



Providing a better life

INTEGRATED REPORT 2020



OUR VALUES

We do not compromise on, and hold each other accountable for:

AVENG AT A GLANCE

Providing better life	2
2020 performance overview	3

SAFETY AND CARE

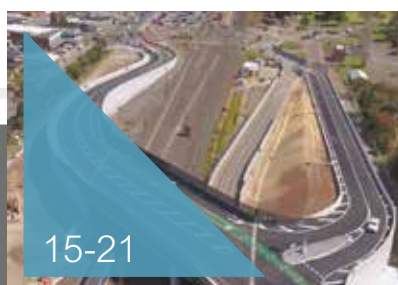
"Home Without Harm Everyone Everyday". We care for the health and wellbeing of our people, the communities we work in and for our environment.



Core operations	6
Market risks and opportunities	8
Our business model	10
Board of directors	12
Key and senior management	13

HONESTY AND INTEGRITY

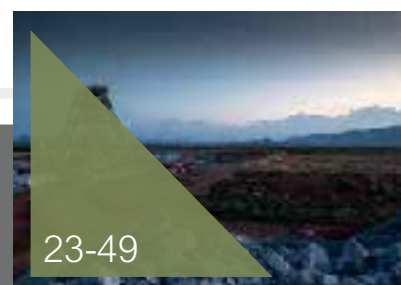
We do what is right – consistently and transparently.



Materiality	16
Material matters	19
Strategy	20

CUSTOMER FOCUS

We build relationships by engaging, listening, understanding, collaborating and delivering on our promises with excellence.



Review of the independent non-executive chair	24
Review of the Group chief executive officer	27
Group finance director's report	38
Outlook and prospects	43
Management's financial review and key ratios	44

**Sustainable
capital
restructure**

**Non-core
asset
disposals**

**Core
operational
performance**

OUR STRATEGY

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

WORKING TOGETHER

We are team players who are committed to the Aveng purpose and values. We respect and collaborate with each other, tapping into our rich diversity.



Governance performance	52
Audit and risk committee report	56

PERFORMANCE EXCELLENCE

We are clear about the desired results and what we need to do to get there. We deliver with excellence as we strive to create ever-improving value for our shareholders.



Letter from the chairman	60
Part 1: Overview	61
Part 2: Remuneration policy	62
Part 3: Implementation of remuneration policies	71

APPENDIX

Shareholders' analysis	77
Shareholders' diary	78
About this report	79
Corporate information	80



Providing a better life



WELCOME TO THE AVENG 2020 INTEGRATED REPORT

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



Providing a better life

Our focus in 2020 was to maintain a safe work environment during COVID-19 and ensure Aveng's longer-term sustainability. This is our contribution to enabling our employees, communities and other stakeholders to live a better life.

A stable platform for growth

Aveng restored short-term financial liquidity and **renegotiated its core debt** to underpin long-term growth and value creation.



Pages 24 to 42

Operational excellence

McConnell Dowell and **Moolmans**, which represent the Group's future, reported further **performance improvements**, despite COVID-19 setbacks.



Pages 27 to 37

Safety and care

We achieved our goal of **zero fatalities** during the 2020 financial year and improved our performance against key safety, health and environment indicators as our operations focused on maintaining safe work environments.



Pages 25, 32 and 36
Refer to sustainability report available on www.aveng.co.za

Effective leadership

Stronger leadership and management experience in our core disciplines effectively **implemented Aveng's growth strategy** and **embedded a values-driven culture**.



Pages 25, 26, 32 and 36

Cash management

We **improved our cash generation** with disciplined cash management, disposal of non-core businesses and settlement of long-outstanding claims.



Pages 29, 37 and 41

Securing future growth

Aveng's **work in hand increased by 41% to R26,8 billion**, as the core operations capitalised on growth opportunities in core markets.



Pages 29 and 36

2020 performance overview

FINANCIAL

Core revenue

R14,2 billion

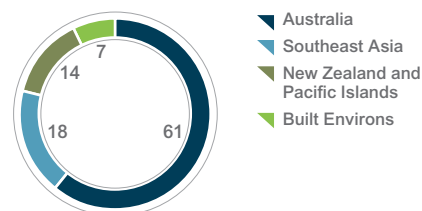
(2019: R13,6 billion)

Group work in hand

R26,8 billion

(2019: R19,0 billion)

McConnell Dowell work in hand – geography (%)



Operating loss

R532 million

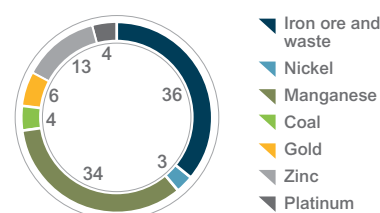
(2019: R1,1 billion loss)

Operating free cash flow

R5 million outflow

(2019: R1,0 billion outflow)

Moolmans work in hand – commodity (%)



NON-FINANCIAL

All injury frequency rate (AIFR) 2,35 – target 3,28

Lost-time injury frequency rate (LTIFR) 0,19 – target 0,18

Total recordable injury frequency rate (TRIFR) 0,74 – target 0,82

Kolomela – 1 218 lost-time injury (LTI) free days

Union mine – 782 LTI-free days

Built Environs – five years LTI-free

Learning and development

R76 million

spent at Moolmans

14 600 hours of training for McConnell Dowell employees

Transformation

Level 3 BBBEE contributor

R3,4 billion

paid to black-owned suppliers, **27% to black women-owned suppliers**

Read more about the Group's performance on pages 27 to 42

IN THIS SECTION

SALIENT FEATURES

Aveng generated revenue of

R20,9 billion

across its diversified markets:

50%

Africa

43%

Australia, New Zealand
and Pacific Islands

7%

Southeast Asia



WHO WE ARE

We are an international infrastructure, resources and mining group capitalising on the expertise and experience of our core businesses in growing markets in sub-Saharan Africa, Australia, New Zealand and Pacific Islands and Southeast Asia.

Who we are and how we create value

HOW WE CREATE VALUE

Aveng **optimises its business model** through effective strategy implementation to create value for stakeholders.

The scale, **specialist capabilities, management capacity and brand reputation** of McConnell Dowell and Moolmans equip them to capitalise on **growing markets**.

Core operations

Our core operations' scale, specialist capability, management capacity and brand reputation equip them to capitalise on growing markets.



