Zealand.

2023 performance highlights

Financial value created

Work in hand

increased 40% to R44,2 billion (AUD3,5 billion) **at 30 June 2023**

Performance

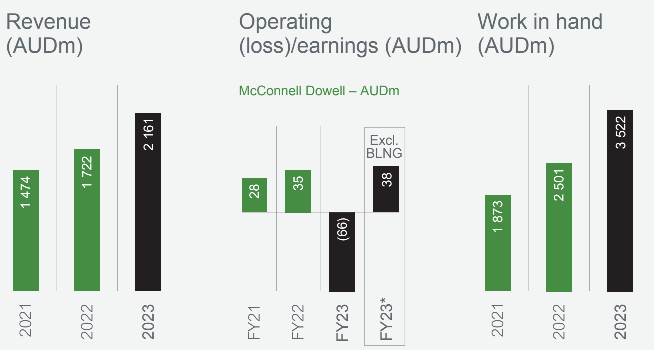
adversely affected by BLNG project

Preferred status projects amount to additional

AUD1,4 billion

Strong liquidity position with cash in hand of

R2,2 billion (AUD177 million)



Social and environmental value created

Learning and development

19 779 hrs

employee training

Employee value proposition rolled out across the business internally and externally

Increased focus on training and development of our teams

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

Safety and care

Zero

fatalities or major environmental incidents

LTIFR **improved to**

0,06

(2022: 0,07)

Aveng 2023 Sustainability Report, **www.aveng.co.za**

Market risks and opportunities

Strong, visible funnel of opportunities

AUD3,5bn Work in hand	**AUD1,4bn** Current preferred status	**AUD0,9bn** Submitted tenders outstanding	**AUD1,0bn** Tenders in preparation	**AUD15,6bn** Total visible pipeline out to FY27

Long-term demand remains, challenged by cost escalation leading to timing uncertainty

Australia	New Zealand and Pacific Islands	Southeast Asia	Built Environs
• Healthy opportunity pipeline, however increased public sector debt starting to impact investment and delay some projects coming to market • Emergence of investment shift from transport to social infrastructure • Energy transition and water security markets starting to gain momentum • Resource scarcity, skills shortages and supply chain constraints remain • Signs of easing in recent hyper cost escalation	• Increasing activity in water/ wastewater, transport and energy • Geopolitical tensions in Pacific Islands creating opportunities • Upcoming national election raising policy and timing of new project award uncertainty • Economy in recession, high interest rates and continued cost escalation pressure	• Remains most challenging market • Near-term new work efforts focused on marine and resources projects in Indonesia and Singapore • An opportunistic approach to smaller scale transport projects	• Strong investments in health, social housing and education in Australia and New Zealand • Private sector/developer-led market remain a low priority • Collaboration with McConnell Dowell on infrastructure opportunities • Cost escalation and subcontractor solvency issues seen in vertical construction market in FY23 starting to ease

How we mitigate contractor risk and capitalise on opportunity CEO review, page 35.

Our core operations *continued*

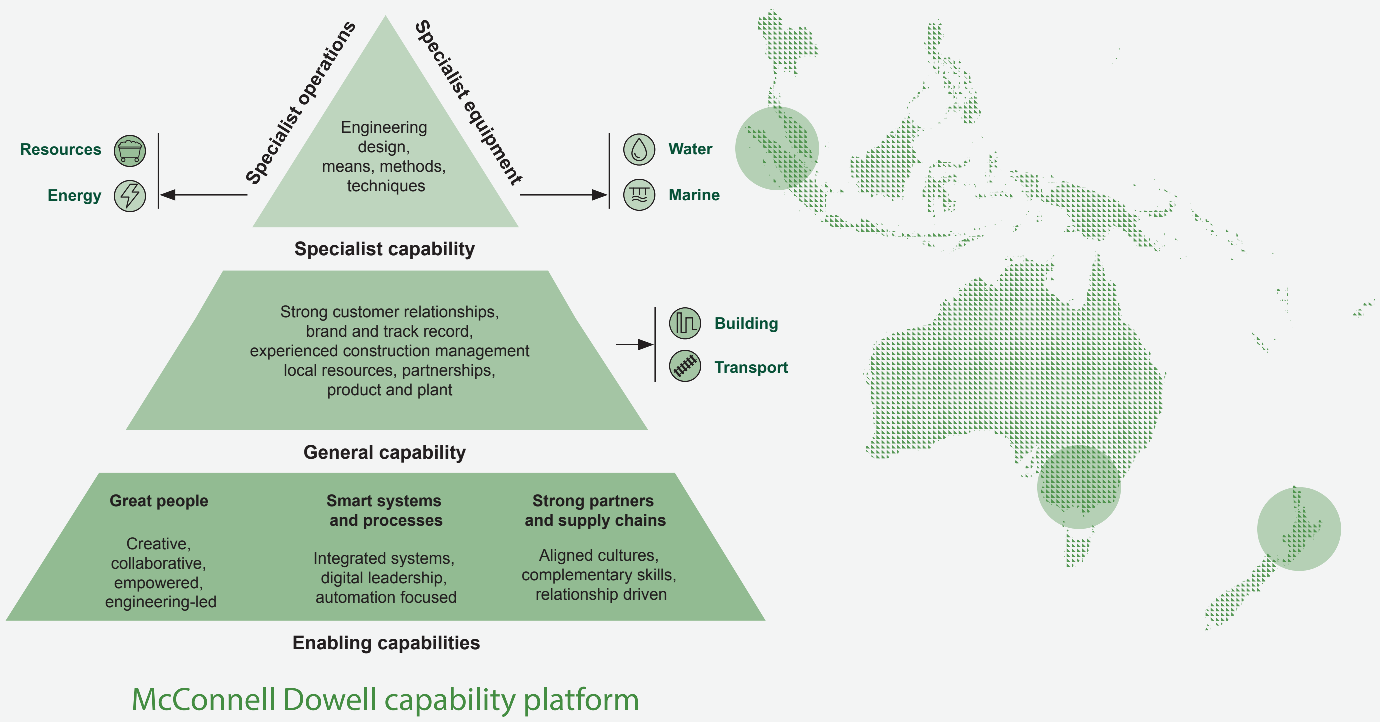
Drivers of sustainable future growth

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 target markets.

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.

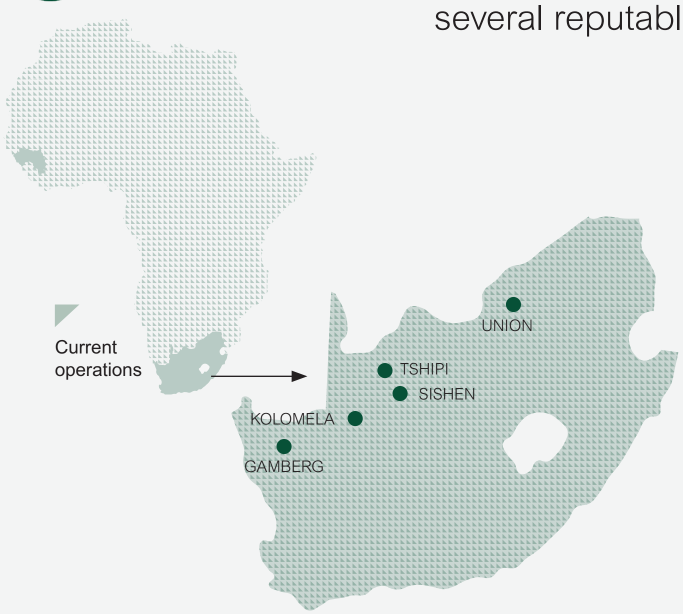
Strategic drivers:	**Water security | Climate resilience | Defence self-reliance | Transitioning energy | Urbanisation | Ageing infrastructure**
Strategic positioning:	To be an engineering-led specialist multi-disciplinary contractor working with our customers, partners and the community to deliver complex infrastructure solutions. Underpinned by a significant civil/transport infrastructure and building presence in major urban markets.



Old Mangere bridge replacement, New Zealand.

Moolmans

Moolmans is a tier-one mining contractor, delivering specialised mining services in a range of commodities for several reputable clients for more than 65 years.



Moolmans currently operates primarily in South Africa, with extensive experience in SADC and West Africa, and focuses on open cast mining.

Sound customer relationships and ability to work in remote and difficult locations underpin Moolmans' strong reputation in selected markets.

Positioning to be an African mining solutions provider, Moolmans leverages its core competencies and best safety practices to offer customers comprehensive services across the mining value chain.

2023 performance highlights

Financial value created

New five-year contract awarded at
Tshipi é Ntle

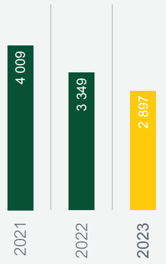
R900 million
investment in new heavy mining equipment

Work in hand grew to
R8,0 billion
(2022: R3,1 billion)

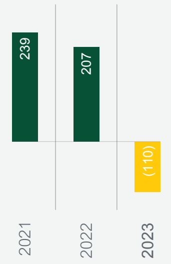
Plant renewal and optimisation programme reduced component expenditure by
R180 million

Losses on one project adversely impacted overall
performance

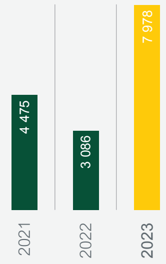
Revenue (Rm)



Operating (loss)/earnings (Rm)



Work in hand (Rm)



Social and environmental value created

Transformation, learning and development

Level 2 BBBEE contributor

R1 billion
spent on black-owned suppliers and small enterprises, of which

R575 million
went to black women-owned suppliers

Increasing training, development and employment for women

R35,7 million
invested in employee learning and development

Safety and care

Zero
fatalities or major environmental incidents

LTIFR of 0,21
(2022: 0,11)

Stronger safety culture, with interventions to anticipate and mitigate risk

Effective water management, with innovative solutions for dust suppression on project sites

Our core operations *continued*

Market risks and opportunities

R8bn	**R9,6bn**	**R0,49bn**	**AUD47bn**	**R65bn**
Work in hand	Current preferred status	Tenders in preparation	Submitted tenders	Total visible pipeline

Policy uncertainty stifling growth in South Africa. Strong prospects in the rest of Africa.

South Africa	Rest of SADC	West Africa
• A weaker Rand and increased demand for bulk commodities provides ongoing opportunity • Policy uncertainty, energy and water crisis coupled with deteriorating infrastructure currently impacting investment • Sector production output continues to decrease	• Botswana expects lower industry output in 2023 led by a decline in diamond production as a result of contraction in consumer spending and weaker demand • Zimbabwe continues to attract investment in gold and PGMs, however, rising costs and energy crisis remain a challenge • Namibia's mining sector grew by 21,6% in 2022 due to increased diamond production and continues to attract significant investment	• Opportunities across various commodities in gold, iron ore and lithium with significant investments going into the region • Gold production in Ghana, Burkina Faso, Mali and the Republic of Guinea estimated at 10,8moz in 2023 • However, production output expected to decline by 2% (CAGR) between 2024 and 2030 due to mine closures, political instability and unregulated illegal mining

How we mitigate contractor risk and capitalise on opportunity CEO review, page 39.

New heavy mining equipment en route to Tshipi, South Africa.

Competitive advantages

Brand reputation

Experience in remote and difficult environments

Relationships with established mining houses

African leader in open cut contract mining

Diversity by client, commodity, discipline

World-class procurement system, SHEQ integrated management system and experienced ICT skills

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 where a drill rig is used 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

We have defined our vision to be Africa's premier mining contractor and identified our target markets. Our strategic goals are enabled by:

- Our value proposition to customers, operationalised and underpinned by the Moolmans Way
- Our focus on securing long-term commercially viable contracts and strengthening operational performance
- Investment in our people, equipment, processes and systems

Moolmans operates one of the largest and most diverse fleets of mining equipment in Africa and applies sophisticated maintenance software to achieve equipment reliability. New investment in equipment, together with plant optimisation and renewal will improve onsite productivity and enhance Moolmans' value offering to its customers. The programme is being implemented progressively, with performance measured against indicators for each strategic priority, to ensure a suitable return to shareholders.

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

- 4 861 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 R3 billion (book value) mining fleet to serve clients' onsite needs

Natural capital

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

Business activities

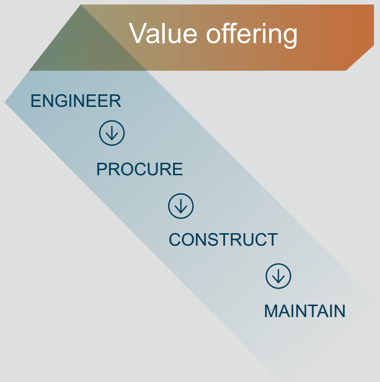
We apply Aveng's resources and relationships in an ethical and responsible manner to create and sustain value, and prevent erosion, for our stakeholders.

Aveng's operations 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 65 years.
- Offering multidisciplinary expertise across transport, water and wastewater, ports and coastal, energy, resources and commercial building sectors.



Moolmans

- Delivering specialised services across the mining value chain over 65 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 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 2023 sustainability report, **www.aveng.co.za**

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:

Financial

- Settled outstanding South African legacy debt with Trident Steel disposal proceeds
- Settlement of legacy debt created a sustainable capital structure and a platform for growth
- Majority of projects are profitable and cash generative but significant losses were incurred on the BLNG and Tshipi projects
- Reduced legacy construction liabilities and settled outstanding claims – guarantees reduced to R82 million

CEO and FD reports

Human

- Zero fatalities
- Sustained improvement in most other safety and health indicators
- Strengthened Board diversity and skills with new appointments
- Effective executive and operational management
- Increased focus on talent management and succession planning
- Implemented new human capital systems at McConnell Dowell and Moolmans
- Implemented measures to address labour market constraints

Chair and CEO reports

Social and relationship

- BBBEE level 4
- R1 billion spent with black-owned suppliers, of which R575 million 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
- Increased employment and development opportunities for women in mining
- Created employment opportunities for people with disabilities
- Invested in projects to improve education and support vulnerable communities

Intellectual

- McConnell Dowell and Moolmans brand strength

Core operations report

Manufactured

- Allocated R900 million investment in heavy mining equipment; R613 million spent in 2023
- Optimisation and renewal of existing fleet yielded R180 million savings in component expenditure and improved availabilities

CEO and FD reports

Natural

- Zero major environmental incidents
- Implementing ESG framework, with targets and KPIs linked to management remuneration

Board of directors

Executive directors

SEAN FLANAGAN (63)*
Group chief executive officer
BSc (Building)
Appointed to the Board: November 2015; appointed CEO in February 2019
Experience: 40 years of industry and related experience
Board committees:
Member: TR

ADRIAN MACARTNEY (55)
Group finance director
BCom, BCompt (Hons), CA(SA)
Appointed to the Board: September 2014
Experience: 29 years of industry and related experience
Board committees:
Member: TR

Independent non-executive directors

PHILIP HOURQUEBIE (70)
Independent non-executive director
CA(SA), BCom (Hons), BAcc
Appointed to the Board: August 2015
Board committees:
Chair: Board, IC
Member: RC RN SET TR

BRIDGETTE MODISE (56)
Lead independent non-executive director
BCompt (Hons), CA(SA), CIMA
Appointed to the Board: November 2019
Board committees:
Chair: AC
Member: RN IC SET

BRADLEY MEYER (44)**
Independent non-executive director
Bachelor's degree (Harvard University)
Appointed to the Board: May 2021
Board committees:
Chair: RN
Member: IC

Key and senior management

SCOTT CUMMINS (60)**
Chief executive officer McConnell Dowell Corporation Limited
BEng (Monash University); MBA (Strathclyde University)
Experience: 33 years of industry and related experience
At Aveng for: Eight years

ROD DIXON (52)
Managing director Moolmans
MBA (University of Cumbria)
Experience: 30 years of industry and related experience
Appointed on: 1 September 2023

LIESL TWEEDIE (55)
Group executive: Finance
BCom (Hons), CA(SA)
Experience: 28 years of industry and related experience
At Aveng for: Six years

The Board and senior management are disclosed as at 1 September 2023.

Bernard Swanepoel resigned as an independent non-executive director with effect from 31 March 2023.

May Hermanus retired as an independent non-executive director with effect from 17 July 2023.

Michael Kilbride retired as an independent non-executive director with effect from 17 July 2023.