49%
Group revenue

80%
Group work
in hand

27%
of Group
workforce

**LTIFR
0,11**

Delivering innovative solutions to complex projects for our clients for over 60 years, with a proven track record of success on smaller to mid-range construction projects.

Approximately 2 000 employees, including professional engineers and construction teams working across Australia, New Zealand and Southeast Asia, earning the trust and loyalty of our clients with a strong safety record and systematic structured approach to project management.

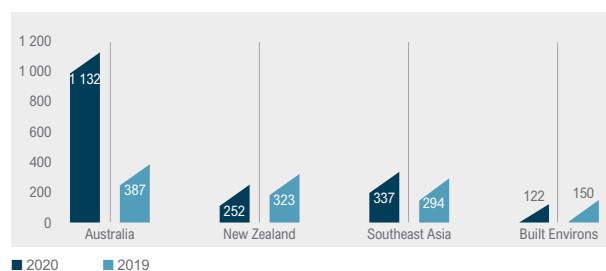
Through its 100% investment in McConnell Dowell, Aveng achieves geographic diversification. McConnell Dowell capitalises on its strong brand and positioning as a local expert in its geographic markets. McConnell Dowell differentiates its value offerings across diversified market sectors to secure higher-return projects that require specialised capabilities.



Competitive advantages

- Brand reputation
- Strong management
- Engineering and innovation excellence
- Collaborative and reliable delivery partner
- Specialist capabilities
- Diversity by sector, discipline, geography

Work in hand – AUD1,8 billion

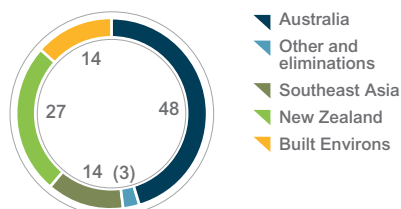


Industry accolades

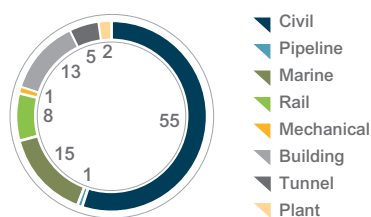
- 2019 Brunel Medal awarded to Amrun Chith export facility
- ARTC Safety / Environmental Award for Public Transport Partnership Alliance
- AIB Excellence Award for Urbanest Student Accommodation
- Hynds Pipe Systems Underground Services Award, CCNZ for Lyttelton Harbour Wastewater Upgrade
- 2019 Workplace Health and Safety SHARP Award for the Marina Bay Sands

Growth prospects

2020 revenue by geography (%)



2020 revenue by sector (%)



Specialist capabilities



Rail



Tunnel and underground



Building



Civils



Pipelines



Mechanical



Marine



19%
Group
revenue

20%
Group work
in hand

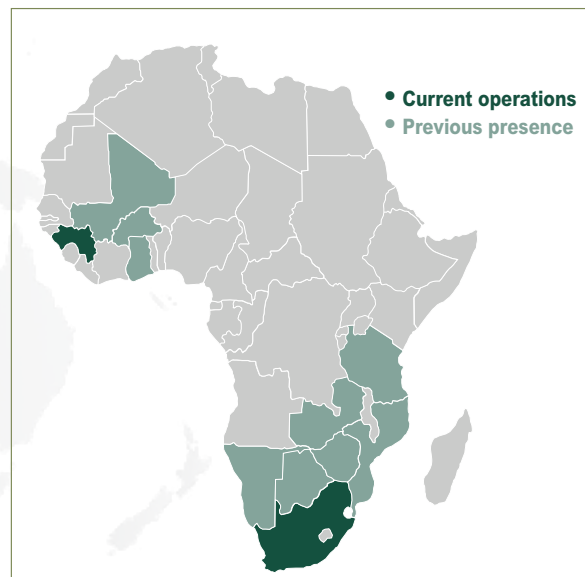
48%
of Group
workforce

LTIFR
0,32

For more than 60 years Moolmans has delivered specialised mining services throughout Africa in a range of commodities for several reputable clients. Moolmans' ability to develop sound client relationships and work in remote and difficult locations throughout Africa has earned it a strong reputation in its selected markets.

Moolmans is positioning to be a multinational mining solutions provider, leveraging its strengths and core competencies to offer clients comprehensive services across the mining value chain. An integrated management system enables Moolmans to provide best mining safety practices.

A new management team has stabilised Moolmans and is repositioning the business for growth and sustainable long-term profitability.

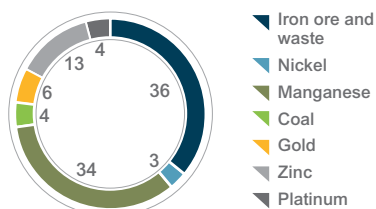


Competitive advantages

- Brand reputation
- African leader in open-cut contract mining
- Experience in remote and difficult environments
- Relationships with established mining houses
- R2,3 billion fleet to serve clients' onsite needs
- Diversity by client, commodity, discipline

Growth prospects

Work in hand – R4,9 billion (%)



Current projects

South Africa

▼ Northern Cape

- Gamsberg
- Kolomela
- Sishen
- Tshipi

▼ North West

- Union mine

▼ Mpumalanga

- Klipspruit
- Nkomati

▼ Limpopo

- Amandelbult

Rest of Africa

▼ Guinea

- Lefa

Industry accolades

- Globally recognised integrated SHEQ system

Specialist capabilities



**Excavators/
face shovels**

Mass range:
170 – 700
tonnes



**Dump
trucks**

Mass range:
100 – 200
tonnes



**Drill
rigs**



**Support
equipment**



**Underground
equipment**



Open-cut mining



Shaft sinking



Underground mining

Market risks and opportunities

Aveng operates in complex environments where risk and opportunity are inherent in all of our activities. By understanding these risks and opportunities, we can respond to them proactively with our risk and opportunity management process.

AUSTRALIA

Risk and opportunity

- Growing pipeline of public sector transport, water and energy infrastructure projects
- Solid baseload of work in Victoria and South Australia expanding footprint in New South Wales, Queensland and Western Australia
- All projects remain operational with COVID-19 response measures in place
- Positioned to capitalise on government stimulus projects, but anticipate slower private sector investment
- Increasing international competition

Our response

McConnell Dowell is well positioned in high-growth markets and areas of specialisation in which it has a proven track record of successful project delivery. A focus on government infrastructure programmes conducted in joint venture alliances provides a source of ongoing negotiated repeat work. Our adoption of early client involvement status on several tenders reduces project risk but lengthens bidding processes. These factors have improved the quality of our work in hand but necessitated judicious acceleration of our bidding activity to increase revenue and enhance our margins.

NEW ZEALAND AND PACIFIC ISLANDS

Risk and opportunity

- Construction market buoyancy and competitiveness driven by growing demand
- Significant public sector investment in transport, housing and water infrastructure for growing population
- New Zealand projects fully operational after initial COVID-19 lockdown but some Pacific Islands borders remain closed

Our response

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

SOUTHEAST ASIA

Risk and opportunity

- Opportunities in transport, energy and wastewater infrastructure projects heavily impacted by COVID-19 lockdowns in Singapore and Indonesia
- Outlook strengthened by recent withdrawal of some competitors, but longer-term opportunities muted by political volatility and ongoing COVID-19 uncertainty

Our response

McConnell Dowell's operations in Southeast Asia have the capacity to perform across marine, pipeline, tunnel and underground sectors. The business unit focuses on select opportunities where it can demonstrate a competitive advantage in complexity and scale. Senior management changes strengthened business development to maximise strategic opportunities but the business has adopted a cautious cost and bidding approach in uncertain market conditions.

MINING IN AFRICA

Risk and opportunity

- Mining continues to offer opportunities as mine owners increase output and invest in assets
- Open cut mining accounts for the bulk of volumes mined and new volumes to be brought on stream
- Predominant opportunities exist in copper in Zambia and DRC, gold in West Africa and other commodities (coal, iron and zinc) in southern Africa
- After the hard lockdown in March and April, South African mining projects resumed full operations in a phased manner

Our response

Moolmans is well established in South Africa and is pursuing growth in the rest of Africa on the strength of its reputation on the continent. The business has a promising pipeline of open cast mining opportunities in South Africa (manganese, iron ore, coal) Ivory Coast (gold), DRC (copper) and Botswana (coal and copper).

COVID-19 RESPONSE

Aveng and McConnell Dowell immediately drafted and implemented standard operating procedures (SOPs) across their geographically diverse operations as the coronavirus pandemic moved across the world. These SOPs were prepared in consultation with customers, to protect customers, employees and suppliers against infection, alleviate COVID-19-related burdens on employees and support the Group's longer-term sustainability for all of its stakeholders. Management continuously reviews and adapts its SOPs in response to developments in each of its businesses.

McCONNELL DOWELL

McConnell Dowell implemented SOPs across its operations to ensure it was able to continue to operate safely and efficiently.

Australia

- All McConnell Dowell projects remained operational with effective additional measures in place to protect employees and suppliers and slow the spread of the virus
- IT systems and communication platforms supported the response plan; office-based employees were equipped to work remotely
- Restrictions and work practices to mitigate COVID-19 impacts were commended by clients and regulators and shared across the engineering and construction industry
- No McConnell Dowell projects were cancelled
- New projects were awarded primarily by government clients who remained supportive, mitigating risk in uncertain conditions; Government projects to stimulate economic recovery offer additional opportunities
- No confirmed COVID-19 infections

New Zealand and Pacific Islands

- All construction activities in New Zealand other than a few essential service projects were immediately ceased for five weeks
- Customers were strongly supportive
- Projects resumed full operations after the lockdown
- New projects and repeat work with major existing customers were secured
- No confirmed COVID-19 infections

Southeast Asia

- Construction projects were suspended for two months in Singapore; Indonesia was also heavily impacted by lockdown and travel restrictions
- Labour forces were impacted by the restrictions; office-based employees were equipped to work remotely
- The cost base of Southeast Asian operations was realigned to lower revenue expectations in uncertain market conditions

AFRICA

The Group's COVID-19 SOPs and recommended best practice were implemented to enable the safe and efficient remobilisation of operations.

Moolmans

- All South African mining operations ceased and were placed on care and maintenance during lockdown level 5 in March and April
- Moolmans focused on protecting its assets and, in consultation with customers, preparing for a rapid remobilisation of operations
- Robust SOPs were implemented to manage COVID-19 infections
- The Lefa contract in Guinea remained operational
- Full operations at the majority of open cut projects and 50% of underground mining activities resumed in May; 100% of underground projects had resumed by June 2020
- New work, contract extensions and contract renegotiations at favourable commercial rates were secured during the lockdown. Moolmans continues to pursue a pipeline of additional opportunities.

Rest of the Group

Trident Steel

- Operations ceased in line with lockdown level 5 regulations and recommenced during level 4 in line with the phased restarting of the automotive manufacturing and general steel industries
- Continuous monitoring of developments among key customers and management of supply chain disruption

Manufacturing

- South African manufacturing operations all ceased during lockdown level 5, while some operations in southern Africa remained operational. The operations reopened progressively based on customer demand:
 - As a designated essential services provider, ACS moved from 25% to full operating capacity after level 5
 - A skeleton workforce provided essential services from the Duraset Alrode factory; the Westonia factory resumed production of concrete sleepers in June
 - Infraset reopened the Brakpan factory to supply railway products to Transnet

Stakeholder engagement, page 16; independent non-executive chairman's and Group CEO's reviews, pages 24 to 37.

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



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

▼ Group FD report, page 38

Human capital



- 7 266 employees
- Strong leadership
- Highly skilled project management and stronger bench strength across both McConnell Dowell and Moolmans
- Values-driven culture

▼ Chairman's and CEO's reviews, pages 24 to 37

📄 Sustainability report

Social and relationship capital



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

▼ Chairman's and CEO's reviews, pages 24 to 37

Intellectual capital



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

▼ Chairman's and CEO's reviews, pages 24 to 37

Manufactured capital



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

▼ CEO's review, page 27

▼ FD report, page 38

Natural capital



- Energy and water use in operations

📄 Sustainability report

BUSINESS ACTIVITIES

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

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



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

Value offering



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

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

Strategic leadership

Capital allocation

Treasury and financial reporting

Culture and values

People management

Performance management

Safety

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

Risk

IT

Procurement

OUTPUTS

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



OUTCOMES

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

Financial capital

- Restructuring and recapitalising of balance sheet post FY20
- Stabilised balance sheet
- Proceeds from non-core disposals and claim settlements created liquidity
- Grew core work in hand by 41%
- Moolmans returned to profitability