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.*

NICHOLAS BOWEN (62)**
Independent non-executive director

BEng Mining Engineering (University of NSW, Australia)

Appointed to the Board: July 2023

Board committees:

Chair: SHE TR

Member: AC

DAVID NOKO (65)
Independent non-executive director

HDip (MechEng), MDP (Wits), PGDip (Company directorships) (GIMT), MBA (Heriot-Watt University), SEP (London Business School)

Appointed to the Board: March 2023

Board committees:

Chair: SET

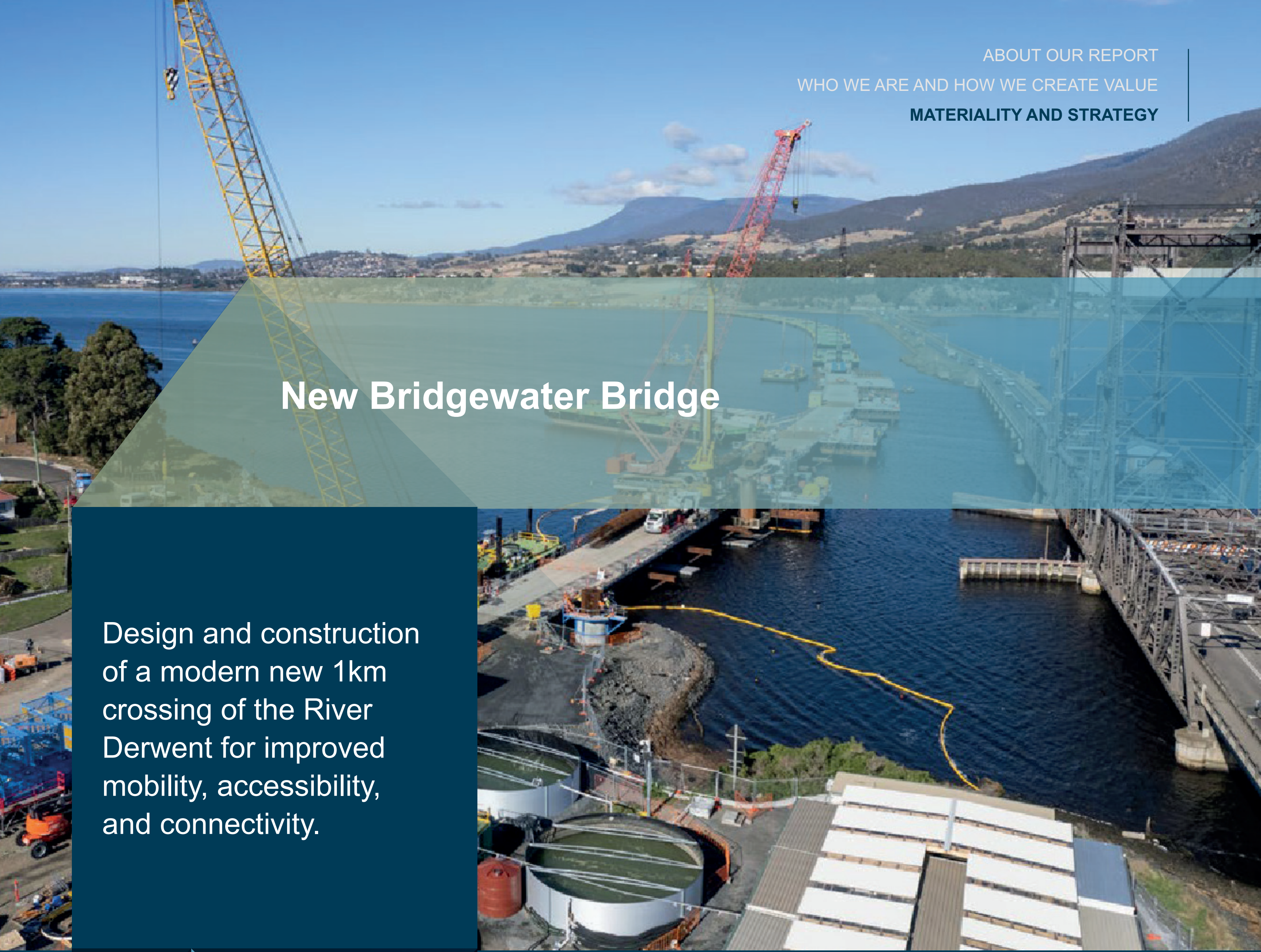
Member: SHE

EDINAH MANDIZHA (43)
Group company secretary

LLB, associate member of Chartered Secretaries Southern Africa

Experience: 17 years of industry and related experience

At Aveng for: 11 years



New Bridgewater Bridge

Design and construction of a modern new 1km crossing of the River Derwent for improved mobility, accessibility, and connectivity.

Delivering Tasmania’s largest ever transport infrastructure project

Level Crossing Removal Project

Removing dangerous level crossings across metro Melbourne

An ongoing, 10-year alliance with the Victorian state government that has so far seen seven level crossings removed, a new train stabling yard constructed, and over 6km of metro track duplicated.

Materiality

Material matters

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

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

Our three-stage material matters determination process is guided by the Group's enterprise risk management framework and stakeholder engagement.

Step 1	Step 2	Step 3
Identify relevant internal and external matters	**Evaluating the importance of matters identified**	**Prioritising material matters**

Gamsberg, South Africa.

Step 1 — **Identify 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. A group risk register comprising risks escalated from the subsidiary risk registers is updated quarterly and reported to the Board and the risk committee.

The Group's risk profile reflects its exposure to potential losses or adverse events that may affect the achievement of strategic objectives. This assessment is based on a combination of quantitative and qualitative indicators such as financial performance, regulatory compliance, operational performance, stakeholder feedback and the external operating environment.

The global risk environment deteriorated during 2023, placing additional constraints on the Group's operations. This is reflected in an increasing risk trend in the Group risk register.

2023 risk management improvements

Aveng matured its enterprise risk and opportunity management approach during 2023:

- implementing the improved enterprise risk and opportunity management system throughout the organisation;
- conducting a risk maturity assessment to identify and address gaps; and
- improving the robustness of tender risk management to ensure appropriate levels of governance are applied during tender processes.

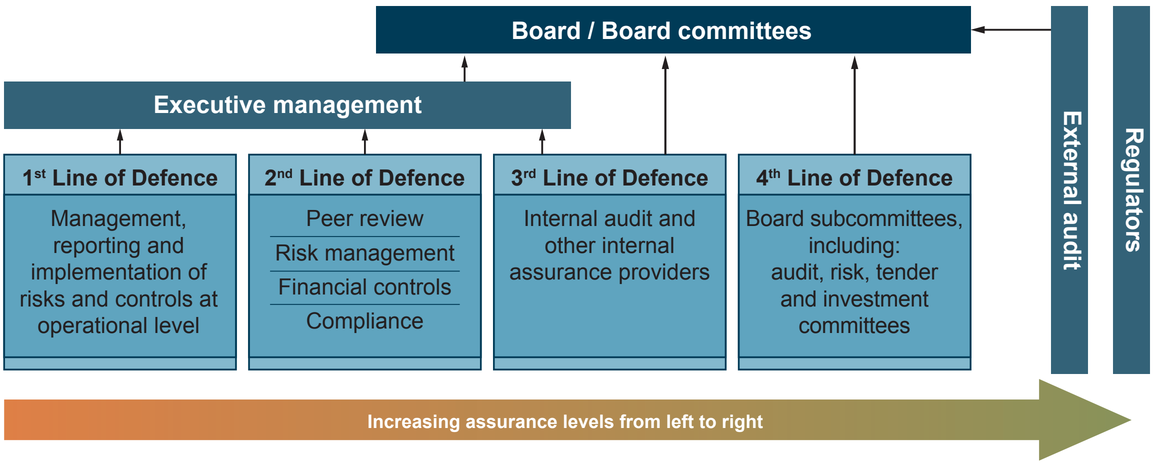
Risk and opportunity management framework

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, internal audit, and assurance provided by external audit, who oversee and assure the Group's risk and opportunity management.

Governance, page 48.

Tone of the organisation



External environment

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

2023 macro-economic risks identified by the World Economic Forum and their impact on Aveng

Macro-economic risk*	Impact on Aveng
Global economic slowdown COVID-19 and the Russian war in Ukraine have resulted in a decline in market liquidity, higher inflation and high interest rates which have worsened the global economic downturn. The risk of stagflation – a period of low growth and high inflation – is materialising, signalling a prolonged economic downturn and debt distress.	• Extreme escalations in the costs of fuel, construction materials and labour • Erratic supply of construction materials and equipment resulting in project delays • Delays in infrastructure project awards • Obstacle to the achievement of the growth strategy • Increase in the cost of capital • Data breaches threaten operational performance, financial performance and reputation • Extreme escalations in the costs of construction materials • Erratic supply of construction materials and equipment resulting in project delays • Overstocking to mitigate potential shortages • Emphasis on the importance of ESG and the achievement of internal ESG targets • Importance of SHEQ compliance • Collaboration with mining customers to contribute to sustainable energy transitions over time • Disruption of business continuity and development of new ways of working • Skills shortages due to mobility constraints • Impact on employee wellbeing • Increasingly complex business environment, with supply chain disruption, cost escalation and project delays.
Cyber security and data breaches The acceleration of digital adoption and dependency has increased vulnerability to cyber-attacks.	
Collapse of systemically important industry or supply chain Many supply chains have become inefficient as a result of the impacts of COVID-19 and the war in Ukraine. This has impacted businesses and prolonged the global economic downturn.	
Climate change adaption failure, extreme weather and biodiversity losses Worsening environmental degradation and a shift in focus to other short-term risks has increased concerns about the ability to contain climate change. Countries or organisations that continue to rely on carbon-intensive energy sources risk losing competitive advantage (higher-carbon cost, lower resilience, lagging behind technology advances and limited leverage in trade agreements).	
Infectious diseases COVID-19 and other health-related matters heightened the risk of pandemic diseases as a significant global threat.	
Escalating geopolitical tensions Geopolitical fragmentation is heightening the risk of multi-domain conflicts, creating global divergence, geopolitical and geoeconomic tensions. This complicates the approach to common global challenges, notably climate change due to regional convergence at the expense of global integration.	

* *World Economic Forum Global Risk Report 2023.*

Materiality *continued*

Stakeholder engagement

Aveng has a diverse range of stakeholders with an interest in its business. Our operations may impact them positively or negatively. By engaging constructively with our stakeholders, we can address their legitimate concerns and 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
Material stakeholder interests • Project performance • Strategy to carbon zero • Investment in technology • Business sustainability	**Key conversations and our response** • McConnell Dowell and Moolmans work in partnership with customers to achieve mutually beneficial outcomes and engage actively with customers to address areas of concern • Carbon reduction roadmap developed and communicated for McConnell Dowell business • Delivery of increased internal and external training to supplement the holistic development of our project teams
Employees **AUSTRALASIA** **Overhead** 459 **Project staff** 1 445 **Waged** 1 070 **SOUTHERN AFRICA AND OTHER** **Salaried** 840 **Waged** 1 021	**How we engage** • Formal employee engagement and information sharing sessions • Informal employee engagement sessions • Visible felt leadership • Toolbox talks and shift briefing sessions • Formal engagement sessions with organised labour • Employee engagement surveys • Employee workplace forums
Material stakeholder interests • Work-life balance • ESG commitment • Keeping pace with rising costs • Business updates • Culture and values alignment • Production and safety briefing sessions • Project performance • Strategy to carbon zero • Investment in safety technology	**Key conversations and our response** • Embed Aveng values through the Moolmans People Programme • Annual remuneration review successfully implemented • Frequent formal and informal business update sessions to facilitate engagement with employees
Subcontractors and other suppliers	**How we engage** • Supplier meetings • Supplier and contractor audits
Material stakeholder interests • Passing down of the head contract conditions • Contract compliance • Contract negotiations	**Key conversations and our response** We work with all subcontractors to ensure compliance with the Group's Code of Conduct, fair treatment of subcontractors and upholding of the human rights of employees and communities.
Communities	**How we engage** • Community forum meetings
Material stakeholder interests • The impact of projects on health and jobs • Contributing to the local economy • Corporate social investment	**Key conversations and our response** • Women from local communities developed and upskilled through Moolmans' Women Dump Truck Operator programme and absorbed into substantive employment • Investment of R730 000 incubated for local community development • Developing innovative ways of minimising disruptions to communities

Shareholders and financial institutions	**How we engage** • Results presentations to market and SENS • One-on-one meetings • Investor conferences and calls
Material stakeholder interests • Profitability and liquidity • Concerns about operational performance • Post-BLNG sustainability and plans to remedy the setbacks and their impacts on strategy execution • Future growth strategy • Shareholder value	**Key conversations and our response** • A team led by an independent expert conducted a full review of McConnell Dowell's work in hand to ensure that risks and opportunities were identified and mitigating actions taken in support of near-term forecasts and future budgets • Moolmans' investment in heavy mining equipment is starting to yield positive results • We continue to explore all options to create and preserve shareholder value • The Group remains liquid with adequate cash, continued support from bankers and strong revenue to FY25
Government and regulators	**How we engage** • Results presentations to market and SENS • One-on-one meetings • Investor conferences and calls
Material stakeholder interests • Compliance reporting • Engagement	**Key conversations and our response** • Aveng complies with Health, Safety and Environmental regulations. The Group is tax compliant. We fulfil the requirements of industry charters • The Group engages with regulators case-by-case and participates in industry engagements on matters concerning the sectors in which it operates
Unions • NUM, NUMSA, UASA, AMCU and Solidarity (South Africa) • AWU and CFMEU (Australia)	**How we engage** • Engagement via formal union leadership structures • Onsite formal and informal engagement meetings • Workplace forum meetings
Material stakeholder interests • Salary and wage negotiations • Conditions of employment • Project performance and structuring • Responsible disposal of non-core assets • Matters of mutual interest	**Key conversations and our response** • Ongoing engagement with employees and unions, during tough economic conditions • Direct regular communication with employees • Ongoing reviews to ensure compliance with applicable legislation or codes and adoption of best practices • Building Code and ABCC abolished during reporting period • Established relationships with CFMEU and AWU at senior levels • McConnell Dowell and Built Environs adopted pattern union agreements in Victoria • Greenfield agreements negotiated at Bridgewater, Aura and Harmony projects

Step 2 Evaluating the importance of matters identified

Risks or opportunities specific to the operations are monitored and managed under eight categories, namely:

Risk categories

- **SHEQ**
- **Strategic**
- **Operational**
- **Financial**
- **Human capital**
- **Information technology and innovation**
- **Legal, regulatory and compliance**
- **ESG**

These 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 matter	Our treatment in 2023
Cash flow and liquidity management ↑ ● (Extremely high) Aveng depends on a sound, sustainable balance sheet, with manageable levels of debt to implement projects and fund future growth. **Stakeholders impacted:** Clients, subcontractors and other suppliers, shareholders and financial institutions	• Realised R1,2 billion from the disposal of Trident Steel • Settled outstanding legacy debt from proceeds of non-core asset sales • McConnell Dowell repaid 46% of debt and converted the balance to term debt repayable in 2024 • Daily cashflow management • Intensive review and management of underperforming projects
McConnell Dowell operational performance ↑ ● (Very high) Aveng's vision of being an international engineering-led contractor is premised on growth-orientated businesses that can execute projects in line with the Group's operating earnings expectations and are profitable and cash generating. McConnell Dowell recorded a loss in 2023. **Stakeholders impacted:** Shareholders and financial institutions; clients, subcontractors and other suppliers	• Established PMO office led by experienced professionals • Reviewed portfolio and conducting detailed analysis, reporting and monthly assurance of project performance • Intensive management attention applied to underperforming projects • New project director appointed and resources added to minimise the time and cost to complete the loss-making BLNG project • Recruiting and retaining international talent to accommodate revenue growth in competitive labour markets • Focusing on resolution of outstanding claims • 93% of projects profitable at year end
Moolmans operational performance ↑ ● (Very high) Aveng's vision of being an international engineering-led contractor is premised on growth-orientated businesses that can execute projects in line with the Group's operating earnings expectations and are profitable and cash generating. Moolmans recorded a loss in 2023. **Stakeholders impacted:** Shareholders and financial institutions; clients, subcontractors and other suppliers	• Appointment of new managing director and HR executive • Detailed analysis, reporting and monthly assurance of project performance at all sites • Progressive implementation of equipment renewal and optimisation programme improving fleet reliability and availability • Leveraging technology to enhance data-based decision-making, operational efficiency and safety • Strengthening project leadership • 100% of projects profitable at year end
Availability and cost of operational resources ⟷ ● (Very high) Project implementation and financial performance are impacted by extraordinary increases in the cost of construction materials and equipment due to high inflation, rising commodity prices, supply chain congestion and higher-interest rates. Projects are impacted by inadequate availability of leadership or labour resources which was worsened by COVID-19-related mobility constraints. In Australia, low unemployment and a competitive labour market impact the availability and cost of human resources. In South Africa, the remote nature of mining sites limits skills availability. **Stakeholders impacted:** Employees, clients, subcontractors and other suppliers	• Implemented strategies to mitigate the effect of inflationary cost pressures on existing projects and new tenders • Implemented several actions to mitigate skills shortages, including international recruitment, training and incentivisation to drive targeted performance and talent retention • Developing succession plans for key executive positions and focusing on securing appropriate candidates for all key project management roles
IT infrastructure and cyber security ⟷ ● (High) Technology advances enable businesses to enhance operational efficiency and safety with data-based decision-making and process automation. Rapidly evolving and increasingly complex technology escalates the risk of cyber crime, increasing the need for businesses to protect against cyber breaches that could threaten their data integrity, financial performance and reputation. **Stakeholders impacted:** Employees, clients, subcontractors and other suppliers	• McConnell Dowell and Moolmans invested in new generation technologies and are migrating users to cloud platforms to reduce reliance on legacy systems • Upgraded head office IT infrastructure • Conducted vulnerability testing and invested in cyber security threat prevention, detection and response • Cyber security response aligned with NIST standards • Conduct routine user awareness training

Legend

● **Extremely high potential impact** — Risks addressed as a priority due to high exposure.

● **Very high potential impact** — Risks that cause management concern and are actively managed and mitigated.

● **High potential impact** — Risks that require management attention and are actively managed and mitigated.

● **Moderate potential impact** — Risks that require attention but are not an immediate cause for concern.

⟷ Unchanged risk trend
↓ Reducing risk trend
↑ Increasing risk trend

Strategy

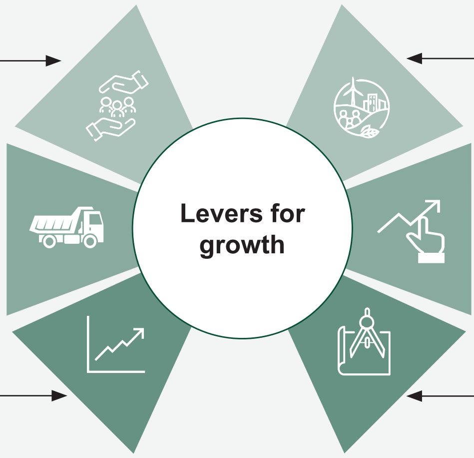
Aveng's strategy is to be an international engineering-led contractor focused on infrastructure, resources and contract mining in selected markets.

Positioned for growth

People and systems – invest in skills, competencies and leadership – digitise processes and adopt new ways of working

Moolmans plant optimisation and fleet renewal programme – investment in heavy mining equipment to maximise returns

Capital markets – explore all options for an optimal long-term capital base



ESG framework – we prioritise ESG initiatives and align decisions with Aveng's purpose and values

Strong balance sheet – capital planning for future growth plans of the Group including M&A, working capital and investments into operations

McConnell Dowell's specialist capabilities – focus on complex projects in areas and economies providing high-growth potential

Supported by			
Resilient business model	Our committed people and management teams	Risk management processed and effective governance structures	Good working relationships with our clients and suppliers

Key milestones

Aveng's recovery and turnaround plan from 2018 to 2022 transformed the Group from a loss-making, over-geared business that was under-invested in equipment, systems and people and laid the foundation for growth. With the backing of a stronger balance sheet, Aveng positioned the Group's two core businesses, McConnell Dowell and Moolmans, for sustainable long-term growth.