Group FD report, page 38

Human capital

- Effective executive leadership and new appointments to key operational positions
- Decisive COVID-19 response to protect employees and sustain business
- Zero fatalities during the financial year.
- Reduction in employee base tempered by responsible disposal process

Chairman's and Group CEO's reviews, pages 24 to 37

Sustainability report

Social and relationship capital

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

Chairman's and Group CEO's reviews, pages 24 to 37

Sustainability report

Intellectual capital

- Brand reputation of established Aveng Group
- Extending systematic, structured McConnell Dowell way to Moolmans

Chairman's and Group CEO's reviews, pages 24 to 37

Manufactured capital

- Invested R609 million in Moolmans fleet

Group CEO's review, page 27

Natural capital

- Zero major environmental incidents

Sustainability report

Board of directors

EXECUTIVE DIRECTORS



Sean Flanagan (60)*
Group chief executive officer

BSc (Building)

Appointed to the Board: November 2015

Experience: 31 years of industry and related experience

Board committees:

Member: **TR**



Adrian Macartney (52)
Group finance director

BCom, BCompt (Hons), CA(SA)

Appointed to the Board: September 2014

Experience: 26 years of industry and related experience

Board committees:

Member: **TR**

INDEPENDENT NON-EXECUTIVE DIRECTORS



Philip Hourquebie (67)
Independent non-executive chairman

CA(SA), BCom (Hons), BAcc

Appointed to the Board: August 2015

Board committees:

Chairman: Board, **IC**

Member: **SET SHE RN TR**



May Hermanus (60)
Lead independent non-executive director

BSc (Geology), MSc (Physical Metallurgy),
Takemi Fellow, Harvard University

Appointed to the Board: September 2009

Board committees:

Chairman: **SHE SET**

Member: **AR RN**



Michael Kilbride (68)
Independent non-executive director

BSc (Hons) Mining Engineering
(RSM, London University), MDP (Unisa),
SEP (London Business School)

Appointed to the Board: July 2012

Board committees:

Chairman: **TR RN**

Member: **AR IC SHE SET**



Bridget Modise (53)
Independent non-executive director

BCompt (Hons), CA(SA), CIMA

Appointed to the Board: November 2019

Board committees:

Chairman: **AR**

Member: **SET IC**

AR Audit and risk committee

IC Investment committee

RN Remuneration and nomination committee

SET Social, ethics and transformation committee

SHE Safety, health and environmental committee

TR Tender risk committee

Executive committee

* Attends all committee meetings by invitation

Key and senior management



Scott Cummins (57)
Chief executive officer
McConnell Dowell Corporation Limited

Experience: 30 years of industry and related experience

At Aveng for: Five years



Jerome Govender (48)
Managing director
Moolmans

Experience: 26 years of industry and related experience

At Aveng for: One year



Hercu Aucamp (52)**
Managing director
Aveng Steel

Experience: 31 years of industry and related experience

At Aveng for: Nine years



Wouter de Gidts (66)**
Interim managing director
Aveng Manufacturing

Experience: 41 years of industry and related experience

At Aveng for: 40 years



Liesl Tweedie (52)
Group financial controller

Experience: 25 years of industry and related experience

At Aveng for: Three years



Edinah Mandizha (40)
Group company secretary

Experience: 14 years of industry and related experience

At Aveng for: Eight years

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

IN THIS SECTION

OUR MOST MATERIAL MATTERS

Liquidity and capital
Safety
McConnell Dowell and Moolmans' operational performance
Disposal of non-core assets
Human capital



MATERIALITY

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 and strategy implementation, thereby enabling the Group to create and sustain value.

Materiality and strategy

STRATEGY

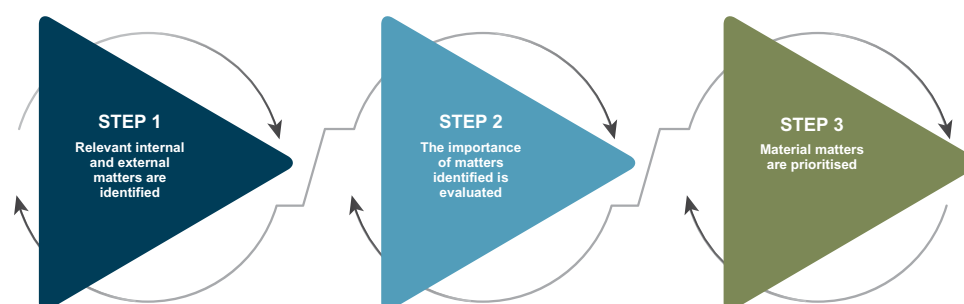
Having reviewed the strategy during 2020, the Board remains committed to it and confident that our leadership is capable of achieving a sustainable turnaround and the longer-term growth necessary to create value for our stakeholders.

Materiality

Aveng has a well-established process to identify, evaluate and manage risks and opportunities.

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

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

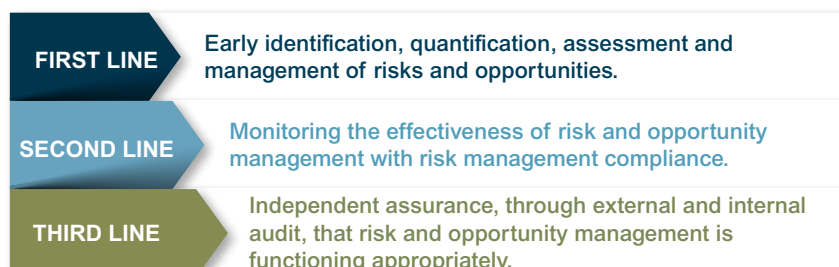


Identifying relevant internal and external matters

Aveng enterprise risk management

Risk and opportunity management approach

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



Governance oversight

The audit and risk committee is delegated by the Board to oversee the combined assurance model by:

- Overseeing the activities and efficacy of all three lines of defence
- Reviewing all material risks, major and problematic projects, focusing on delays, changes in costs, commercial claims, margins and other concerns
- Communicating concerns to the relevant operating groups for management actions
- Ensuring that lessons learnt from underperforming or successful projects enable continuous improvement in processes and project execution
- Overseeing the activities of external and internal audit functions and receiving input on the adequacy of financial reporting and control mechanisms, and material risk issues that could impact financial results.

The tender risk committee, a sub-committee of the audit and risk committee:

- Reviews all major bids and high-risk projects to ensure that appropriate processes are followed in bid preparation and that risks are considered and appropriately mitigated before bid submission
- Provides a mandate specifying the terms under which operations may conclude a contract.

Key risks and opportunities

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

Key business risks are identified as internal or external risks that have the potential to cause significant financial loss, or affect the safety and wellbeing of employees, matters which may

fundamentally undermine the Group's competitive position and adversely impact its reputation.

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

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

Market risks and opportunities report, page 8 and 9.

Stakeholder engagement

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

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

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

While the Group engages continuously with all of its stakeholders, during 2020, our engagement plan focused on:

Stakeholder	How we responded	Our COVID-19 response
Employees Employees expect an employer that offers its people the opportunity to realise their full potential in safe working environments.  People management report, sustainability report www.aveng.co.za	<ul style="list-style-type: none"> • Embedded a high-performance culture in core businesses • Rewarded exceptional performance based on defined standards • Disposed of non-core assets responsibly • Conducted regular two-way internal communication 	<ul style="list-style-type: none"> • Prioritised employee safety and wellbeing by implementing SOPs across all operations to protect employees • Employees were equipped with Company laptops and relevant software to work remotely • An emergency response plan to sustain the Group's businesses required trade-offs, including salary cuts for the Board, management and employees • South African employees received financial relief from the UIF's Temporary Employee Relief Scheme; McConnell Dowell employees accessed government wage subsidies
Clients, subcontractors and other suppliers Clients, subcontractors and other suppliers expect a business that delivers quality projects or services on time and within budget.  CEO's review, pages 27 to 37	<ul style="list-style-type: none"> • Core operations improved overall project delivery • Increased client engagement and collaboration to secure repeat work and mitigate risk • Engaged continuously with subcontractors and other suppliers to ensure effective delivery to clients • Reassured clients that non-core businesses undergoing disposal are on track 	<ul style="list-style-type: none"> • Maintained service delivery within COVID-19 constraints • Protected assets during lockdown and worked with clients on fast, safe and efficient remobilisation of operations • Reviewed and amended SOPs in response to developments in each business, maintaining high level client and supplier engagement • Worked with clients, subcontractors and other suppliers to mitigate market and supply chain risks
Shareholders and financial institutions Shareholders and financial institutions expect a trustworthy business that fulfils its promise of financial stability and sound, sustainable future returns.  CEO's review, pages 27 to 37	<ul style="list-style-type: none"> • Reached an agreement to restructure and recapitalise the balance sheet post year end • Disposing of non-core businesses as going concerns • Restored sound operational performance in core businesses • Engaged continuously on key matters 	<ul style="list-style-type: none"> • Actively reduced costs and preserved cash • Grew McConnell Dowell and Moolmans work in hand • Secured additional short-term facilities from South African lenders and repaid in August 2020
Government and regulators Government and regulators expect a compliant business that shares its industry knowledge to ensure fair regulatory environments.  Governance report, pages 52 to 55	<ul style="list-style-type: none"> • Comply with laws, regulations, and codes of best practice in all countries in which we operate • Reinforced Aveng values throughout organisation • Aveng Code of Business Conduct requires ethical conduct of all our companies and employees • A responsible, compliant taxpayer 	<ul style="list-style-type: none"> • Complied with government restrictions and lockdown requirements in all of our operating jurisdictions

Materiality continued

Evaluating importance of matters identified

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

Magnitude of effect on the Group

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



Likelihood of occurrence

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

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

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

Quantitative and qualitative considerations

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

Prioritising matters

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

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












Focus on the most important matters

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

Material matters

Aveng reviews these material matters regularly in line with the recommendations of King IV, and our strategic responses, are discussed below.

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

	1	2	3	4	5
Material matter	Liquidity and capital Aveng depends on a sustainable balance sheet, with manageable levels of debt, to achieve long-term growth and value creation. The Group needs to create the financial liquidity necessary to sustain its operations and repay debt.	Safety Aveng operates in a diverse, complex environment and employs a large workforce. Employee safety is a core value that is integral to the way the Group conducts its business and will not be compromised.	Core operational performance Sound project execution and quality work in hand create sustainable value. Underperformance impacts financial performance and undermines future work opportunities.	Non-core assets Disposals improve liquidity and strengthen the focus on McConnell Dowell and Moolmans. A delayed disposal process is disruptive to operations and employees and may negatively impact performance.	Human capital Specialist skills and performance excellence are vital for organisational performance. Loss of critical skills affects performance and has a negative impact on earnings.
Stakeholders impacted	 Shareholders and financial institutions	 Employees  Clients, subcontractors and other suppliers	 Clients, subcontractors and other suppliers  Shareholders and financial institutions  Employees	 Employees  Shareholders and financial institutions	 Employees  Clients, subcontractors and other suppliers  Shareholders and financial institutions
Our response	<ul style="list-style-type: none"> Core debt refinanced R768 million non-core asset proceeds received to date Core businesses cash positive Gold Coast and Wheatstone claims settled Reached an agreement with stakeholders to restructure and recapitalise the balance sheet post-year end 	<ul style="list-style-type: none"> Leadership visibility at workplaces, employee awareness and accountability for safety Management of near misses 	<ul style="list-style-type: none"> McConnell Dowell improved project performance and accelerated bidding activity to increase its work in hand Moolmans returned to profitability and secured new work and contract extensions at favourable rates 	<ul style="list-style-type: none"> COVID-19 delayed disposal process Sold Grinaker-LTA and DFC Remaining disposals due to be completed by June 2021 Sold GEL, Duraset, REHM Grinaker, Infraset PMB and other properties post-year end Continued drive for improved performance pending disposal of the remaining businesses 	<ul style="list-style-type: none"> Embedding a values-driven high-performance culture Developed management capability and bench strength in Moolmans and McConnell Dowell Performance incentivisation and talent retention
Outlook	<ul style="list-style-type: none"> Complete the balance sheet restructure and recapitalisation transaction Strong focus on working capital management Maintain focus on core operational performance and quality work in hand Complete non-core disposals 	<ul style="list-style-type: none"> Continued focus on leadership visibility and employee awareness and accountability Targeting zero harm and reduction in lost-time and recordable injuries 	<ul style="list-style-type: none"> 90% of McConnell Dowell's 2021 revenue secured; positioned to secure more opportunities in growing markets 81% of Moolmans' 2021 revenue secured; strong opportunity pipeline 	<ul style="list-style-type: none"> Sale of the balance of non-core businesses on track after COVID-19 delay 	<ul style="list-style-type: none"> Revised scheme to incentivise targeted behaviour and performance in line with shareholder expectations Holding employees accountable for performance

Strategy

Our strategy is to be an international infrastructure, resources and contract mining group operating in selected markets and capitalising on the expertise and experience within our core businesses.