During the past five years, Aveng has achieved significant strategic milestones:

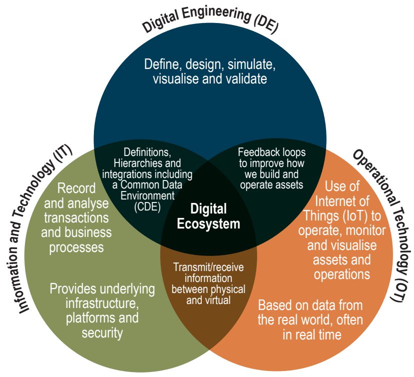
- Restored the balance sheet to its healthiest position since 2015 with minimal or no debt, and cash on hand of R2,4 billion, creating the financial platform to invest in future growth
- Extinguished legacy debt of R3,3 billion
- Reduced guarantee exposure of R3,8 billion to R82 million
- Settled Trident Steel R450 million trade finance facility
- Terminated over R500 million in ancillary trade finance facilities
- Completed non-core asset disposals, generating total proceeds of R2,4 billion and resulting in the Group's withdrawal from the South African construction industry
- Renewed investment in mining equipment, systems and people
- Established a strong revenue base for profitable growth, with the combined order book of McConnell Dowell and Moolmans growing by 70% to R52,2 billion between 2022 and 2023

Strategy *continued*

Growth drivers

Aveng remains focused on achieving sustainably profitable growth in McConnell Dowell and Moolmans. The strategy is guided by five levers that drive growth. The business strategies are reviewed annually and renewed in line with risks and opportunities in external operating environments.

Levers for growth – focus areas	Progress in 2023
Strong balance sheet	
• 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 • Explore all options for an optimal long-term capital base	• Concluded the sale of Trident Steel for R1,2 billion, bringing the total proceeds from disposals to R2,4 billion to date • Settled the balance of South African legacy debt with proceeds from the Trident Steel sale • Finalising remaining smaller outstanding disposals • Made further progress in the settlement of major litigation and historic claims and contingent liabilities; reduced guarantees from R3,8 billion in 2017 to R82 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 operational performance and margin improvement	• Won new work amounting to AUD3,2 billion • Work in hand grew 41% to AUD3,5 billion at 30 June 2023 • Financial performance was impacted by the BLNG project in the Philippines, resulting in a loss for the year; the project was completed during calendar 2023 • Implemented a post COVID-19 turnaround plan in Southeast Asia, with stronger leadership and resumption of tendering
Moolmans plant optimisation and fleet renewal programme	
• Implement fleet renewal programme for new and existing contracts in line with strategy to select and secure long-term commercially viable contracts • Continue to optimise existing fleet to improve availabilities, save on component spend and dispose of redundant assets	• New contract awards and capital investment reposition Moolmans for growth • New five-year Tshipi é Ntle contract facilitated a R900 million investment in new plant and equipment • Following the mobilisation of the new equipment, Moolmans anticipates a significant improvement in operational and financial performance
ESG framework	
• Prioritise ESG initiatives and align decisions with Aveng's Purpose and Values • Integrate ESG into the ways we work, and project scoping and tendering • Aspire to go above and beyond policy requirements and market expectations	• Continued to implement the ESG framework with KPIs to reduce carbon footprint, lower environmental impacts and increase social commitments and regulatory compliance • Reported on performance against 2023 targets • Implemented ESG incentive (10% of management short-term incentive) to demonstrate commitment to best practices
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 through Group Engineering	



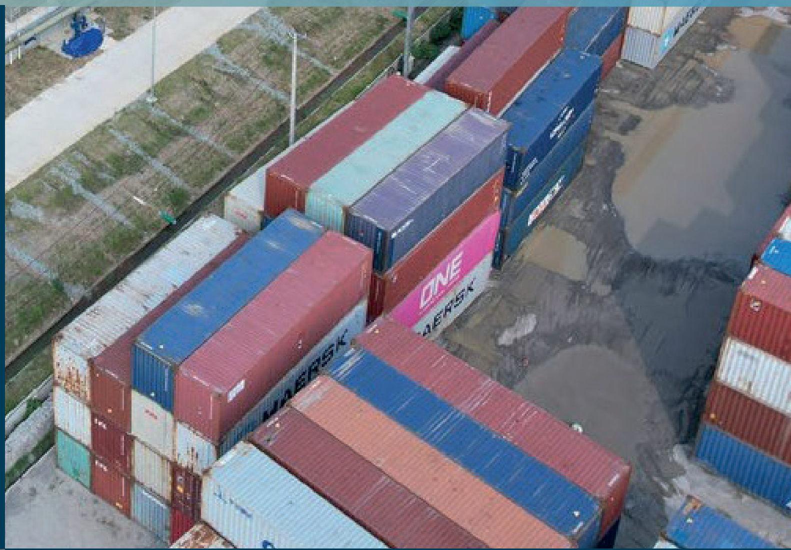
Progress in 2023

- Invested R270 million in ICT systems across the Group
- Addressed skills shortages with targeted recruitment process and investments in training and development
- Implemented succession planning and talent retention across the Group
- Strengthened McConnell Dowell management team with appointment of new managing director in Southeast Asia
- Strengthened Moolmans management team with appointment of a new managing director and HR executive
- Developing an engineering-led organisation

Hunua 4 construction phase two, New Zealand.

Palembang Wastewater Treatment Plant

Construction of a new 20mℓ per day wastewater treatment plant that will provide 12 000 households and businesses with sewerage services for the first time.



Improving health outcomes and water resilience in Indonesia

Jurong Region Line – Contract J108

Improving connectivity and travel times around Singapore

Design and construction of three new elevated stations and connecting 2,3km long viaduct for the new Jurong Region Line in the Tengah region of Singapore.

Review of the chair

Aveng's strategy to achieve sustainable long-term growth was interrupted by material losses on two major projects in Southeast Asia and South Africa. The Group has taken action to resolve these challenges and we believe that the positive outlook for the two subsidiaries will support a return to profitability in 2024.

Philip Hourquebie | *Independent non-executive chair*

2023 FOCUS AREAS

The Board focused on matters that enable Aveng to protect value in volatile external environments:

1. **Ensuring** that effective leadership and appropriate risk management systems support strategy implementation
2. **Overseeing** operational performance as the foundation of profitable growth
3. **Implementing** an executive retention plan aligned with shareholder expectations
4. **Embedding** the ESG strategy and approach throughout the Group

Overview

Aveng's transition to sustainable long-term growth was well underway at the beginning of the 2023 financial year. The Group had strengthened its capital base and restored profitability. McConnell Dowell's pace of growth had accelerated in its targeted markets. Moolmans' fleet renewal and optimisation programme was enabling progressive improvements in operational performance as the benefits started to filter through to key mining projects later in the year. These advances were achieved during an extremely challenging period and our strategy continues to be tested by the far-reaching after-effects of COVID-19 and the economic impacts of Russia's war in Ukraine. However, our financial resilience and the strategic trade-offs we made during this period enabled the Group to largely withstand persistent volatility and uncertainty across our markets.

Within this context, the losses incurred on two projects during the year under review are material and deeply concerning because they negated excellent performances achieved by the majority of the projects across our operations. For our stakeholders the value eroded by these losses may make a hollow victory of the areas in which we excelled. While our experience is not unique in a global construction and engineering industry beset by material increases in the costs of fuel, construction materials, equipment and labour, together with congested supply chains, skills shortages and extreme weather events, it has been necessary for us to also reflect on, and learn lessons from the areas of underperformance within our control. These took a heavy toll on our financial performance this year, but are being addressed by our management teams.

McConnell Dowell and Moolmans continue to implement their strategies in targeted markets and both remain on a path of profitable long-term growth across diverse geographies, sectors and commodities. Strong performances by the majority of our projects are a reliable indicator of the strength underlying the Group's ability to deliver projects successfully. The actions we took to review all projects and strengthen risk management and operational leadership across the portfolio underpin a constructively positive outlook for the year ahead. For detailed information on the Group's operational and financial performance, and risk mitigating interventions, read the CEO review on page 33 and the FD report on page 41.

External environment

Sustained investment in infrastructure development in Australia, New Zealand and Southeast Asia offers significant opportunities in McConnell Dowell's specialist infrastructure, construction and engineering sectors. Our operations in Australia and New Zealand navigated multiple challenges during 2023 to capitalise on ongoing demand for social and industrial infrastructure. In Southeast Asia, we continue to face significant economic headwinds, while intense competition increases complexity for contractors as the region addresses its infrastructure backlogs.

The South African mining industry Moolmans operates in is mineral rich and benefits from higher commodity prices, but these advantages continue to be undermined by higher operating and investment costs, supply chain bottlenecks and adverse weather conditions. Unreliable power supply and dysfunctional state-owned rail transport from mines to ports reduced the industry's exports during 2023 and threaten future outputs, with negative consequences for the industry, the fiscus and socio-economic growth.

The majority of projects across the Group's portfolio are implemented in external environments and are exposed to extreme weather events associated with climate change, such as heatwaves, flooding and wildfires. Conversely, the damage caused by extreme weather events presents opportunities for contractors to play a role in restoring critical infrastructure. A case in point is McConnell Dowell's involvement in the remediation of New Zealand's State Highway 25A Taparahi after Cyclone Gabrielle caused a section of the road to collapse in January 2023.

The Board's key focus areas

Group strategy

The Board constantly reviews the strategies of the Group and the two subsidiaries and monitors the progress of strategy implementation. While the overriding strategic objectives remain unchanged, it has been necessary to adapt the strategies to ensure appropriate responses to extreme political, economic and social volatility in our operating environments. With approximately 75% of our project portfolio located in Australasia and Southeast Asia, our longer-term goal to locate the Group in those geographic markets remains constant.

As the Group completed the five-year turnaround strategy in 2022 and gained momentum in the transition to sustainable long-term growth, the Board's strategic oversight during 2023 focused on:

- strengthening the balance sheet to ensure the Group is adequately capitalised to support future growth plans;
- improving risk management and ensuring that effective leadership is in place to deliver projects that meet the expectations of clients and shareholders; and
- implementing an executive retention plan that motivates sound operational performance aligned with shareholder expectations.

Leadership and remuneration

Ensuring that the Group has effective leadership to guide strategy implementation and deliver operational excellence remains a key focus area. Executive leadership at the Group and McConnell Dowell levels is strong and stable. Following the resignation of Jerome Govender as managing director of Moolmans in June 2023, Group CEO Sean Flanagan stepped in as interim executive chairman of Moolmans and Rod Dixon was appointed managing director with effect from 1 September 2023. The Moolmans leadership team has considerable experience, further enhanced by new executive appointments. McConnell Dowell and Moolmans have both implemented systems and processes to strengthen people management and support career progression, while ensuring that talent is retained in competitive human capital environments. Succession planning, remuneration and reward are key elements of the Group's strategy to attract and retain a pipeline of future leaders, as detailed in the remuneration report on page 54.

ESG

The Board and its committees oversee the progressive implementation of the new ESG framework throughout the Group, while ensuring that the well-established existing management systems and practices maintain continuity in our commitment to ethical and responsible conduct. There has been a perceptible shift in the Group's approach to its environmental and social management as the more structured process to understand, measure, monitor and report on ESG matters formalises our commitment to sustainable social and environmental outcomes.

Review of the chair *continued*

I am pleased to report that the Group maintained its goal of zero fatalities and achieved satisfactory performances in other key safety, health and environmental indicators. This is largely attributable to:
- sound project selection and implementation;
- disciplined compliance with SHE management systems and local regulatory requirements;
- implementation of the new ESG framework, including increased monitoring and reporting of hazards at project sites;
- management visibility and employee engagement at project sites;
- rigorous use of leading indicators as early alerts to risk; and
- ensuring that lessons learnt from incidents inform future behaviour and practices.

There have been significant advances in the way we engage with stakeholders to deliver our projects successfully and manage their impacts on residential and natural environments. Our experience confirms that working in partnership ensures better outcomes for our customers and the communities surrounding our projects. Job creation and socio-economic development are primary focus areas of our community engagement and our projects actively promote gender diversity onsite, while creating enabling work environments for women.

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

The Board demonstrates its commitment to effective leadership by ensuring that it represents appropriate independence and a balance of relevant skills, experience, race and gender. Several changes were made to the Board to renew its composition by appointing new directors to replace those who have served in excess of 10 years and to ensure that the Board is adequately equipped to maintain sound governance and provide future strategic direction.

On 31 March 2023, Bernard Swanepoel resigned as an independent non-executive director and member of the risk committee, the safety, health and environment committee and the tender risk committee to pursue his personal business interests full-time. Concurrently, the Board appointed David Noko as an independent non-executive director and a member of the risk committee, the safety, health and environment committee and the tender risk committee. David is also a non-executive director of Moolmans. He is an internationally renowned business leader with extensive qualifications and experience in mining, industry and engineering and is currently chairman of the Council of the University of the Free State. The Board welcomes David and thanks Bernard for his valuable contribution to Aveng.

Subsequent to the year end, with effect from 17 July 2023, Michael Kilbride and May Hermanus retired as independent non-executive directors after serving on the Board for more than 10 years. Concurrently, the Board appointed Nicholas Bowen as an independent non-executive director and member of the audit committee, the risk committee and the safety, health and environment committee. Nicholas is based in Sydney and has over 40 years of experience in contract mining, construction and quarrying in Australia and other countries, including South Africa and Zambia. The Board welcomes Nicholas and looks forward to his contribution to the Group.

Following these changes to the Board's composition, Bridgette Modise was appointed lead independent director and the Board committees were reconstituted, as detailed in the governance report on page 48.

Board evaluation

As reported in last year's integrated report, an external independent evaluation of the performance of the Board and the Board committees was conducted in August 2022.

The Board continues to implement action plans to address the key outcomes of the evaluation, including:
- a shift to long-term strategic objectives, while maintaining oversight of current operational performance;
- succession planning for the Board and executive management roles;
- strengthening diversity in the composition of the Board and its committees; and
- maintaining a continuous focus on IT governance and IT risk, including cyber security.

Acknowledgement

The 2023 financial year was challenging for our industry and our businesses and required extraordinary dedication and commitment across the full spectrum of our leadership and employees. Sean Flanagan and his executive and operational management teams faced up to significant challenges and acted decisively to address them. Our people worked hard to implement Aveng's strategy under trying circumstances. I acknowledge and thank all of our employees for consistently implementing our purpose and strategy.

The Board had another busy year overseeing the Group's capacity and capability to preserve value in volatile environments and remain on course to fulfil its longer-term growth potential. We bade farewell to May Hermanus and Michael Kilbride who served on the Board for 14 years and 11 years respectively. May and Michael brought valuable skills and experience to the Board during a turbulent period and they leave the Group better positioned for the future than when they joined. I thank them individually for their long service and stabilising influences and wish them both well in their future endeavours. I am grateful to my other colleagues for their individual and collective roles in ensuring that we maintain the Group's focus on delivering consistent operational performance which is the foundation of a sustainable future.

On behalf of the Group, I acknowledge our loyal customers, subcontractors, other suppliers and our shareholders and financiers. We value our partnerships with these stakeholders who not only work with us to create mutually beneficial outcomes but also remind us when we need to work harder to fulfil our purpose of providing a better life.

Information on Aveng's future prospects is available in the Outlook report on page 45.

Philip Hourquebie
Independent non-executive chairman

Review of the Group chief executive officer

2023 was a year of transition with Aveng completing its last significant non-core asset disposal, growing work in hand and revenues in McConnell Dowell and investing in new heavy mining equipment in Moolmans.

Sean Flanagan | *Group chief executive officer*

2023 FOCUS AREAS

Management focused on maintaining a stable foundation during a year of transition, characterised by:

1. **Normalisation** of operating activities following COVID-19
2. **Rapid growth** of McConnell Dowell's revenue, work in hand and employee base
3. **New contract awards** for Moolmans and related investment in heavy mining equipment
4. **Continued investment** by both businesses in new business and human capital management systems
5. **Strengthening** the enterprise risk management and ESG frameworks
6. **Concluding** the restructuring of Aveng with the Trident Steel sale and settlement of legacy term debt

Review of the Group chief executive officer *continued*

Overview

Aveng grew its continuing operations revenue by 28% to R28,9 billion but delivered a disappointing operational performance. The Group incurred a significant operating loss following substantial losses in McConnell Dowell's Southeast Asia business unit, primarily from the Batangas LNG (BLNG) terminal project. Both McConnell Dowell and the Group reported operating losses as a result. An operational underperformance at Moolmans further contributed to the operating loss.

Following McConnell Dowell's disappointing results, the Group conducted a review of the BLNG project and a broader portfolio of current projects. This led to the design and implementation of improved operational standards and governance procedures for tenders and projects undertaken by McConnell Dowell.

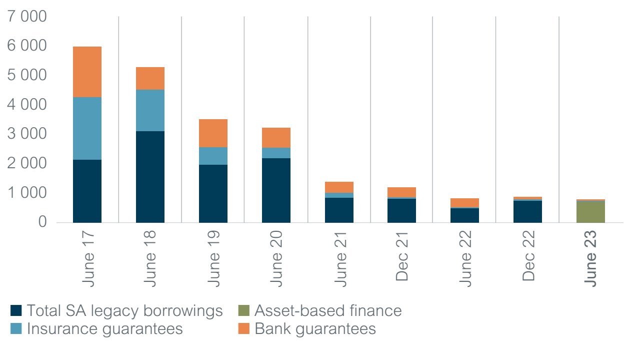
Levers for growth

Stronger balance sheet

Aveng has delivered on the strategy announced in 2018 to de-risk its balance sheet and reduce debt. The Group disposed of non-core assets and used the proceeds to repay debt, allowing it to focus on the core assets of McConnell Dowell and Moolmans. With the conclusion of the Trident Steel disposal, the Group was able to fully extinguish its South African legacy debt of R478 million and short-term trade finance facility of R450 million.

The settlement of this debt, which at its height amounted to R3,3 billion, was pivotal in ensuring a sustainable capital structure and a platform for Aveng's growth.

South African total debt and guarantee exposure (Rm)



The balance sheet was further de-risked by terminating more than R500 million in facilities relating to Trident Steel and reducing the South African guarantee exposure from R3,8 billion in 2018 to R82 million at 30 June 2023. The Group continues to settle major litigation, historic claims and contingent liabilities.

New financing facilities were arranged in support of the Group's investment in new mining equipment and the partial funding of the BLNG project guarantee following its encashment, together with new general banking facilities for South African operations. These activities provide the foundation for a focused business and balance sheet as we build for the future.

Simpler structure focused on project delivery in core disciplines

McConnell Dowell continued to be awarded work within its specialist disciplines, winning R38 billion (AUD3,2 billion) in new work and growing work in hand by 40% to R44,2 billion (AUD3,5 billion) at year end. This secures 100% of McConnell Dowell's planned revenue for 2024.

New awards include two significant water pipeline projects in Queensland, further rail infrastructure in South Australia, redevelopment of recreational facilities in Victoria and hospital and airport works in Auckland, New Zealand. Following the impact of Cyclone Gabrielle, McConnell Dowell is participating in the remediation of highway infrastructure in the North Island of New Zealand. On the South Island, the construction of a wastewater treatment plant has been secured, building on the impressive track record in delivering water management infrastructure across the Asia-Pacific region. McConnell Dowell is also the preferred bidder on projects valued at AUD1,4 billion. This strong opportunity pipeline continues to facilitate strategic selection of projects that support profitable growth.

Moolmans grew its work in hand significantly to R8,0 billion at year end after winning R9,4 billion in new work, including a new five-year contract at the Tshipi é Ntle project. This secures 93% of Moolmans' planned revenue for 2024.

The Group's total work in hand was R52,2 billion at year end, a R21,4 billion increase from the prior financial year.

Building our human resource capacity and systems for growth

Aveng invested R270 million in ICT during 2023. The Group made progress in its adoption of new generation technologies and cloud migration which improve operational efficiencies and safety with data-driven decision-making and system automation. To ensure we identify, protect against and respond to cyber threats, we align our cyber security response with the standards of the National Institute of Standards and Technology (NIST).

McConnell Dowell and Moolmans continuously strengthen their human resource capacity to support their growth aspirations. Both businesses continue to invest in the technical and leadership capacity of their people through learning and development programmes, new appointments and the creation of a pipeline of future leaders. A focus on succession planning and talent retention resulted in the assessment of over 257 leadership positions during 2023. Labour shortages are addressed through targeted interventions to ensure that our resources onsite are adequately equipped to deliver project excellence.

Implementing the ESG framework

Our ESG practices are governed by policies, internal controls and are subject to internal and external assurance. They are overseen by the Board and relevant Board committees. We monitor our ESG practices in an effort to align them with best practice, recognising that this is a fast-changing landscape.

The Group made considerable progress in implementing the ESG framework during the year. McConnell Dowell and Moolmans continue to refine their key performance indicators (KPIs) to reduce the carbon footprint, lower environmental impacts, formalise our social commitments and our duty of care and strengthen regulatory compliance and business conduct. Both subsidiaries reported 2023 performance against baseline metrics established last year.

Aveng achieved its goal of zero fatalities and performed well in the other key safety, health and environment performance indicators. The Group recorded a LTIFR of 0,10 (2022: 0,09) against a target of 0,14 and a TRIFR of 0,73 (2022: 0,59) against a target of 0,64.

BLNG project

The BLNG project was awarded during COVID-19 and was subject to significant delay and disruption caused by the global pandemic, including supply chain disruptions and inability to mobilise people to the requisite work locations. Over an extended period of the project's life, international and domestic Australian border closures prohibited travel to the BLNG site in the Philippines and other locations where equipment was manufactured. Supply chain disruptions were exacerbated by the Russia-Ukraine war.

Total losses recorded on the BLNG project in the current year amounted to R1 243 million (AUD104 million), including recognition of a loss following encashment of the project guarantee of R529 million (AUD43 million). The life-to-date loss recorded on this project amounts to R1 353 million (AUD114 million).

Subsequent to the year end, McConnell Dowell reached a commercial settlement with FGEN LNG on all contractual claims and has recognised the full loss on the project which is currently in the commissioning phase and will be completed in the coming months. McConnell Dowell and FGEN LNG have entered into a services agreement in which McConnell Dowell will use its expertise, experience, systems and capabilities to support FGEN LNG achieve full commissioning of the project.

As a consequence of the BLNG project we have improved operational standards and governance procedures.

- A new project management office led by experienced project management professionals is ensuring best practice support to project teams and reporting to the McConnell Dowell CEO.
- Pursue/no-pursue decisions are subject to robust consideration at all tender review gates.
- A review of the commercial limits policy tightened the application of commercial terms.
- The risk rating system was revised to define tender approval levels.
- Project risk rating is assessed monthly in response to emerging risks and opportunities. Higher risk projects are subject to comprehensive review and oversight.
- Project technical reviews were enhanced to strengthen assurance mechanisms, enabling earlier identification of specific issues and allowing for timely interventions.

Improving the performance of our businesses

Our commitment to ensuring the success of our two businesses, McConnell Dowell and Moolmans, remains unwavering and in line with the objective of ensuring a sustainable future as an international engineering-led contractor focused on infrastructure, resources and contract mining in selected markets.

McConnell Dowell

Financial and operational performance

	AUD million			R million		
	2023	2022	Variance (%)	**2023**	2022	Variance (%)
Revenue	**2 161**	1 723	25	**25 950**	19 034	36
Gross earnings	**35**	124	(72)	**397**	1 378	(71)
Operating (loss)/earnings	**(66,5)**	34,5	(>100)	**(814)**	385	(>100)
Operating free cash flow	**(35)**	64	(>100)	**(573)**	676	(>100)
Capital expenditure	**19**	17	12	**(224)**	(187)	20
Total assets	**764**	674	14	**9 341**	7 401	26
Total liabilities	**616**	456	35	**7 757**	5 205	49
Work in hand	**3 521**	2 500	41	**44 264**	27 768	59

Buoyed by its Australian and New Zealand operations, McConnell Dowell recorded 40% growth in work in hand to R44,2 billion (AUD3,5 billion).

McConnell Dowell achieved 25% revenue growth to R26 billion (AUD2,2 billion), mainly attributable to the Australia business unit, and the Australia and New Zealand & Pacific Islands business units recorded combined operating earnings of R939 million (AUD77 million). However, McConnell Dowell reported an operating loss of R815 million (AUD66 million) compared to an operating profit of R385 million (AUD35 million) in the prior year. The was mainly a consequence of significant underperformance in the Southeast Asia business unit as a result of the BLNG project.

McConnell Dowell closed the year with a cash balance of R2,2 billion (AUD177 million) and raised a term debt facility of R290 million (AUD23 million) to partially fund the encashment of the BLNG project guarantee. McConnell Dowell increased its project guarantee facilities to support current and projected revenue. Project guarantee facilities amount to R8,6 billion (AUD688 million).

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:

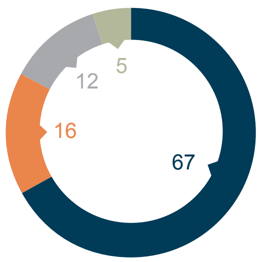
- diversifying geographically, by discipline and by contract type;
- entering into collaborative contracting approaches such as alliances and early contractor involvement that reduce risk; and
- differentiating its offerings with specialist capabilities that enhance returns.

83% of McConnell Dowell's work in hand is made up of public sector projects from all government tiers across core geographic markets (2022: 71%) and 35% of these are alliance contracts (2022: 35%).

Review of the Group chief executive officer *continued*

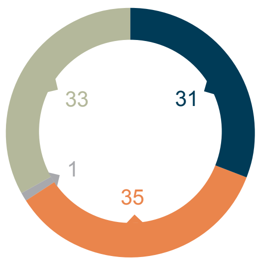
Work in hand – a diverse portfolio

Business unit (%)



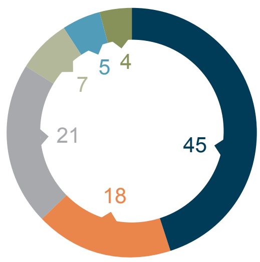
- Australia
- Built environs
- New Zealand
- South East Asia

Contract type (%)



- Construction only
- Design and construction
- Service
- Relationship

Sector (%)



- Transport
- Building
- Water and wastewater
- Ports and coastal
- Energy
- Resources

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.

Australia operations – a solid foundation

The Australian business unit achieved strong operating earnings of R717 million (AUD60 million) compared to R700 million (AUD63 million) in the prior year. The business unit's growth momentum was supported by healthy market conditions in the Australian infrastructure sector, with infrastructure investments from all levels of government.

New work won of R29 billion (AUD2,4 billion) increased the work in hand by 53% compared to 30 June 2022, and new contracts were awarded in all states, across a range of project sizes and contract types in most of McConnell Dowell's specialist disciplines.

Several projects that improve transport infrastructure for customers and communities were completed during the year. Among these were the Granite Island Causeway and the Ovingham Grade Separation in South Australia and the Cranbourne Line Upgrade, Aviation Road Pedestrian Underpass and Echuca-Moama Bridge in Victoria.

Work continues on major projects such as the Kidston Pumped Hydro in Queensland, Western Program Alliance in Victoria, Port Kembla Gas Terminal in New South Wales and New Midland Station in Western Australia.

New awards include:

- new Bridgewater Bridge project, Tasmania's largest current civil infrastructure project and the longest road bridge over water in Australia;
- Epping Road upgrade, the Webb St Level Crossing Removal, the Inland Rail: Beveridge to Albury – Tranche 1, and the Swanson Dock West projects in Victoria;
- Kamay Ferry Wharves in New South Wales, rebuilding water connections across Botany Bay to the Kamay Botany Bay National Park;
- a Common User Facility (CUF) for Marine Development Works and Port Dock Rail Early Contractor Involvement (ECI) projects in South Australia; and
- the Aura and Harmony Trunk Infrastructure projects and the 177km Gladstone to Fitzroy Pipeline in Queensland. The pipeline is being delivered for the Gladstone Area Water Board and the Queensland Government to provide reliable and sustainable water supplies to the region.

These awards further strengthened the business unit's substantial order book, securing 100% of planned revenue for 2024.

PROVIDING A BETTER LIFE

Echuca-Moama Bridge

Connecting communities in regional Australia

Customer:	Contract:	Location:	Project capabilities:
Victoria and New South Wales governments	Design and Construct	Echuca-Moama, Australia	Civil and marine

An innovative bridge solution saw McConnell Dowell secure the contract to design and deliver this important new river crossing for the Victoria and New South Wales state governments.

Completed four months ahead of schedule, the construction of this vital second crossing between Echuca and Moama included new bridges over the Murray and Campaspe rivers, and two new flood relief bridges.

The new bridges have a single lane in each direction, meeting traffic demands for at least 30 years. A new 4,5km pathway accommodates pedestrians and cyclists. The design allows for additional lanes to be added in the future.

New Zealand and Pacific Islands – exceeding expectations

The New Zealand and Pacific Islands business unit achieved significant growth in operating earnings from R59 million (AUD7 million) in the prior year to R222 million (AUD17 million), following the resumption of new contract awards that were delayed by COVID-19 restrictions.

The business unit overcame a variable project pipeline and customer funding constraints to maintain steady growth in its work in hand. Work in hand grew by 8% after winning R3,5 billion (AUD294 million) in new work, including:

- The high-profile North Island State Highway 25A Taparahi Slip Remediation project awarded after the road collapse caused by Cyclone Gabrielle in January 2023;
- Continued works at Auckland International Airport;
- Warkworth to Snells pipeline north of Auckland with Watercare. The project is the next stage of the scheme involving the Snells to Algies Outfall and the Warkworth Pump Station;
- Shotover Wastewater Treatment Plant Upgrade in Queenstown;
- An eight-year Wastewater Treatment Plant upgrade programme for the Dunedin City Council;
- Te Puke Wastewater Treatment Plant ECI project; and
- The Wellington City Council's Sludge Minimisation ECI project.

Several key projects were secured in the Pacific region, including the Queen Salote International Wharf Upgrade in Tonga, a new sewer pipeline in the Solomon Islands, the ECI phase for MFAT's PPSP Chanceries and Staff Housing project which spans seven Pacific Islands, and several new projects in American Samoa. These, together with ongoing works for the Australia Defence Force project, contribute to our baseload of work across eleven Pacific Islands.

The New Zealand and Pacific Islands business unit commences 2024 with 94% secured work which is set to increase to over 100% when preferred contractor status contracts are secured.

Built Environs – scaled for success

McConnell Dowell's commercial building arm increased its revenue by 60% to R2,7 billion (AUD229 million) in line with the business unit's growth agenda. However, a combination of significant COVID-19-related price escalations on certain projects and shortages of subcontractors, resulted in Built Environs reporting break-even in operating earnings. The business is now operating at scale across its three business units.

Several projects were completed during the year. In South Australia, Built Environs handed over to the Department of Infrastructure and Transport's Golden Grove Park 'n' Ride project as part of the Public Transport Program Alliance. The business unit successfully delivered projects to upgrade Haileybury Brighton's Senior School Year 9 Building and Mount Alexander College in Victoria, the latter for the Victorian Schools Building Authority. In New Zealand, Built Environs completed the Otahuhu Logistics Park project for Logos and handed over its first healthcare project – the new Paediatric Intensive Care Units for Health New Zealand.

A strong focus on business development and market exposure across three targeted regions resulted in 106% growth in new project awards to a record value of AUD564 million (2022: AUD272 million). New projects include 150 Grenfell St and The Queen Elizabeth Hospital in South Australia, Mt Derrimut Station, Webb Street Station and Fawkner Leisure Centre in Victoria, and Manukau Health Park Packages and Auckland Airport West Terminal Work Package 2 in New Zealand. These projects strengthen Built Environs' emerging presence in largescale healthcare, transport and sports and leisure works.

PROVIDING A BETTER LIFE

Mount Alexander College

Providing more enrolment places in Melbourne's inner north-west

Customer:	Contract:	Location:	Project capabilities:
The Victorian School Building Authority	Design and Construct	Victoria	Commercial building

Built Environs delivered major upgrades at Mount Alexander College and Flemington Primary School as part of the Flemington Education Plan to increase enrolment places and improve learning opportunities for local students.

At Mount Alexander College, works included demolition of an existing trade building, a new five-storey building, a new canteen, lift and amenity upgrades, and new services infrastructure. Flemington Primary School benefitted from 2 220m^2 of external landscape, upgraded play areas, a 660m^2 central community space, an amphitheatre and tree planting.

Creative construction

Mount Alexander College was originally intended to feature precast panels as façade elements. During the tendering period, Built Environs identified an opportunity to rationalise the design by integrating curved precast concrete façade panels without compromising the design. This enabled significant cost savings, increased floor areas and improved project efficiencies.

Review of the Group chief executive officer *continued*

Southeast Asia operations – a challenging juncture

Revenue in Southeast Asia decreased by 52% to AUD120 million, with a high level of loss-making projects reflecting ongoing challenges for McConnell Dowell in the region. Throughout the region, the construction sector has, to a large extent, recovered to pre-COVID levels, but ongoing supply chain challenges and depleted availability of key staff, labour, and specialist equipment continue to disrupt project delivery.

Active projects include Jurong Regional Line (J108) and Tuas Wastewater Reclamation Works – C1A in Singapore, the Tangguh LNG and Palembang Wastewater projects in Indonesia, and the BLNG Multi-Purpose Jetty and Gas Receiving Facility in the Philippines.

By year end the BLNG project had achieved practical completion of the Offshore & Onshore Civil/Structural Facilities. Final Electrical & Instrumentation and commissioning work was executed to achieve Gas in Readiness and final facility completion. McConnell Dowell continues to work with the client to seek the best outcome for both parties, including minimising the time and cost to complete the project and resolving contractual claims.

The business unit's turnaround plan continues under new management. Tendering activities have resumed post-COVID but remain highly selective. The future pipeline and ability to differentiate in a competitive market is strongest in the marine, resources, energy and water sectors in Singapore and Indonesia.

Safety, health and environment performance

McConnell Dowell recorded a 12-month rolling LTIFR of 0,06 (2022: 0,07), against a target of 0,07, and a TRIFR of 0,84 (2022: 0,54) 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

- Five million work hours LTI-free (BLNG project)
- >three million work hours LTI-free (Tangguh expansion project)
- Zero TRIFR and Zero LTIFR (Tangguh expansion project)
- Zero TRIFR and Zero LTIFR (Built Environs Starship Childrens' hospital)
- Zero TRIFR and Zero LTIFR (Built Environs and McConnell Dowell East Airfield Building Relocation)
- Winner of Environmental, Health & Safety Best Performer Awards by client and CSTS consortium (Tangguh expansion project)
- Finalist in the Australian Workplace Health & Safety Awards 2023 (Western Programme Alliance)
- Finalist in the Australian Workplace Health & Safety Awards 2023 (Lex Hanegraaf)

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

People and leadership

Developing talent at McConnell Dowell

McConnell Dowell continued to invest in learning and development to mitigate acute human resource capacity and capability constraints in 2023. These investments remain a primary focus as the business seeks to maintain and grow its position as an "employer of choice" and develop its current and future talent pipeline at every level, in line with its strategic growth ambitions.

McConnell Dowell continued its partnership with Australia's top-ranked business school, The University of Melbourne – Melbourne Business School, to deliver two separate integrated development programmes geared to develop leadership capabilities in an intensive learning experience. The Senior Leadership Programme (SLP) incorporates the three key domains of leadership – leading oneself, leading others and leading an organisation – along with more technical aspects of running a business such as improving financial and commercial acumen and risk management. A total of 38 individuals participated in the SLP during 2023. An Operational Leadership Programme targeting emerging leaders in project management team roles was also launched during the 2023 financial year with 65 people already completing the five-day residential 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.

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

Strengthening our management teams

Management appointments during 2023 strengthened McConnell Dowell's project leadership on key projects in Southeast Asia, while the appointment of a Water Sector Lead contributed to sustained success in the New Zealand water infrastructure sector.

Moolmans

Moolmans is a tier-one contract mining business offering specialised open cast mining services to the mining industry. Moolmans operates primarily in South Africa and, backed by its extensive experience in the rest of Africa, considers opportunities in the SADC region and West Africa.

Financial and operational performance

	R million		
	2023	2022	Variance (%)
Revenue	**2 897**	3 349	(13)
Gross earnings	**100**	409	(76)
Operating (loss)/earnings	**(110)**	207	(>100)
Operating free cash flow	**(717)**	91	(>100)
Capital expenditure	**(1 087)**	(622)	>100
Total assets	**3 601**	2 856	26
Total liabilities	**665**	812	18
Work in hand	**7 983**	3 086	>100

Moolmans focused on operational performance through investment in people and systems. The business continued to invest in new equipment in line with its strategy to secure long-term and commercially viable contracts.

Moolmans reported revenue of R2,9 billion for the year (2022: R3,3 billion), reflecting the completion of the Lefa contract and the reduced scope of work on the Gamsberg project.