Aveng has largely completed the three-year strategic action plan it implemented in 2018 to address material short-term risks. The Group is now implementing its long-term strategy to be an international infrastructure, resources and mining group, with diversified core operations positioned to achieve sustainable profitability



¹ Return on Capital Employed

² Weighted Average Cost of Capital

IN THIS SECTION

SALIENT FEATURES

Moolmans return to profitability

41%

growth in Group work in hand

Both core businesses cash generative

Settlement of legacy claims

Decrease in bond exposure

Sales of non-core businesses

Restructure and recapitalisation of balance sheet

PERFORMANCE

Despite the economic setbacks of the past year, Aveng continued to implement its strategy effectively and achieved further performance improvements in McConnell Dowell and Moolmans that represent the Group's future.



Performance

2021 KEY FOCUS AREAS:

Continued improvement in operational performance of McConnell Dowell and Moolmans

Optimise quality of order book and embedded margins

Navigate COVID-19 challenges

Positive cash generation

Further reduction in Group cost structure

Complete disposal of non-core assets

Close-out project management office function

Review of the independent non-executive chair

“The Board is committed to Aveng’s strategy. We are confident that our leadership and diversified core businesses will continue navigating external challenges in their operating environments to achieve their growth plans. This, in turn, will create sustainable long-term value for our stakeholders.”




Philip Hourquebie
Independent non-executive chair

Overview

Aveng continues to build resilience across its organisation despite the significant uncertainty and additional volatility created by the health and economic crises experienced during the last quarter of the 2020 financial year. As many of the Group’s industry peers succumbed to market challenges, Aveng was buoyed by its key strategic levers of geographic diversification, improving core operational performance and the firm commitment of leadership and employees.

The South African economy grew by 0,2% in 2019 and moved into a recession in December 2019. This was exacerbated by the coronavirus (COVID-19) pandemic and mandatory restrictions applied across our operating jurisdictions to lessen the spread of the virus and manage associated health and humanitarian crises. Conditions in the South African mining sector, now Aveng’s primary domestic market, were mixed. While global and domestic opportunities in open cut and underground mining remain promising, the South African market has underperformed relative to its potential due to ongoing policy uncertainty and weak economic conditions which inhibit investment. The few remaining South African based non-core businesses which have not yet been disposed of were heavily impacted by weakness in their operating markets.

In contrast, conditions in McConnell Dowell’s geographic markets were generally promising. The Group’s core market sectors in Australia continue to grow at a steady pace, driven largely by public sector investment in the engineering, construction and infrastructure development sectors. Similarly, in New Zealand, our core markets are supported by public sector investment in transport, housing and water infrastructure to serve a growing population. Opportunities in the transport, energy and wastewater infrastructure sectors in Southeast Asia were heavily impacted by COVID-19 lockdowns in Singapore and Indonesia, while the region’s strong medium-term to long-term outlook is tempered by the risk of political uncertainty and competition, although some international competitors have withdrawn from the region.

 Market risks and opportunities report, page 8.

2020 focus areas

The Board focused on matters that materially affect the Group’s ability to create and sustain value, including:

- Consistent implementation of the turnaround and growth strategies of our core operations, McConnell Dowell and Moolmans
- Liquidity and the Group’s ability to sustain the South African operations
- Performance and disposal of non-core operations

- Ensuring the leadership competence and capacity to effectively implement a refreshed culture based on our values and the growth strategies of both core operations
- During the second half of the year, the Board extended its focus to the impact of COVID-19 and the Group’s multi-layered response to the pandemic.

COVID-19

COVID-19 impacted our operations in waves, first McConnell Dowell in Australia, New Zealand and Southeast Asia and then our mining and non-core operations in South Africa. This required a coordinated response to global lockdowns across our markets and, like many other organisations, we reacted rapidly and effectively. Our priorities were to:

- alleviate the burden of the pandemic on our employees, clients, subcontractors and other suppliers
- secure the longer-term sustainability of our business in the interests of our stakeholders.

The Group’s geographic diversity and the classification of many operations as essential services lessened the impact of the lockdowns as our activities in some jurisdictions remained operational while others were temporarily closed. Many of our operations and project sites reopened

quickly, and we immediately drafted and implemented standard operating procedures (SOPs) to protect our people from the virus. Office workers, who returned to work later, were equipped to work remotely from their homes in the interim.

COVID-19 impacted revenue, profit margins and cash flows across all of our operations. While our core operations remained resilient, the effect of these impacts on our non-core operations is reflected in our overall financial performance. We actively reduced costs and preserved cash, asking all South African employees, senior McConnell Dowell employees and the Board, to forego a portion of their salaries deducted over three months. These actions contributed R168 million in support of our operations during the lockdown. However, our broader interventions to maintain our remaining non-core operations as going concerns resulted in the unfortunate loss of 4 728 jobs.

Capital and liquidity

Aveng's short-term liquidity and the stability of its capital base remains a significant material matter for our South African operations. The Group has processes and systems in place to monitor and manage cash and we engage constructively with banks to ensure adequate short-term liquidity. During 2020, revenue losses in non-core South African businesses, combined with a delay in the non-core disposal process, negatively impacted a liquidity position that was already under pressure. This made it necessary for the Group to restore short-term liquidity and refinance our unsustainable core debt.

The Board was pleased with the significant efforts of management in negotiating a restructuring of the Group's South African debt and group recapitalisation with both lenders and certain shareholders subsequent to the financial year end. This is a transformative development which will be subject to usual approvals for transactions of this nature.

CEO's review, page 27;
FD's report, page 38.