Moolmans recorded an operating loss of R110 million (2022: R207 million profit). Following the award of the new five-year Tshipi é Ntle contract, Moolmans committed to a R900 million investment in new heavy mining equipment.

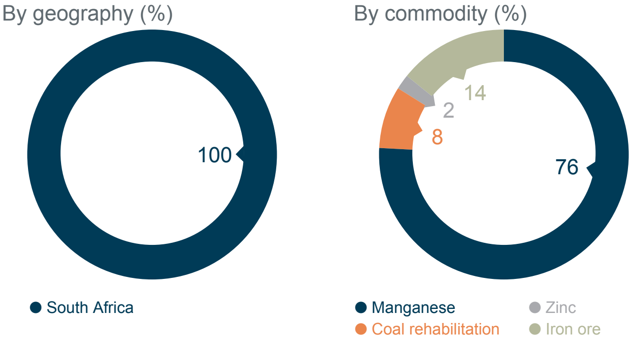
Expansion capital expenditure of R613 million, replacement capital expenditure of R77 million and capitalised component expenditure of R397 million were incurred in the year. The delay in the delivery of equipment to site had a negative impact on the current year's operating result and the improved operational trend in the last quarter was not sufficient to mitigate the losses incurred in the first nine months of the current year. Equipment continued to be delivered to site after the year end and is being commissioned, with the balance of equipment expected by the end of the first quarter.

New work won amounted to R9,4 billion and work in hand grew by 159% to R8 billion (2022: R3,1 billion). Moolmans entered into new asset-backed financing facilities of R760 million of which R704 million was utilised at year end and financed other equipment by way of lease, resulting in the recognition of both right-of-use assets and a lease liability.

How we mitigate contractor risk and capitalise on opportunity

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

Work in hand R8 billion – working towards a more diverse portfolio



Fleet renewal and optimisation programme

Moolmans embarked on a significant capital investment programme to acquire new heavy mining equipment and renew and optimise existing plant in 2023.

Approximately R900 million was allocated to new equipment deployed at the Tshipi project site where it is contributing to improvements in operational and financial performance.

Concurrently, Moolmans implemented a plant optimisation and renewal programme to improve the average age, reliability and economic life of its existing fleet. The programme commenced in August 2022 and resulted in a R180 million reduction in component expenditure compared to the prior year.

Moolmans implemented a new human capital system and maintains extensive financial and engineering skills in support of fleet renewal.

A skills evaluation process was conducted to determine and activate the recruitment, upskilling and redeployment activities required for optimal project implementation. As part of its role as a service centre for the projects, Moolmans' head office is leveraging experienced ICT skills to ensure that data generated on project sites is harnessed and analysed to improve operational efficiencies and support agile responses to operational challenges. Another important contributor is Moolmans' centralised procurement function that ensures optimal pricing, quality and timing of procurement processes, particularly major expenditure on mining equipment.

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 in 2012 to establish open cut mining operations for overburden and manganese ore at the Tshipi Borwa mine. Services included 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.

In January 2023, Moolmans negotiated a new commercially viable five-year contract to mine 1,6 million BCMs per annum, enabling the business to continue supporting South Africa's biggest manganese exporter and providing employment to the local community.

Moolmans is investing in people, systems and equipment to facilitate the successful delivery of this flagship project.

Review of the Group chief executive officer *continued*

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.

Moolmans' LTIFR increased to 0,21 (2022: 0,11), against a target of 0,21. The recordable injury frequency rate improved to 0,21 (2022: 0,43), against a target of 0,63 as no medical aid cases were recorded in 2023.

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; and
- implementation of action plans to address the findings of safety culture assessments.

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 monitors 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

Jerome Govender, the MD for Moolmans, resigned with effect from June 2023 to pursue opportunities outside the Group. In the interim, I assumed the role of executive chairman of Moolmans in addition to my continuing role as Group CEO. Moolmans' management team was strengthened by the appointment of Rod Dixon as operations director on 1 June 2023. Following a search for a new MD of Moolmans, Rod was promoted to the position on 1 September 2023. Rod brings a wealth of experience to Moolmans, backed by a career in mining that spans over three decades across various countries, including South Africa, Botswana, Australia, Canada, Indonesia and New Zealand. Tumi Smith was appointed as HR executive on 1 July. Rod and Tumi are both members of the Moolmans Exco. Operations executive, Rob Nicolson, was deployed to the Tshipi site to strengthen the project's management oversight.

On behalf of the Group, I thank Jerome for his valuable contribution to Aveng and wish him well in his future endeavours.

Talent development

Skills development is critical to diversity within Moolmans and to developing a succession pipeline of talent. While Moolmans complies with relevant training and skills development legislation, its investment in people goes beyond compliance. About 91% of Moolmans employees are historically disadvantaged South Africans (HDSA) and 8% are in middle management or above. Moolmans invested R35,7 million in training and development.

Moolmans provides funding for nine external students studying towards Mining Engineering and Mechanical Engineering degrees at recognised tertiary institutions. Of these students, two are African females and seven are African males.

Eight employees are receiving study assistance across Moolmans towards the attainment of qualifications in line with career paths and organisational skills requirements. Of these, seven (87%) are historically disadvantaged South Africans (HDSA) and five (62%) are female. Specific programmes to develop the managerial skills of middle managers and identified future talent will be implemented in 2024.

Moolmans has 156 apprentices on a formal apprenticeship programme which is managed and run internally by Moolmans as an accredited apprenticeship training school. Of these, 151 (97%) are HDSA and 37 (24%) are female. Of the 64 apprentices who qualified in 2023, 30 (48%) were absorbed into artisan positions.

Moolmans has eight learners in a formal learnership programme. Of these, 100% are HDSA and 25% are female. The programmes mainly comprise a rock breaking learnership to obtain a blasting certificate which provides opportunities for learners to be appointed into positions at mining pit operations. Other formal learnership programmes include internship or graduate programmes registered with MQA (SETA).

Non-core operations – Trident Steel

Trident Steel delivered on its growth aspirations as a steel service centre business, primarily focused on the automotive sector. Revenue growth was driven by higher OEM volumes and higher average selling prices. Operating earnings of R204 million were recorded in the 10-month period up to 28 April 2023, the effective date of disposal. The business was sold as a going concern for total cash proceeds of R1,2 billion.

On behalf of the Group, I extend sincere thanks to the management and staff of Trident Steel for their support and commitment over many years. They successfully refocused the business's strategy, improving profitability and returns, and positioned it favourably for future growth. We congratulate management on these successes and wish the business well under new ownership.

Project management office

The project management office continues to complete the significant task of closing out legacy matters and ensuring that the Group complies with all statutory, legal, technical, commercial and human resources obligations. This relates primarily to Aveng Construction: South Africa. The business unit recorded an operating loss of R59 million (2022: R67 million) and a cash outflow of R68 million (2022: R164 million).

The South African performance guarantee exposure decreased from R350 million at 30 June 2022 to R82 million.

Information on Aveng's future prospects is available in the Outlook report on page 45.

Sean Flanagan
Group chief executive officer

Report of the Group finance director

Operating losses on the Tshipi and BLNG projects coupled with a project guarantee call adversely impacted the Group's financial performance.

Adrian Macartney | *Group finance director*

2023 FOCUS AREAS

Aveng focused on withstanding significant challenges and meeting its financial targets:

1 Generating cash and improving operating margins

2 Settling South African legacy debt

3 Achieving an optimal capital structure to enable value accretive investments in the business

Report of the Group finance director *continued*

Overview

2023 was a bitter-sweet year for Aveng. The Group met its targets of strengthening the balance sheet by settling legacy debt, exiting three South African banks, significantly reducing South African bond exposure, generating substantial cash from the sale of Trident Steel and removing risk facilities linked to Trident Steel. These achievements were largely overshadowed by Group-wide losses and the unexpected recall of a R529 million (AUD43 million) performance bond on the BLNG project.

The performance bond recall stress tested our balance sheet, but we were able to settle the bond with an AUD20 million repayment using internal resources and a short-term debt facility, repayable by 30 June 2024, for the remaining AUD23 million. Our ability to withstand these challenges is testimony to the work done in recent years to de-risk and strengthen the balance sheet.

Pleasingly, Moolmans together with Aveng arranged new financing facilities to support investment in new mining equipment.

While our financial results slowed the Group's positive momentum in the short term, we remain committed to achieving sustainable long-term growth and value creation for our stakeholders.

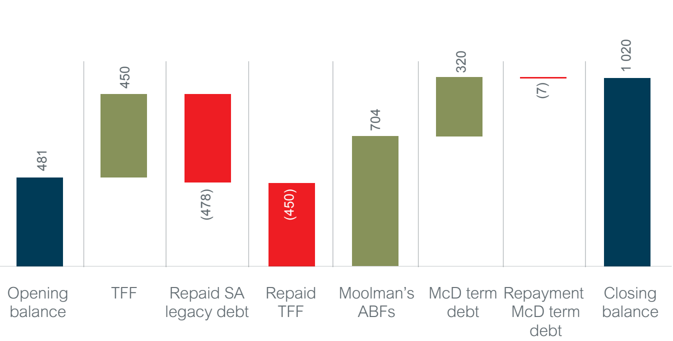
Financial results

Revenue from continuing operations increased to R28,9 billion (2022: R22,5 billion). An operating loss from continuing operations of R1,1 billion was recognised, compared to a prior year operating profit of R360 million. The Group reported a headline loss of R950 million or 753 cents per share (2022: Headline earnings of R308 million or 252 cents per share). The loss for the period amounted to R1,3 billion or 1 017 cents per share (2022: R130 million earnings or 106 cents per share), whereas normalised earnings decreased from R204 million in the prior year to a normalised loss of R1 billion.

Stronger balance sheet

The conclusion of the Trident Steel disposal transaction enabled Aveng to continue its journey to a sustainable capital structure by fully extinguishing its South African legacy debt of R278 million and short-term trade finance facility of R450 million. As Trident Steel is a working capital-intensive business, the disposal allowed Aveng to further de-risk its balance sheet by terminating over R500 million in ancillary trade finance facilities including foreign exchange, promissory notes and letter of credit facilities.

Movement in Group borrowings (Rm)



External borrowings and other liabilities increased by R539 million to R1 billion (2022: R481 million) after accounting for:

- settlement of legacy debt of R478 million;
- entering into, and settlement of a trade finance facility of R450 million raised for Trident Steel to facilitate working capital needs to support growth;
- new asset-backed financing facilities of R887 million, with a balance of R704 million at year end for new and refurbished heavy mining equipment at Moolmans, with a remaining term of 44 months; and
- new term debt facility of R290 million (AUD23 million) raised to partially fund the encashment of the BLNG project guarantee, to be repaid in the next 12 months.

Unutilised facilities amounted to R388 million (2022: R205 million).

The Group continues to actively manage the liquidity and cash flow in two distinct liquidity pools, namely McConnell Dowell and the South African Group liquidity pool.

Subsequent to year end, the Group entered into new banking facilities with The Standard Bank of South Africa Limited and the existing common terms agreement will be restated and amended to reflect this change.

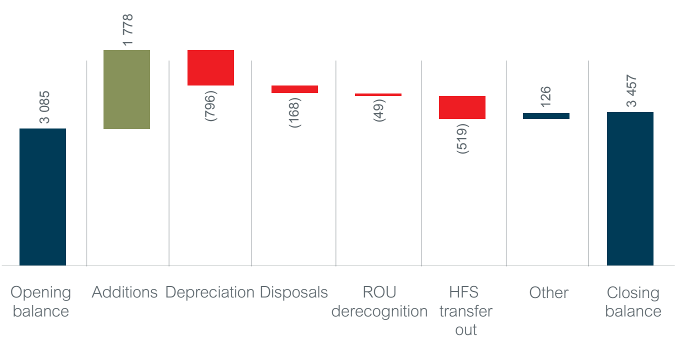
Investment in capex

The Group incurred replacement capital expenditure of R751 million for the year (2022: R834 million) and expansionary capital expenditure of R614 million (2022: Rnil). The majority of the amount was spent as follows:

- R225 million (AUD18 million) at McConnell Dowell, relating to specific projects across the business units; and
- R1,1 billion at Moolmans, primarily investment in new heavy mining equipment and components on existing fleet.

Right-of-use assets (ROU assets) decreased by R117 million to R489 million (2022: R606 million) largely due to the derecognition of ROU assets of R322 million on the disposal of Trident Steel, depreciation of R219 million, new property leases of R249 million at McConnell Dowell and heavy mining equipment leases of R177 million in the current year.

Movement in property, plant and equipment, and leases (Rm)



Financial performance

Extracts from statement of comprehensive income

		Re-presented[1]		FY23 without impact of BLNG[2]
	FY23 Rm	FY22 Rm	Change Rm	Rm
Revenue	**28 865**	22 527	6 338	28 865
Gross earnings	**443**	1 778	(1 335)	1 686
Gross margin (%)	**1,5**	7,9	(6,4)	5,8
Operating (loss)/earnings	**(1 060)**	360	(1 420)	183
Capital income/(expenditure)	**9**	(87)	96	9
Net finance expense	**(123)**	(144)	21	(123)
(Loss)/earnings before taxation	**(1 174)**	129	(1 303)	69
Taxation	**57**	(29)	86	57
(Loss)/earnings from continuing operations	**(1 117)**	100	(1 217)	126
Discontinued operations	**(166)**	30	(136)	(166)
(Loss)/earnings for the period	**(1 283)**	130	(1 413)	(40)
Total comprehensive (loss)/earnings for the period	**(580)**	237	(817)	663

The operating loss from continuing operations amounted to R1 060 million (2022: R360 million operating earnings) and was mainly driven by losses in the Group.

Finance earnings of R77 million was R69 million higher than the prior year, primarily as result of higher cash balances and interest rates in Australia. Finance expenses increased by R48 million to R200 million due to increased interest rates, working capital requirements in South Africa, transaction costs for facilities, coupled with the introduction of new asset-backed financing for new heavy mining equipment at Moolmans.

		Re-presented[1]	
	FY23 Rm	FY22 Rm	Change Rm
Finance income	**77**	8	69
Finance expense	**(200)**	(152)	(48)
South African legacy debt	**(44)**	(86)	42
McConnell Dowell	**(32)**	–	(32)
Commitment fees and other	**(51)**	(25)	(26)
Moolmans ABFs	**(14)**	–	(14)
IFRS 16	**(59)**	(41)	(18)
Net finance expense – continuing operations	**(123)**	(144)	21
Discontinued operations	**(89)**	(93)	4
Group net finance costs	**(212)**	(237)	25

Fully settled R478 million South African legacy debt in Q4 FY23

Mainly relating to the AUD23 million term debt, repayable by 30 June 2024, and transaction costs

Increase mainly arising from initiation of new facilities and use of bank overdraft

Moolmans investment in heavy mining equipment

The total loss from discontinued operations amounted to R166 million (2022: R30 million earnings).

Earnings from discontinued operations, net of taxation, comprises earnings of R120 million (2022: R111 million) from the Manufacturing and Processing segment. The main contributor was Trident Steel with operating earnings of R204 million for 10 months up to the date of disposal (2022: R220 million), offset by net finance expenses of R89 million (2022: R93 million).

Exchange differences on translating foreign operations reclassified to earnings or loss on derecognition recognised in earnings, relates to the derecognition of cumulative foreign currency translations held in the foreign currency translation reserve (FCTR), following the substantive liquidation and winding up of foreign legacy operations. This charge of R436 million (2022: Rnil) to earnings is offset by the equal and opposite cumulative amount recognised in OCI. This results in the transfer of a previously recognised translation difference from FCTR to profit or loss in the current year. This reclassification had no cash flow effect and no impact on the net asset value of the Group.

Report of the Group finance director *continued*

Extracts from statement of financial position

	FY23 Rm	FY22* Rm	Change Rm
Assets	**13 848**	10 981	2 867
Property, plant and equipment	**2 968**	2 306	662
Right-of-use assets	**489**	250	39
Lease receivables	**400**	82	318
Working capital	**6 169**	4 315	1 854
Cash and bank balances	**2 381**	2 617	(236)

	FY23 Rm	FY22* Rm	Change Rm
Liabilities and equity	**13 848**	10 981	(2 867)
Liabilities	**10 693**	7 323	(3 370)
External borrowings and liabilities	**1 020**	481	(539)
Credit and term facilities	**316**	478	161
Asset-backed financing arrangements	**704**	3	(701)
Lease liabilities	**1 154**	488	(666)
Working capital	**7 075**	5 029	(2 046)
Equity	**3 155**	3 720	(565)
NAV per share (cents)	**2 423**	2 873	(450)
Market cap (Rm)*	**1 131**	1 924	(793)

* *Re-represented*

Property, plant and equipment (PPE) increased by R489 million to R3,0 billion, mainly as a result of Moolmans' capital expenditure on new heavy mining equipment, partially offset by the derecognition of PPE on the disposal of Trident Steel. Lease receivables increased by R399 million to R481 million (2022: R82 million) as a result of a sub-lease with the purchaser of the Trident Steel business for the Trident Steel business premises as the head lease remains with the Group.

Lease liabilities increased by R115 million to R1,2 billion (2022: R1 billion), including new leases of R430 million at McConnell Dowell and Moolmans, partially offset by repayments of R273 million.

Changes in working capital

Inventories decreased by R766 million to R262 million (2022: R1 billion) largely due to the disposal of Trident Steel.

Contract assets for the Group increased by R1,7 billion to R5,3 billion (2022: R3,6 billion) due to increased contract receivables and work in progress, in line with increased activity levels, uncertified revenue and claims comprising timing-related variation orders and contract claims at McConnell Dowell.

Trade and other receivables decreased by R410 million to R427 million mainly due to the derecognition of trade and other receivables on the disposal of Trident Steel.

Contract liabilities increased by R466 million to R2,2 billion (2022: R1,7 billion) due to increased advances and progress billings at McConnell Dowell.

Trade and other payables increased by R567 million to R4,7 billion, principally as a result of an increase in project accruals in line with increased activity levels on major contracts in McConnell Dowell, offset by the derecognition of trade and other payables on the disposal of Trident Steel.

Cash and cash equivalents

The Group had cash of R2,4 billion (30 June 2022: R2,6 billion) on 30 June 2023, of which R996 million (30 June 2022: R605 million) is held in joint arrangements. Aveng received R1,2 billion in total cash on the sale of Trident Steel and repaid R1,07 billion in debt.

The Group has a net cash position of R1,4 billion, excluding IFRS 16, after taking into account positive cash on hand of R2,4 billion and debt of R1 billion.

	FY22 Rm	Movements	Debt repayment	FY23 Rm
Net cash (including overdrafts)	2 617	833	(1 069)	**2 381**
South African operations	249	889	(982)	**156**
McConnell Dowell	2 368	(56)	(87)	**2 225**
Borrowings	(481)	(1 608)	1 069	**(1 020)**
South African legacy debt	(478)	–	478	**–**
Moolmans	–	(760)	54	**(706)**
Trade finance facility	–	(450)	450	**–**
McConnell Dowell	(3)	(398)	87	**(314)**
Net cash	2 136	(775)	–	**1 361**
IFRS 16: Finance lease liability	(1 039)	(115)	–	**(1 154)**
Post IFRS 16 net cash	1 097	(890)	–	**207**

- Cash from operations was an outflow of R207 million after taking into account losses in the business, including a R1,2 billion loss on the BLNG contract.
- Net finance charges paid for the year of R213 million, represented a R61 million reduction from the prior year.
- Net capex for the year of R1,4 billion, mainly Moolmans' capex on new equipment.
- Proceeds received on disposal of non-core assets of R1,3 billion, mainly attributable to the Trident Steel proceeds.

The South African liquidity pool remains tightly managed.

Outlook

Aveng is positioned and equipped to restore sustainable, profitable growth.

Our 2024 focus areas

- Return Group to profitability and positive cash generation
- Deliver operational performance at current revenue levels
- Improve quality and consistency of operational margins
- Restore McConnell Dowell's balance sheet and settle term debt
- Diversify Moolmans' client, commodity and geographic focus
- Continue to de-risk and wind down Group legacy matters
- Focus on succession planning and capacity building
- Target 3% operational margins within 24 months

Aveng is a simplified business focused on two subsidiaries that are supported by a stronger balance sheet. McConnell Dowell and Moolmans are both expected to return to profitability and generate positive operational cash flow. The Group enters the 2024 financial year in a strong position, with combined work in hand amounting to R52,2 billion. This supports 100% of next year's expected revenue of R32 billion.

McConnell Dowell

McConnell Dowell is in a strong secured revenue position and is focused on managing risk, converting opportunities and delivering margin. Disciplined project execution is fundamental to the Group's goal of being a fit-for-purpose organisation capable of sustainable and profitable long-term growth.

The current work in hand provides a robust revenue platform, with 100% of planned 2024 revenue secured. A total of 83% of work in hand is government work and 17% is private sector. The addressable market across McConnell Dowell's footprint provides a visible pipeline of AUD15,6 billion, facilitating strategic selection of tender opportunities in support of profitable growth. The business remains focused on converting current tenders of AUD1,4 billion in preferred bidder status to award, with a further AUD0,9 billion in tenders awaiting award and AUD1,0 billion tenders in preparation for submission.

McConnell Dowell is focused on improving operational performance and cash generation to achieve an improved operational margin.

Moolmans

Moolmans' growth agenda is underpinned by investment in heavy mining equipment, people and systems. The current work in hand provides a solid revenue platform, with 93% of planned 2024 revenue secured.

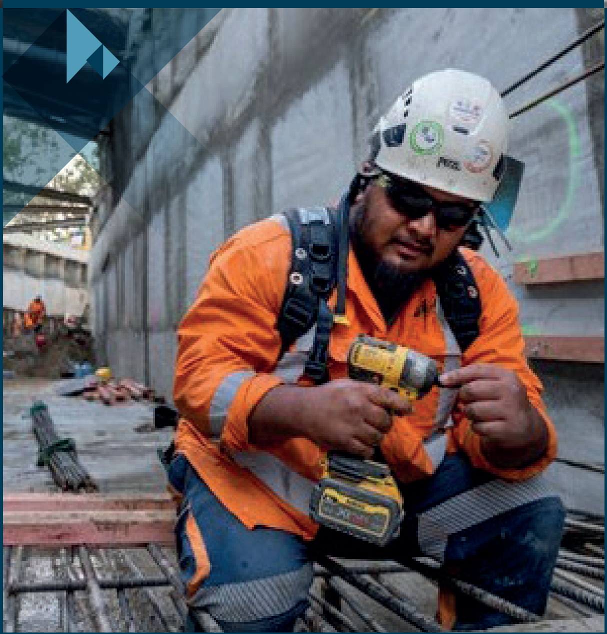
Key areas of focus are to improve operational performance and cash generation. The continued investment in new equipment will support Moolmans' strategy of selecting and entering into long-term, commercially viable contracts.

Moolmans' total visible pipeline amounts to R65 billion with R47 billion worth of tenders in submission and awaiting adjudication.

Granite Island Causeway, Australia.

Auckland City Hospital Central Plant and Tunnel

Multistorey building and services tunnel construction, and installation and commissioning of all new essential plant and equipment.



Enhancing hospital infrastructure and services, benefitting the community and patients

Nuku'alofa Port Upgrade

Supporting economic development in the Pacific Islands

Modernising and climate-proofing the facility, increasing container capacity, and improving overall port operations for Tonga's main international port.

Governance

Aveng is committed to the highest standards of business integrity and ethical conduct. The Group recognises that sound governance supports its business strategy, builds trust and contributes to the creation and preservation of value for stakeholders.

The Aveng Board is ultimately responsible for the governance of the Company. The Board ensures that governance is underpinned by the Group's values of safety and care, honesty and integrity, customer focus, performance excellence, and working together.

Through the application of King IV, Aveng aims to maintain the key 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 of 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 regularly, taking into account the dynamic landscape in which Aveng operates, which is influenced by, among other factors, economic changes, geopolitics, heightened regulatory scrutiny and cyber security risks. This enables the Group to act in the best interest of all our stakeholders.

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 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; and
- ensure the Group is led effectively and ethically.

Code of Business Conduct, **www.aveng.co.za**

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.

During the year under review, McConnell Dowell and Moolmans made further progress in integrating new generation technologies and cloud migration into their ICT strategies. The Group aligned its cyber security response with the standards of the National Institute of Standards and Technology (NIST) to ensure adequate identification, protection against, and response to, cyber threats.

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. Aveng implemented the improved risk and opportunity management system throughout the Group to deepen risk culture and improve the effectiveness of risk management. A risk maturity assessment was conducted to identify gaps in tender risk management and strengthen the robustness and governance of tendering processes.

Governance structure

Board composition – ensuring effective leadership

AVENG
Providing a better life

Aveng Limited
P Hourquebie – chair
S Flanagan – CEO
B Modise – lead independent
B Meyer – non-executive
D Noko – non-executive
N Bowen – non-executive
A Macartney – executive

Risk committee
N Bowen – chair
P Hourquebie
B Modise
D Noko

Audit committee
B Modise – chair
N Bowen
B Meyer

Remuneration and nomination committee
B Meyer – chair
P Hourquebie
B Modise

Investment committee
P Hourquebie – chair
B Meyer
B Modise

Safety, health and environmental committee
N Bowen – chair
P Hourquebie
D Noko

Social, ethics and transformation committee
D Noko – chair
P Hourquebie
B Modise

Tender risk committee
N Bowen – chair
S Flanagan
A Macartney
D Noko
H MacDonald
I Luck – MCD Tenders

By invitation
* P Hourquebie attends audit committee meetings by invitation
* S Flanagan attends all committee meetings by invitation
* A Macartney attends audit, risk and investment committees by invitation

Board changes during the year

Bernard Swanepoel resigned as an independent non-executive director of Aveng and as a member of the safety, health and environment committee, the risk committee and the tender risk committee with effect from 31 March 2023. Concurrently, the Board appointed David Noko as an independent non-executive director to the Board with effect from 31 March 2023. In addition, Mr Noko was appointed to the risk committee, the safety, health and environment committee, the social, ethics and transformation committee and the tender risk committee.

Subsequent to the year end, with effect from 17 July 2023, Michael Kilbride and May Hermanus retired as independent non-executive directors having served on the Board for more than 10 years. Concurrently, the Board appointed Nicholas Bowen as an independent non-executive director and member of the audit committee, the risk committee and the safety, health and environment committee.

Following these changes to the Board's composition, Bridgette Modise was appointed lead independent director and the committees were re-constituted.

Additional information on the changes to the Board and Board committees is available in the Chair's review on page 30.

Independence of directors

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

The independence of the independent non-executive directors was assessed as part of the Board effectiveness evaluation conducted in August 2022. An external evaluation concluded that the independent non-executive directors meet the relevant King IV criteria.

5 independent non-executive directors

2 executive directors

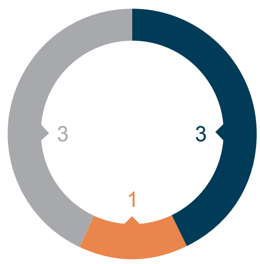
Board diversity

The Board ensures that its composition reflects an appropriate mix of racial, gender, age, culture, field of knowledge, experience and skills diversity. The Board's diversity policy targets a total of eight Board members of whom at least three are black Board members and two female members.

These diversity targets were not met at year end 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.

Gender and race	Female	Male	Black
Number	1	6	2

Tenure of independent non-executive directors



Age

The remuneration and nomination charter makes provision for 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.

59	59	44	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 has implemented a Board succession plan to ensure the staggered rotation of directors and successors to those retiring and provide for a proper handover to the incoming directors.

Creating and sustaining value through governance

The Board's key focus areas in 2023

The Board focused on matters that enable Aveng to protect value in volatile external environments:

- Ensuring that effective leadership and appropriate risk management systems support strategy implementation
- Overseeing operational performance as the foundation of profitable growth
- Implementing an executive retention plan aligned with shareholder expectations
- Embedding the ESG strategy and approach throughout the Group

What the Board will continue to focus on in 2024

- Overseeing operational performance in McConnell Dowell and Moolmans
- Succession planning for executive management roles
- Effective implementation of the growth strategy

Governance *continued*

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. The Board implemented the Board succession plan in 2023 by appointing new directors to succeed retiring directors. The remuneration and nomination committee monitors 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 1 December 2023, P Hourquebie and B Modise will retire and stand for re-election.

The Board is confident that its members apply an independent state of mind and objective judgement in their respective roles. The Board is satisfied that the majority of the directors are independent non-executive directors.

Board and Board committee attendance

The Board achieved 100% attendance during 2023. The Board met eight 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.

Board oversight – committee report-back

	Board[1]	Audit committee	Risk committee	Remuneration and nomination committee[2]	Social, ethics and transformation committee	Safety, health and environment committee	Investment committee
Non-executive directors							
P Hourquebie	6/6[3]	4/4	4/4	4/5	4/4	4/4	3/3[3]
MA Hermanus[4]	6/6			5/5	4/4	4/4	
B Modise	6/6	4/4[3]	4/4		4/4		3/3
MJ Kilbride[4]	6/6	4/4	4/4	5/5		4/4	
B Meyer	6/6	4/4		5/5[3]			3/3
B Swanepoel[5]	4/4		3/3			3/3	3/3
D Noko[6]	1/1		0/1			1/1	
Executive directors							
SJ Flanagan	6/6						
AH Macartney	6/6						

1 *Six Board meetings and two special Board meetings.*
2 *Four meetings and one special meeting.*
3 *Chair of Board or Board committee.*
4 *Retired from the Board effective 17 July 2023.*
5 *Resigned from the Board effective 31 March 2023.*
6 *D Noko was appointed to the Board on 31 March 2023.*

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. During 2023, the Board participated in the Ferguson Street, Mount Derrimut Road and the Mount Alexander College site visits. These projects are located in Australia.

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 ransomware assimilation programme.

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 August 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 the need for the Board to shift its attention from liquidity and restructuring to the Group's long-term strategic future. Additional matters raised during the evaluation included:

- succession planning for the Board and executive management roles;
- strengthening diversity in the compositions of the Board and its committees; and
- maintaining a continuous focus on IT governance and IT risk, including cyber security.

In 2023, the Board addressed the matters raised in the Board evaluation.

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.

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. The Board will oversee executive succession planning in 2024.

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 Board committees may seek independent professional advice at the Group's expense.

All committees reviewed their responsibilities as set out in their charters and are satisfied they fulfilled them during the year.

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 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 cooperation 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.

The committee has ensured that appropriate financial reporting procedures exist and that these procedures are operating, which include the consideration of all entities included in the consolidated Annual Financial Statements. The Company has access to all financial information of the Group to allow the Company to effectively prepare and report on the financial statement of the Group and the Company.

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.

The committee was properly constituted in 2023 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. There was 100% attendance by the committee members.

Subsequent to the financial year end, Mr Kilbride retired from the Board with effect from 17 July 2023 and Mr Bowen was appointed on the same effective date.

2023 focus areas

- Liquidity and going concern
- IT and cyber security monitoring
- Internal financial controls and compliance with accounting standards
- Examined and reviewed annual financial statements of the Company
- Integrated reporting

2024 focus areas

- Liquidity and going concern
- Oversight of the annual financial statements and the integrated report
- Internal financial controls and compliance with accounting standards
- Paying attention to material factors that may impact the integrity of these reports

Independence of auditor: The committee is satisfied with the independence and objectivity of KPMG Inc. as external auditors and Mr 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.

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

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, being a subcommittee of the risk committee.

The committee was properly constituted in 2023 with four independent non-executive directors: M Kilbride (chair), B Modise, P Hourquebie and B Swanepoel. Mr Swanepoel resigned with effect from 31 March 2023 and Mr Noko was appointed at the same effective date. The CEO and CFO are standing invitees to the committee meetings. The risk committee held four meetings during the year. There was 92% attendance by the committee members.

Subsequent to the financial year end, Mr Kilbride retired from the Board with effect from 17 July 2023, and Mr Bowen was appointed on the same effective date. The committee was re-constituted as follows: N Bowen (chair), P Hourquebie, D Noko and B Modise.

2023 focus areas

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

2024 focus areas

- Major risks and opportunities
- Continuous improvement of risk management
- IT governance and cyber security

Governance *continued*

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 was properly constituted in 2023 with four independent non-executive directors: M Kilbride (chair), M Hermanus, P Hourquebie and B Meyer. The committee met five times during the year, with 95% attendance by committee members.

Subsequent to the financial year end, both Mr Kilbride and Ms Hermanus retired from the Board with effect from 17 July 2023 and the committee was reconstituted as follows: B Meyer (chair), B Modise and P Hourquebie.

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 among participants
- Monitoring of the LTI and consideration of any changes required

2024 focus areas

- Ongoing monitoring of succession planning for executive and senior management to ensure adequate bench strength internally or identify appropriate talent externally to fill the succession pipeline
- Consideration of the STI, the number of participants and its distribution among participants
- Retention of key staff

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 was properly constituted in 2023 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.

Subsequent to the financial year end, Ms Hermanus retired from the Board with effect from 17 July 2023 and the committee was reconstituted as follows: D Noko (chair), B Modise and P Hourquebie.

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

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

2024 focus areas

- ESG and corporate citizenship
- Focusing on human capital, to ensure there are quality people on projects
- BBBEE and broader diversity

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 a leading safety, health, and environmental culture.

The committee was properly constituted in 2023 with four independent non-executive directors: M Hermanus (chair), M Kilbride, P Hourquebie and B Swanepoel. Mr Swanepoel resigned with effect from 31 March 2023. The committee met four times during the year, with 100% attendance by committee members.

Subsequent to the financial year end, both Ms Hermanus and Mr Kilbride retired from the Board. The committee was reconstituted as follows: N Bowen (chair), D Noko and P Hourquebie.

2023 focus areas

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

2024 focus areas

- Safety incidents and LTIs
- SHE policy
- Sustainability element of the environment
- SHEQ risks

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 was properly constituted in 2023 with four independent non-executive directors: P Hourquebie (chair), B Meyer, B Swanepoel and B Modise. Mr Swanepoel resigned from the committee with effect from 31 March 2023. 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 2023 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 (MoI).

Remuneration

LETTER FROM THE CHAIRMAN

Dear stakeholders

This is the first year I am communicating directly with stakeholders based on my recent appointment as chairman of the remuneration committee (remcom). I take over the baton from Mike Kilbride who has done an outstanding job of managing this committee and the complexities that come with it, and managing remuneration decisions for a business previously laden with debt and having to go through significant restructuring.

While new into the role, I have already had to make significant judgements given the prevailing market dynamics that continue to shape our business landscape. In particular, challenges in attracting and retaining talent in our geographic markets and factoring into account various operational challenges which are covered in the CEO report. The continuing challenges we face make it necessary for Aveng and this remcom to continually re-evaluate and adapt its remuneration policy, strategy and employee value proposition.

Based on the above, we have made three critical decisions that inform our remuneration thinking in terms of policy and the implementation report that are highlighted below and further detailed in each of the respective sections in this report:

1. The decision has been taken to pay no bonuses to executive directors, prescribed officers and all other staff even though certain non-financial metrics were achieved, with the exception of participants in the New Zealand business of McConnell Dowell who delivered outstanding performance well in excess of targets.
2. Given the challenge in attracting and retaining talent in our markets and the goal to continue the business turnaround, the decision was taken to implement a retention programme for key individuals payable in 12 months, assuming individuals are still employed in their respective businesses. The quanta of such payments are approximately half the existing on-target bonus quanta and will be paid in September 2024.
3. A revised cash, settled long-term incentive (LTI), subject to performance conditions, was implemented for senior staff below executive directors and prescribed officers to lock in key members of our talent pool to be able to achieve our longer-term objectives.

We believe the above three decisions are critical to clearly articulating our message to participants that reward has to be closely linked to operating and financial performance, while seeking to reward talent and to send a strong message that we value our talent and wish to retain them in the business.

As it is my first year in the role, I will look to continue to optimise the remuneration across the Group ensuring that it is competitive, and that reward is linked to performance and is internally fair given our various geographies and operating businesses.

The committee convened over four scheduled remcom meetings and other ad hoc meetings as required. These meetings often required significant deliberation to arrive at our decisions and discharge our mandate.

Performance

In a year of transition, the Group underperformed in its financial results for the year, with both McConnell Dowell and Moolmans reporting losses as set out in more detail in the financial directors' report. The highlight of the year was that the external common terms agreement debt was fully repaid in terms of the requirements of the facility agreement and provides the Group with increased flexibility going forward to manage and grow both McConnell Dowell and Moolmans.