Safety, health and environment

Safety and care is a core value and integral to Aveng's commitment to ethical and responsible business conduct. The Group achieved its goal of zero fatalities and continued to experience satisfactory performance trends across its key safety, health and environment (SHE) indicators during the 2020 financial year. This is largely attributable to:

- disciplined compliance with SHE management systems and local regulatory requirements
- management visibility and employee engagement on project sites
- increased identification, monitoring and reporting of hazards
- ensuring that lessons learnt inform future performance.

It was with deep regret that the Board learnt of the significant mining incident on 17 November 2020 at our Gamsberg operations. One of our colleagues, Melvin Saal, was recovered soon after the incident, but regrettably, one of our colleagues was still missing when this report went to print and the mine owner continues to work with us to locate and recover him. We offer our sincere condolences to their families, colleagues and friends.

Aveng continued to conduct medical health examinations, albeit on a smaller scale due to the disposal of non-core businesses. The Group's provision of professional and independent support to employees through the employee wellness programmes (EWP) provided relief during a turbulent year. An increase in employee use of EWP services in 2020 reflected the important role this support plays in employee wellbeing and productivity.

The Group's operations maintained their focus on initiatives to improve the efficiency of their energy usage and water conservation. No major environmental incidents that resulted in irreversible harm or damage were recorded during 2020.

During this unprecedented period of COVID-19, our purpose of providing a

better life becomes even more powerful as we apply significant additional effort to maintaining safe working environments. It is commendable that our managers and their teams not only maintained stable SHE environments during the considerable disruptions of business reorganisation and COVID-19, but also strengthened our health management systems.

CEO's review, page 27.



Sustainability report, www.aveng.co.za

Strategy

Despite the setbacks of the past year, the Group continued to implement its strategy effectively and demonstrated encouraging progress, particularly in the performance of the core businesses.

CEO's review, page 27.

Having reviewed the strategy during 2020, the Board remains committed to it and confident that our leadership is capable of achieving a sustainable turnaround and the longer-term growth necessary to create value for our stakeholders.

Leadership and management

In addition to developing and executing a new strategy and resetting our purpose and values over the past three years, leadership has been a priority of the Board. During this period, Aveng conducted a process to attract and retain culturally aligned, experienced and competent leadership across the Group.

We are satisfied that the Board represents an appropriate diversity of skills and experience to navigate the opportunities and challenges facing the Group today; and we are confident that we have created a new Aveng under the present executive leadership which has relevant deep operating and financial leadership and management experience in our core disciplines of infrastructure, construction, engineering and mining.

At a Group level we have a small, stable and experienced team of executives who are focused on developing, supporting and challenging the leadership across

Review of the independent non-executive chair continued

the Group, while driving an ethical, disciplined and accountable culture aligned to our purpose and our values of safety and care, honesty and integrity, customer focus, working together and performance excellence.

McConnell Dowell has completed the process of staffing its renewed organisational structure and has moved to the next phase of talent management and succession planning. The strength of McConnell Dowell's leadership team is reflected in their performance and aspirations.

Moolmans is in the final phase of staffing its executive leadership team and has embarked on the important phase of a facilitated leadership team development initiative. This is vital to ensure quick and effective adoption of our purpose, culture and strategy.

Our Group financial function is led by strong finance individuals who are supported by a small, dedicated team with depth of experience and skill.

This team manages the key functions of liquidity and cash management, internal financial performance management and analysis, external financial reporting, taxation, treasury and capital structure. The team is adequately capacitated to handle these roles and operates within a flat management structure, providing daily and direct support to the executives.

Top South African employer

We were delighted to learn during October 2020 that Aveng was ranked the top South African employer to work for by Forbes. The Board thanks all our people for their contribution and support during these difficult times, and for voting us first in South Africa.



Sustainability report, www.aveng.co.za

Governance and Board composition

Aveng is a values-driven organisation that conducts its business operations and activities in a responsible and

ethical manner. The Aveng Board embraces the principles of good governance – transparency, integrity, accountability and fairness – and is committed to the highest standards of governance as recommended by the King IV Report on Corporate Governance™ for South Africa (King IV)*. In accordance with our value of honesty and integrity, we do what is right – consistently and transparently.

After more than six years as a valued member of the Board, Eric Diack stepped down as executive chair with effect from 30 April 2020 and continued to act as non-executive chair to ensure an orderly handover before retiring from the Board on 12 June 2020. Eric provided Aveng with steadfast leadership through a period of significant uncertainty. Together with the Group CEO and FD, he was pivotal in developing and implementing the strategy to secure the Group's sustainable future. On behalf of the Board and the Group, we thank Eric for his significant contribution and wish him well in his future endeavours.

I was appointed independent non-executive chair with effect from 17 June 2020. I have been a Board member since 2015 and have served on all of the Board's committees, including the tender risk committee. I stepped down as chair of the audit and risk committee following my appointment as Board chair and was appointed chair of the investment committee.

Bridgette Modise joined the Board as an independent non-executive director with effect from 1 November 2019 and was appointed chair of the audit and risk committee with effect from 17 June 2020.



Governance performance report, page 52.

Diversity and inclusion

Aveng measures its South African transformation progress against the BBBEE generic codes of good practice. Reductions in the workforce

contributed to the Group's level 3 BBBEE contributor status. Moolmans is now the primary focus of Aveng's domestic transformation objectives; the Group assists the non-core operations to transition to their own BBBEE scorecards when they transfer to new owners.

McConnell Dowell's diversity and inclusion strategy focuses on strengthening the participation of indigenous communities in projects across all business units and recognising the cultures and languages of all employees. McConnell Dowell achieved a targeted 60% female intake for its highly regarded Australia graduate programme in 2020, reflecting the Group's support for gender equity.



Sustainability report, www.aveng.co.za

Acknowledgement

2020 reaffirmed the importance of open and constructive stakeholder engagement and relationships. First and foremost, on behalf of the Board, I thank our employees for their commitment to, and financial sacrifice for, Aveng's survival and future sustainability. Sean Flanagan and our management teams consistently implemented our purpose and strategy, while ensuring that we all live Aveng's values through our organisational culture. Our loyal clients, subcontractors, other suppliers, shareholders and financiers continued to partner with us in ensuring the continuation of our operations, to our mutual benefit. Underpinning the Group's endeavours has been the steadying force of the Board. I thank my fellow Board members for their commitment and wise counsel during a turbulent period.



Outlook and prospects report, page 43.