In closing, my gratitude extends to our exceptional executive team, who have demonstrated unwavering dedication and commitment throughout the past year, under extremely challenging circumstances, and completed the multi-year restructuring plan that was put in place to help stabilise and grow the Group. I extend thanks to the members of the remcom, whose tireless efforts are instrumental in the execution of our remuneration strategies.

The report is split into the following three sections:

Part 1: Overview: Covering the work performed by the remcom during the year and the focus areas for this next financial year.
Part 2: Remuneration policy
Part 3: Implementation of the remuneration policy

The board will put both the remuneration policy and the implementation report forward for non-binding advisory shareholder resolutions at the upcoming annual general meeting (AGM).

I look forward to your support of the abovementioned resolutions.

B Meyer
Chairman
Remuneration and nomination committee

PART 1: OVERVIEW

Part 1 sets out the work performed by the remcom during 2023 and the plans for 2024.

Work performed by the committee during financial year ended June 2023

Remcom's agenda is driven by consideration of operating risks and opportunities across the Group, and the importance of retaining, attracting and motivating our people in order to successfully achieve business objectives. The right remuneration structure and employee value proposition is required and to this end, remcom considered, and implemented, the following during the year:

- Globally, including the regions in which Aveng and its subsidiaries operate, inflation has been significantly above targeted ranges and has had a detrimental impact on the cost of living on our employees. As such careful consideration was given to annual salary increases. A review of each region's historic and forecasted inflation and salary increase expectations was conducted to determine an appropriate increase mandate. Remcom approved an overall increase mandate of 6,5% for Corporate Office and Moolmans and between 3,5% and 5,0% depending on specific region for McConnell Dowell. Furthermore, the mandates were sub-divided to ensure general staff would receive higher increases than the Exco.
- Evaluation of the short-term incentive (STI) metrics set for 2023 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, no STI was paid given the Group's poor performance, except for the New Zealand and Pacific Island business unit which delivered outstanding performance significantly above their budgeted targets. Therefore, remcom awarded a discretionary bonus to the New Zealand and Pacific Islands team. The STI paid to the New Zealand and Pacific Islands team was below on-target levels even though profits significantly exceeded budgets
- The 2024 STI metrics and targets have been set, and the relevant financial and non-financial metrics are included in the scorecard in part 2. As the business is still going through structural changes and given the current year financial performance, the remcom considered it prudent not to disclose the targets prospectively but rather retrospectively until financial performance stabilises
- Implemented a retention bonus, not linked to performance, to be paid at the end of 2024, as a retention mechanism to compensate for the non-payment of a 2023 performance bonus. This scheme was implemented for all senior employees who are critical to enabling the operating businesses and the Group to deliver their 2024 budgets
- Considered the quanta of long-term incentive plan (LTIP) awards to be made to executive directors and prescribed officers and implemented a cash-settled LTI for other senior executives

2024 focus areas

- Monitor succession planning at executive director level and senior positions at both the Group level and in McConnell Dowell and Moolmans to ensure that the Group has adequate bench strength internally or to identify appropriate talent externally to fill the succession pipeline.
- Continue to evaluate and refine internal and external equity across the Group, including gender and race equity and equal pay for equal work.
- Re-evaluate the current mix, and appropriateness, of remuneration, including conducting a revised benchmarking assessment given the current complexities of the Group and the reward fairness for senior executives.
- Consider the appropriateness of the Board operating structure, including committees, number of meetings, and subsidiary Board structures to optimise the governance and operational requirements of the Group, taking into account the revised size of the Group after the disposal of all non-core businesses.

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 advisers

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 2022 AGM on 2 December 2022, the 2022 remuneration report was presented and voted on as follows:

	2022 %	2021 %	2020 %
Remuneration policy	**95,22**	99,59	97,55
Implementation report	**99,21**	99,85	97,96
Non-executive directors' remuneration	**95,30**	99,19	83,29

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 2023 AGM.

We have considered the impact of King IV and the amended JSE Listing Requirements on the remuneration policy and present 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:

REMUNERATION POLICY – KEY OBJECTIVES

1	2	3	4	5
Underpins strategic objectives, culture and values of Aveng	Fair, responsible, transparent and sustainable	Attracts, retains and motivates talent	Drives stakeholder value	Performance-based incentives and rewards

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 50.

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 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 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, among 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 are 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 and 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** 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. Reviewed annually in January.	To pay all employees at the median of the market for full competency and expected performance, while allowing for performance-based differentiation through variable pay. Increase recommendations for the Aveng executive committee members are proposed by the CEO and presented to the remcom for approval and implementation. The increases of the CEO and Group FD are 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 2024
	Benefits 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 2024

Remuneration *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 metrics and weightings are disclosed prospectively but performance targets are disclosed retrospectively as explained above. 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): EBIT (25%) Operating free cash flow (OFCF) (25%) ROCE (20%) ESG (10%) Strategic objectives (15%) 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 STI for 2024.	The main changes for 2024 are: No changes to the Group's scorecard metrics and weightings were proposed. The resultant scorecard and weightings are set out under the heading STI for 2024. Certain adjustments were made to Moolmans and McConnell Dowell scorecards. Retention scheme, not linked to performance, to be paid at the end of 2024 was implemented for senior leadership. This will not be repeated in the following years.
LTIs	**MIP 2021** 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 three years from date of the MIP implementation. This aligns executives' interests with all stakeholders' interest through a long-term equity-settled LTI. The MIP entered its third and final vesting in September 2023 and no further awards will be made under this scheme. **LTIP 2022** The executives previously included in the MIP 2021 scheme have now been included in the LTIP 2022 scheme. The LTIP 2022 scheme is for the executive directors and prescribed officers to participate in the long-term performance of the Group and drive the future strategy. The LTIP 2022 is subject to performance metrics 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, adjusting if required.	The Group performance metrics for the MIP 2021 and LTIP 2022 performance metrics for 2023 vesting comprise the following: EBIT targets Cashflow conversion of EBIT ROCE Debt: EBITDA targets Debt repayment profile targets The Group performance metrics for the LTIP 2022 performance metrics for 2024 and 2025 vesting comprise the following: HEPS ROCE OFCF Strategy ESG 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% after the release of the June 2022 results (to align with the second vesting of MIP 2021) 40% in September 2023 (to align with the third vesting of MIP 2021) 40% in September 2024 Future grants may not vest according to this vesting profile.	The main changes for 2024 are: The LTIP 2022 scheme participants have been limited to executive directors and prescribed officers. Introduction of a cash-settled scheme based on a fixed percentage of salary, subject to the same vesting schedule as the LTIP 2022, for all other senior employees. Revised vesting schedule for the LTIP 2022, with vesting occurring: 50% in September 2024 50% in September 2025 Details of the LTI schemes are set out on the next page.

STI for 2024

The 2024 STI proposal and scorecards follow a similar format to 2023 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 2024. There are six metrics against which performance will be measured against 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 2024 implementation report. The rationale for not disclosing the targets in advance is that the business has made significant loss in the current financial year, and as a result it is difficult to provide a reliable earnings projection for the following year. The decision regarding disclosure of prospective performance targets will be re-evaluated and reported on in next year's remuneration report.

STI Rm		Weighting %	Threshold 40%	On target 80%	Stretch 100%
Financial	EBIT (post-STI)	25	To be disclosed retrospectively in the 2024 implementation report		
Financial	OFCF	25			
Financial	ROCE	20			
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 McConnell Dowell and Moolmans.

Retention scheme

During the year a once-off retention bonus, not linked to performance and to be paid at the end of 2024, was implemented as a result of no 2023 performance bonus being paid. This scheme was implemented to all senior employees who are critical to enabling the operating businesses and the Group to deliver their 2024 budgets. The Group CEO and FD will receive a 40% payout of their total guaranteed package if they are still in employment at the end of 2024.

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.

Existing scheme terminating this year: **MIP 2021**

The MIP 2021 entered its third and final vesting in September 2023 and no further awards will be made under this scheme. Details of the final vesting are contained in part 3.

The salient features of the two current incentive schemes namely, the LTIP 2022 and the new cash-settled scheme are set out in the following table:

	LTIP 2022	LTIP 2022 granted 2023	LTI cash-settled
Rationale	To incentivise the next layer of senior management to further drive the strategy and create a retention and succession plan for the business.	To incentivise senior executives to further drive the strategy and create a retention and succession plan for the business.	To motivate and incentivise delivery of long-term, sustainable performance. This aligns senior management's interests with shareholders through a long-term cash-settled LTI.
Number of participants	26	7	35

Remuneration *continued*

<table>
<tr><th></th><th>LTIP 2022</th><th>LTIP 2022 granted 2023</th><th>LTI cash-settled</th></tr>
<tr><td>Purpose and objectives</td><td colspan="2">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:
• Motivating and rewarding participants who are able to contribute to, and influence, the performance and strategy of the Company;
• Recognising that awards for senior executives will be subject to performance conditions and will vest if the performance conditions are met;
• Aligning the interests of the participants and the interests of both shareholders and other stakeholders by ensuring the participants have a meaningful shareholding in the Company; and
• Retaining participants in the employ of the Company.</td><td>The purpose of the cash-settled scheme is to provide selected participants with an opportunity of receiving a fixed cash amount, subject to meeting performance conditions, thereby achieving the following objectives:
• Motivating and rewarding participants who are able to contribute to, and influence, the performance and strategy of the Company.
• Recognising that settlement will be subject to meeting performance conditions.
• Retaining participants in the employ of the Company.</td></tr>
<tr><td>Basis of awards</td><td colspan="2">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:
• 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.
• 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.</td><td>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.</td></tr>
<tr><td>Manner of settlement</td><td colspan="2">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.</td><td>Awards are cash-settled to the selected participants.</td></tr>
<tr><td>Performance conditions</td><td colspan="3">For 2023 and 2024 are set out in the table below.</td></tr>
<tr><td>Targets</td><td colspan="3">2023 targets and respective performance are set out in the implementation report in part 3.

2024 targets to be disclosed retrospectively in the 2023 implementation report.</td></tr>
<tr><td>Vesting profile</td><td>Vesting over a three-year period subject to performance conditions, i.e. 2022 (20%), 2023 (40%), 2024 (40%).</td><td colspan="2">Vesting occurs:
• 50% in September 2024; and
• 50% in September 2025.</td></tr>
</table>

Performance conditions and targets for the LTIP

The metrics and weightings are set out in the table below for threshold, target and stretch performance for the reporting period ended 30 June 2024. 2025 targets for LTIP 2022 will be set at the beginning of that financial year.

Performance criteria 2023

Aveng Group – MIP/LTIP (September 2023 vesting)					
LTI Rm		Weighting %	Threshold 40%	On target 80%	Stretch 100%
Financial	EBIT	35	See part 3: FY23 implementation report for targets		
Financial	Cashflow conversion factor of EBIT	20			
Financial	ROCE	10			
Financial	Debt: EBITDA	15			
Financial	Debt repayment profile target (cumulative)	20			
		100			

Performance criteria 2024

Aveng Group – LTI performance scorecard for FY24 (50% vesting)					
LTI Rm		Weighting %	Threshold 40%	On target 80%	Stretch 100%
Financial	HEPS (R per share)	30	To be disclosed retrospectively in the FY2024 implementation report		
Financial	ROCE	15			
Financial	OFCF	20			
Non-financial	Strategy[1]	25			
Non-financial	ESG[2]	10			
		100			

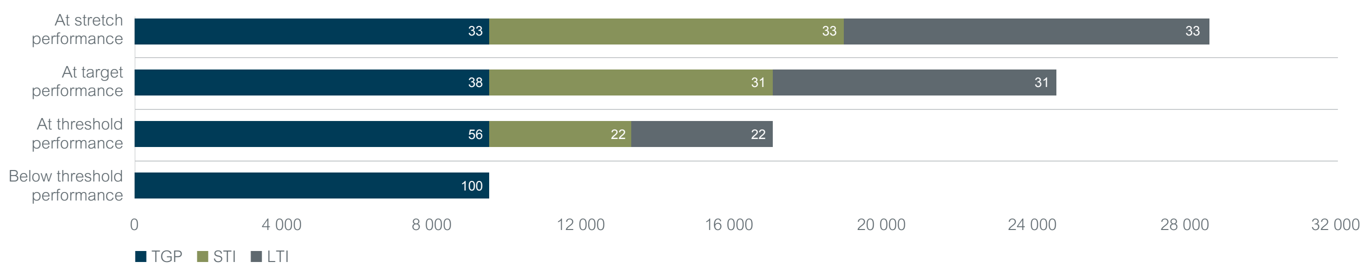
Note 1: Based on remco approved strategy scorecard.
Note 2: Based on the approved MCD and Moolmans separate ESG scorecards and based on a combination of the two scorecards (5% weighting each) an outcome at threshold, on-target and stretch will be determined.

Executive earning potential

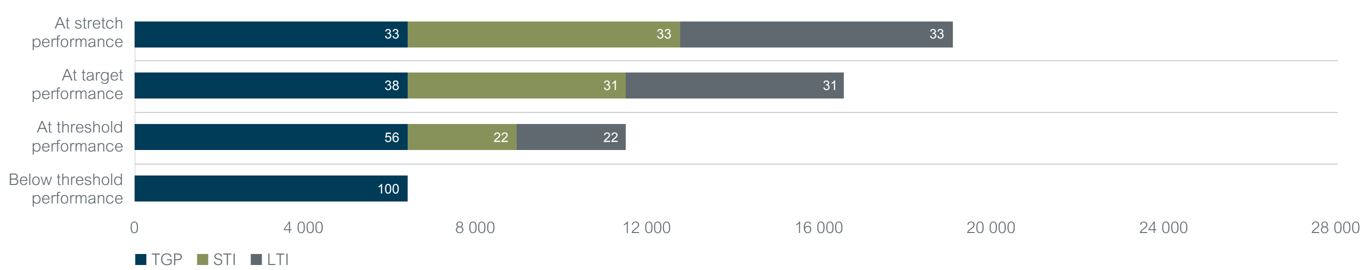
Executive earning potential in terms of remuneration mix for TGP, STI and LTI for the CEO and Group FD at various levels of performance (below threshold, threshold, target and stretch) is depicted in the graphs below.

CEO, Group FD remuneration mix

CEO (%)



CFO (%)



Remuneration *continued*

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's existing limited duration contraction ended in April 2023 and a new contract has been entered into until September 2025. There is no termination payment on completion of the contract. The CEO participates in the current STI and LTIP 2022. 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.

The following termination provisions are applicable to the MIP 2021 and the LTIP 2022 and 2023:

	MIP 2021	LTIP 2022
Termination provisions	**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.	**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.

Malus and clawback provisions

The STI, MIP 2021, LTIP 2022 and cash-settled scheme and all future LTIs 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; and
- 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 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 MoI.

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.

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.

2024 proposal

There was a 5% increase for 2023. For 2024, it is recommended that a cost-of-living adjustment is implemented as per the table below. See details below for non-resident director fees. Proposed fees for 2024 are set out below.

Board committee	Category	2023 fee (R)	2024 proposed fee[1] (R)	% change
Main Board[8]	Chairperson	[2]	[2]	
	Lead independent	538 414	570 719	6
	Director	384 543	407 615	6
	Ad hoc meetings[3]	33 739	35 763	6
Subsidiary Boards	Director	204 360	216 622	6
	McConnell Dowell travel allowance	93 325	98 925	6
Remuneration and nomination committee[8]	Chairperson	259 161	274 711	6
	Member	103 021	109 202	6
Safety, health and environmental committee[8]	Chairperson	223 740	274 711	22,8
	Member	96 678	109 202	13,0
Social, ethics and transformation committee[8]	Chairperson	223 740	274 711	22,8
	Member	96 678	109 202	13,0
Audit committee[8]	Chairperson	342 665	363 225	6
	Member	192 869	204 441	6
Risk committee[8]	Chairperson	259 161	320 000	23,5
	Member	103 021	160 000	55,3
Investment committee	Chairperson[4]	13 635	14 453	6
	Member[4]	10 407	11 031	6
Tender risk committee	Chairperson[4,5] (AUD)		6 670	–
	Member[4]	13 398	23 212	73,2
	Member[4,5] (£)		1 450	–
	Member[4,5] (AUD)		2 900	–
	Member[4,5] (USD)		1 830	–
Ad hoc committee meetings	Member/invitee[6]	21 898	23 212	6
Extraordinary services rendered	Per hour fee[5,7]	5 384	5 707	6
	Per hour fee[5,7] (AUD)		710	–
	Per hour fee[5,7] (£)		360	–
	Per hour fee[5,7] (USD)		450	–

1 *The proposed fees exclude VAT which will be charged by any qualifying non-executive director, at the prevailing rate.*
2 *Refer to 2024 proposal for non-resident non-executive directors.*
3 *Per meeting in excess of the four scheduled meetings per year.*
4 *Per meeting attended.*
5 *Fees payable to non-resident directors have been set at c.50% premium to the Rand fees payable to resident directors and future increases will be based on the foreign denominated fees.*
6 *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.*
7 *Per hour.*
8 *Where chairperson or members are non-resident NEDs, these fees do not apply as their NED fee is an inclusive fee (refer to 2024 proposal for non-resident NEDs).*

Remuneration *continued*

2024 proposal for non-resident chairman, US and AUS-based non-executive director

For 2024, a 5,0% cost-of-living adjustment is recommended in respect of the non-resident UK-based chairman of the Board. A 3,0% adjustment is recommended for a US-based non-executive. In the event that there is a SA-based chairman, there will be a 6,0% adjustment from 2023 to 2024.

	Fee	**2023 fee**	2024 proposed fee[1]	2024 proposed increase % change
Non-resident UK-based non-executive (£)	Composite fee[2]	**105 053**	110 306	5,0
	Ad hoc meeting fee[3]	**2 738**	2 875	5,0
	Tender risk per meeting fee (member)[6]	**–**	1 450	5,0
In the event that we have an SA-based chairman (ZAR)		**1 167 760**	1 237 826	6,0
Non-resident US-based non-executive (USD)	Composite fee[4, 5]	**78 000**	93 405	19,8
	Ad hoc meeting fee[3]	**2 080**	2 142	3,0
Non-resident AUS-based non-executive (AUD)	Composite fee[4]	**–**	140 000	–
	Ad hoc meeting fee[3]	**–**	3 321	–
	Tender risk per meeting fee (chairman)[6]	**–**	6 670	–

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.*
5 *For 2024, a 19,8% increase is recommended in respect of the non-resident US-based non-executive director fee as a result of his increased responsibilities on appointment as chairperson of the remuneration committee. Please note the 19,8% increase is inclusive of the 3% adjustment recommended for a US-based non-executive.*
6 *Tender risk committee fees are over and above the composite NED fees paid to non-resident directors and are paid on a per meeting attended basis.*

Non-binding advisory vote on the remuneration policy

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

PART 3: IMPLEMENTATION OF REMUNERATION POLICIES DURING THE 2023 FINANCIAL YEAR

Total guaranteed pay and benefits increases

High inflation and the resulting interest rate hikes have created cost-of-living difficulties that impact Aveng employees and, as such, higher increases were mandated this year, especially to lower income staff. A review of historic and projected inflation and salary increases was conducted by region to determine an overall increase mandate. The regional mandate was then further divided into three levels, namely the Exco, one level below Exco and the remaining general staff to ensure general staff receive higher increases as a mechanism to reduce the wage gap.

The increase mandates are shown below. Discretion was allowed to vary the increase percentages, to fix or improve gender, race and internal equity differentials (if applicable) as well as critical skill shortage risks as long as the overall increase was within the range of the overall mandate per region.

		1 level below		
Region	Overall salary increase mandate %	Exco %	Exco %	General staff %
Corporate and Moolmans (South Africa)	**6,50**	6,00	6,25	>6,50
McConnell Dowell	**3,50 to 5,00**	4,00	4,25	>5,00

2023 STI outcomes

The table below sets out the performance metrics as disclosed in the 2022 report, including the target set and the actual performance against target. The result was a 0% bonus payment for executive directors as explained in the note below.

Aveng Group – STI performance scorecard

Aveng Group STI scorecard								
Rm		Weighting %	Threshold 40%	On target 80%	Stretch 100%	**Actual 2023-06-30 %**	Outcome %	Weighted outcome %
Financial	EBIT (post STI, McConnell Dowell, Moolmans & Trident Steel, less Corporate overheads)*	25	677	846	930	**(797)**	–	–
Financial	OFCF (Moolmans & Trident Steel, less Corporate overheads + McConnel Dowell Div + disposal proceeds)	25	(272)	(227)	(204)	**146**	–	–
Financial	ROCE	20	10,02	12,52	13,77	**(15,39)**	–	–
Non-financial	ESG	10		Remco discretion		**Note****	–	–
Non-financial	Strategy objectives	15		Remco discretion		**Note****	–	–
Non-financial	Succession planning	5		Remco discretion		**Note****	–	–
		100				**STI % payable****		–

* *Exclude PMO costs and once-off costs + benefits.*
** *While certain metrics were met, given the poor financial performance of the Group, remco applied discretion based on the recommendation from the Group CEO that no bonuses would be payable.*

No STI was paid given the Group's poor performance, except for the New Zealand and Pacific Islands business unit which delivered outstanding performance significantly above budgeted targets. Therefore, the remcom awarded a discretionary bonus to the New Zealand and Pacific Islands team. The STI that was paid to the New Zealand and Pacific Islands team was below on-target levels, even though profits significantly exceeded budgets, and will be paid after the release of the June 2023 year end results.

Remuneration *continued*

LTI vesting 2023

The table below sets out the performance metrics as disclosed in the 2022 remuneration report, including the target set and actual performance against target for both MIP 2021 and LTIP 2022. A total of 288 680 shares were utilised against the authorised 3 880 000 shares under the scheme. Post year end, further 136 682 shares vested and utilised.

Aveng Group – MIP/LTIP (September 2023 vesting)									
LTI Rm		Weighting %	Threshold 40%	On Target 80%	Stretch 100%	**FY23 performance**	Outcome %	Weighted Outcome %
Financial	EBIT	35	530	589	642	***missed**	–	–
Financial	Cashflow conversion factor of EBIT	20	371	412	450	***missed**	–	–
Financial	ROCE	10	9,4%	10,5%	11,4%	***missed**	–	–
Financial	Debt: EBITDA	15	3,25	2,75	2,25	***missed**	–	–
Financial	Debt repayment profile target (cumulative)	20	(937)	(1 054)	(1 171)	**(1 171)**	100	20
		100				**LTI % payable**		20

Based on the scorecard performance, only 20% of the MIP and LTIP shares should vest. However, the final assessment of vesting is subject to remuneration committee approval and discretion. As such, the remcom agreed the following discretionary vesting percentages for the performance shares:

Scheme	Performance vesting %
MIP 2021	50
LTIP 2022	75

The rationale for the differentiated vesting percentage is that the MIP 2021 (executive directors and prescribed officers) had a retention-only component, and the remcom considered it more equitable to allow a greater percentage of LTIP 2022 (other senior executives and was 100% performance-based) to vest. This decision primarily hinges on two key factors. Firstly, the successful settlement of the full Common Terms Agreement debt, which was pivotal to the overarching objectives of both schemes and the future success of the Group. Secondly, the remcom exercised its discretion and agreed no STI payments would be paid, which further influenced the determination to allow a greater portion than 20% of the performance shares to vest.

Single figure of remuneration

The total remuneration and details on outstanding and settled LTIs for executive directors and prescribed officers for 2023 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	Management incentive plan (MIP)[4] R'000	Total[5] R'000
SJ Flanagan	**2023**	**9 168**	**–**	**–**	**4 383**	**13 551**
	2022	8 709	–	7 885	13 254	29 848
AH Macartney	**2023**	**5 875**	**296**	**–**	**4 383**	**10 554**
	2022	5 581	281	5 307	13 254	24 423

[1] *Salary for South African directors is total fixed earnings inclusive of contributions towards medical aid, administration and risk benefit expenses, accident cover and vehicle benefits, all of which is funded from the total guaranteed package (TGP).*
[2] *Retirement fund contributions are also funded from the directors' TGP.*
[3] *No STI payments were approved by the remuneration and nomination committee for the year ended 30 June 2023. Prior year awards were restated in order to include the deferred amounts that were due post year end based on the successful receipt of the Trident Steel sale proceeds and other disposal sale proceeds as disclosed in the prior year remuneration report.*
[4] *Regarding the shares vested during 2023 and cash value on settlement during 2023, these shares had not technically vested at year end but only after the release of the 2023 financial results. The cash value was based on the weighted average price of R6,64.*
[5] *The total reflected includes all remuneration paid to the executive director in the financial year. The single figure of remuneration reflected in part 3 of the remuneration report and those disclosed in the annual financial statements, will differ based on the requirements of King IV™* versus the Companies Act requirements.*

Prescribed officers and other key management personnel

Prescribed officers	Year	Salary[1] R'000	Retirement fund[2] R'000	STI[3] R'000	LTI[4] R'000	Total[8] R'000
L Tweedie	**2023**	**3 882**	**248**		**584**	**4 714**
	2022	3 656	205	1 843	1 767	7 471
JN Govender[5]	**2023**	**5 396**	**297**	**–**	**–**	**5 693**
	2022	5 079	280	2 000	4 390	11 749
RV Engelbrecht	**2023**	**4 568**	**199**	**–**	**691**	**5 458**
	2022	4 324	188	1 500	2 195	8 207
S Cummins (Aus)[6]	**2023**	**1 196**	**178**	**–**	**2 762**	**4 136**
	2022	1 163	173	680	790	2 806
D Morrison (Aus)[7]	**2023**	**693**	**102**	**–**	**1 381**	**2 176**
	2022	674	99	265	395	1 433

[1] *Salary for South African prescribed officers is total fixed earnings inclusive of contributions towards medical aid, administration 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] *No STI awards were approved by the remuneration and nomination committee for the year ended 30 June 2023.*
[4] *Regarding the shares vested during 2023 and cash value on settlement during 2023, these shares had not technically vested at year end but only after the release of the 2023 financial results. The cash value was based on the weighted average price of R6,64.*
[5] *Resigned on 21 July 2023.*
[6] *S Cummins earnings disclosed in AUD'000. Salary amount includes vehicle benefit allowance.*
[7] *D Morrison earnings disclosed in AUD'000. Salary amount includes vehicle benefit allowance.*
[8] *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 – 2023

	Award name	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
Executive						
SJ Flanagan	MIP 2021					
	BSR Award					
	Retention awards		360 000	360 000	5 227 200	5 437 571
	Performance awards		552 830	647 170	8 027 092	9 775 091
	LTIP 2022					
	Performance awards					
Total		–	912 830	1 007 170	13 254 292	15 212 661
AH Macartney	MIP 2021					
	BSR Award					
	Retention awards		360 000	360 000	5 227 200	5 437 571
	Performance awards		552 830	647 170	8 027 092	9 775 091
	LTIP 2022					
	Performance awards					
Total		–	912 830	1 007 170	13 254 292	15 212 661
Prescribed officers						
L Tweedie	MIP 2021					
	BSR Award					
	Retention awards		48 000	48 000	696 960	725 009
	Performance awards		73 710	86 290	1 070 269	1 303 355
	LTIP 2022					
	Performance awards					
Total		–	121 710	134 290	1 767 229	2 028 364
JN Govender*	MIP 2021					
	Retention awards		96 000	96 000	1 393 920	1 450 019
	Performance awards		206 389	241 611	2 996 768	3 649 380
	LTIP 2022					
	Performance awards					
Total		–	302 389	337 611	4 390 688	5 099 399
R Dixon**	MIP 2021					
	Retention awards					
	Performance awards					
	LTIP 2022					
	Performance awards					
Total		–	–	–	–	–
RV Engelbrecht	MIP 2021					
	Retention awards		48 000	48 000	696 960	725 009
	Performance awards		103 194	120 806	1 498 377	1 824 698
	LTIP 2022					
	Performance awards					
Total		–	151 194	168 806	2 195 337	2 549 707
S Cummins (Aus)	MIP 2021					
	Retention awards		192 000	192 000	2 787 840	2 900 038
	Performance awards		412 779	483 221	5 993 551	7 298 745
	LTIP 2022					
	Performance awards					
Total		–	604 779	675 221	8 781 391	10 198 783
D Morrison (Aus)	MIP 2021					
	Retention awards		96 000	96 000	1 393 920	1 450 019
	Performance awards		206 389	241 611	2 996 768	3 649 380
	LTIP 2022					
	Performance awards					
Total		–	302 389	337 611	4 390 688	5 099 399

* *Resigned during the year and forfeited his remaining shares outstanding.*
** *New appointment. Awards were awarded post year end.*

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 50% 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 2023 is 9,17.*
[5] *Regarding the shares vested during 2022 and cash value on settlement, the cash value was based on a seven-day VWAP of R14,52.*
[6] *Regarding the shares vested during 2023 and cash value on settlement, these shares had not technically vested at year end but only after the release of the 2023 financial results. The cash value was based on the seven-day VWAP of R6,64.*
[7] *The MIP 2021 performance shares: The performance condition for the awards were not all satisfied, and as a result certain shares were forfeited.*

Granted during 2023	Forfeited/lapsed during 2023	Vested during 2023	Closing number on 30 June 2023	Cash value on settlement during 2023	Closing estimated fair value at 30 June 2023
	–	360 000	–	2 390 616	–
	347 170	300 000	–	1 992 180	–
936 900			936 900	–	8 589 796
936 900	347 170	660 000	936 900	4 382 796	8 589 796
	–	360 000	–	2 390 616	–
	347 170	300 000	–	1 992 180	–
630 600			630 600	–	5 781 541
630 600	347 170	660 000	630 600	4 382 796	5 781 541
	–	48 000	–	318 749	–
	46 290	40 000	–	265 624	–
211 000			211 000	–	1 934 515
211 000	46 290	88 000	211 000	584 373	1 934 515
	96 000	–	–	–	–
	241 611	–	–	–	–
–	337 611	–	–	–	–
	–	–	–	–	–
	–	–	–	–	–
615 800			615 800	–	5 645 850
568 400	–	–	568 400	–	5 211 271
	–	48 000	–	318 749	–
	64 806	56 000	–	371 874	–
242 100			242 100	–	2 219 650
242 100	64 806	104 000	242 100	690 622	2 219 650
	–	192 000	–	1 274 995	–
	259 221	224 000	–	1 487 494	–
1 281 500			1 281 500	–	11 749 198
1 281 500	259 221	416 000	1 281 500	2 762 490	11 749 198
	–	96 000	–	637 498	–
	129 611	112 000	–	743 747	–
493 300			493 300	–	4 522 731
493 300	129 611	208 000	493 300	1 381 245	4 522 731

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 2023	Ordinary shares 2022
Executive directors		
SJ Flanagan	**1 257 555**	755 505
AH Macartney	**1 259 743**	757 693
Non-executive directors		
MJ Kilbride	**4 588**	4 588
P Hourquebie	**50 000**	50 000
Prescribed officers		
L Tweedie	**167 674**	100 734
J Govender	**239 777**	73 468
RV Engelbrecht	**119 888**	36 734
S Cummins	**751 715**	146 936
D Morrison	**401 257**	98 868
	4 252 197	2 024 526

Non-executive directors

	Directors' fees R'000	Lead independent directors fees R'000	Chairperson fees R'000	Committee fees R'000	Other fees R'000	Total R'000
2023						
MA Hermanus[1]	**–**	**627**	**437**	**144**	**89**	**1 297**
MJ Kilbride[2]	**477**	**–**	**560**	**452**	**89**	**1 578**
B Modise	**477**	**–**	**335**	**396**	**89**	**1 297**
B Swanepoel[3]	**380**	**–**	**–**	**265**	**89**	**734**
D Noko[4]	**96**	**–**	**–**	**86**	**–**	**182**
	1 430	**627**	**1 332**	**1 343**	**356**	**5 088**
B Meyer (USD)[5]	**85**	**–**	**–**	**1**	**–**	**86**
PA Hourquebie (£)[6]	**94**		**18**	**11**	**4**	**127**
2022						
MA Hermanus[1]	30	495	411	137	–	1 073
MJ Kilbride[2]	445	–	423	643	–	1 511
B Modise	415	–	315	369	–	1 099
B Swanepoel[1]	268	–	–	319	–	587
	1 158	495	1 149	1 468	–	4 270
B Meyer (USD)[5]	79	–	–	–	–	79
PA Hourquebie (£)[6]	89	–	17	16	–	122

[1] *Resigned 17 July 2023.*
[2] *Resigned 17 July 2023.*
[3] *B Swanepoel resigned as an independent non-executive director and as a member of the risk committee and the safety, health and environment committee on 31 March 2023.*
[4] *D Noko was appointed as an independent non-executive director and as a member of the risk committee, safety, health and environment committee and the tender risk committee on 31 March 2023.*
[5] *B Meyer fees are disclosed in United States Dollars (USD).*
[6] *PA Hourquebie fees are disclosed in British Pounds (£).*

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 2023

Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	30 554	88,53	2 892 497	2,28
1 001 – 10 000 shares	3 189	9,24	10 247 110	8,06
10 001 – 100 000 shares	671	1,94	19 015 597	14,96
100 001 – 1 000 000 shares	81	0,23	22 808 764	17,94
1 000 001 shares and above	16	0,06	72 171 712	56,76
Total	34 511	100	127 135 680	100

Beneficial shareholder categories

Category	Total shareholding	% of issued capital
Hedge Fund	41 878 469	32,94
Private Investor	37 027 039	29,12
Trading Position	11 054 916	8,70
Mutual Fund	7 576 168	5,96
Custodians	6 288 595	4,95
Pension Funds	3 930 887	3,09
Unit Trusts	2 425 668	1,91
Corporate Holding	351 169	0,28
Insurance Companies	338 076	0,27
University	132 771	0,10
Stockbrokers	27 501	0,02
Charity	20 000	0,02
Exchange-Traded Fund	19 193	0,02
Remainder	16 065 228	12,64
Total	127 135 680	100

Public and non-public shareholdings

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	12	0,03	9 626 169	7,57
Directors and prescribed officers	8	0,01	4 252 197	3,34
Aveng Limited Share Purchase Trust	1	0,00	12 036	0,01
Aveng Management Company Proprietary Limited	1	0,00	1 577	0,00
Aveng LTIP	1	0,00	5 343 186	4,20
Community Investment Trust	1	0,00	17 173	0,01
Public shareholders	34 499	99.97	117 509 511	92,43
Total	34 523	100,00	127 135 680	100,00

Beneficial shareholders holding more than 3%

Beneficial shareholdings	Total shareholding	%
Highbridge Capital Management	16 233 479	12,77
Whitebox Advisors	15 144 602	11,91
Absa	9 236 945	7,27
Steyn Capital	7 709 604	6,06
Ninety One	5 651 730	4,45
Standard bank	5 181 991	4,08
Total	59 158 351	46,54

Substantial investment management and beneficial interests above 3%

Investment management shareholdings

Investment manager	Total shareholding	%
Whitebox Advisors LLC	17 218 311	13,54
Highbridge Capital Management	16 233 479	12,77
Steyn Capital Management	10 808 807	8,50
Absa Asset Management	9 123 315	7,18
Ninety One	6 166 640	4,85
Total	59 550 552	46,84

Geographic split of investment managers and Company-related holdings

Region	Total shareholding	% of issued capital
South Africa	80 030 236	62,95
United States of America and Canada	34 383 307	27,04
United Kingdom	1 234 550	0,97
Rest of Europe	3 057 960	2,41
Rest of World	8 429 627	6,63
Total	127 135 680	100

Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	79 832 448	62,79
United States of America and Canada	23 662 257	18,61
United Kingdom	1 174 868	0,92
Rest of Europe	3 129 118	2,46
Rest of World	19 336 989	15,22
Total	127 135 680	100

Shareholders' diary

Financial year end	30 June
Annual general meeting	on 1 December 2023

Publication of results

Half year ended 31 December 2023	on 20 February 2024
Year ended 30 June 2024	on 21 August 2024

Corporate information

Directors

PA Hourquebie*# (Chair),
SJ Flanagan (Group CEO),
AH Macartney (Group FD),
B Modise (Lead independent director)*#,
BC Meyer*#, D Noko*#, N Bowen*#

** 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

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

Principal bankers

The Standard Bank of South Africa Limited
FirstRand Bank Limited
United Overseas Bank Limited

Corporate legal advisers

Alchemy Law Africa (Pty) Ltd
Pinsent Masons

Sponsor

Valeo Capital Proprietary Limited
Registration number: 2021/834806/07
Unit 12 Paardevlei Specialist Medical Centre
Paardevlei
Somerset West
Western Cape, 7130,South Africa

Registrars

Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue
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