Review of the Group chief executive officer



Sean Flanagan
Group chief executive officer

“Despite the economic setbacks of the past year, Aveng continued to implement its strategy effectively and achieved further performance improvements in the two core businesses that represent the Group’s future.”

Overview

Aveng reported improved financial results for the year ended 30 June 2020 as a result of good operational performance from McConnell Dowell and Moolmans. The first half of the financial year saw the Group restoring operational profitability with both core businesses generating profits and cash. During the second half, the COVID19 pandemic resulted in lockdowns to various degrees in different sectors and jurisdictions, disrupting operational performance across the Group and reducing operating profit by approximately R380 million during the six-month period.

Management remains committed to the implementation of the strategy, implemented in 2018, with the following objectives implemented:

- Ensure a long-term capital structure
- Create liquidity by selling non-core assets
- Unlock value from core businesses.

The execution of the strategy continued to deliver positive results and we are confident that market opportunities and growth potential exist for McConnell Dowell and Moolmans. These core businesses remain profitable, cash generative and strategically well positioned to be sustainable in both the current COVID-19 environment and beyond. Diversification across customers, geographies, industry sectors and commodities provide risk mitigation in the current environment. These businesses offer long-term sustainable earnings and generate sufficient cash flows. However, given the current circumstances, the Group’s external environment remains unpredictable due to the COVID-19 pandemic.

Balance sheet restructure and recapitalisation

Aveng embarked on a plan to reduce its unsustainable debt in 2018. In August 2019, the Group renegotiated its debt with its South African lenders and extended the maturity dates of its debt package to June 2021 with the intention of renegotiating the debt package in 2020 and achieving a sustainable level of debt for the core businesses.

COVID-19 delayed the sale of non-core assets and required R400 million of additional liquidity. The Group secured a short-term facility of R200 million, which was repaid in August 2020, and R168 million in salary sacrifices.

It was clear to the Board and management that a more holistic debt restructuring and recapitalisation would be necessary to increase the likelihood of a more sustainable outcome for Aveng stakeholders. Subsequent to the year end and following negotiations with various stakeholders, we concluded a transaction that will allow the Group to reset its capital structure, deleveraging the balance sheet by more than R1 billion through:

- the introduction of a minimum of R300 million of new capital by way of a rights offer at 1,5 cents per share, fully underwritten by Aveng’s largest shareholder
- a reduction in South African lender debt and overdraft facility from R2,1 billion to R1,1 billion.

The balance sheet restructuring provides a sustainable capital structure and a platform from which the Group is better able to execute its growth strategy. It demonstrates the commitment and support of our largest shareholders and our South African lenders to both the strategy of the Board and the management team.




Review of the Group chief executive officer continued

Core operations

McConnell Dowell

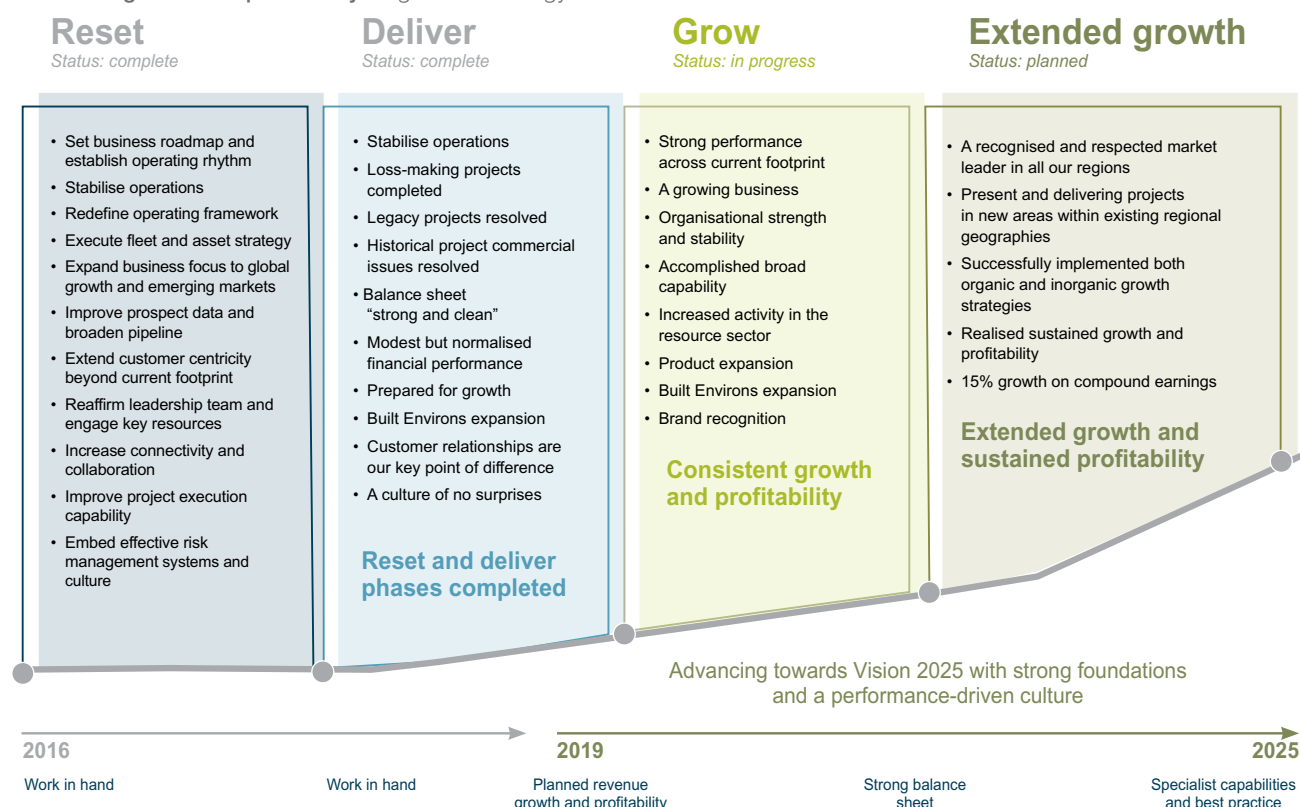
McConnell Dowell comprises four business units: Australia, Southeast Asia, New Zealand and Pacific Islands, and Built Environs.

A year of achievements

23% increase in new work won to AUD1,65 billion	50% increase in cash in hand to AUD140 million	World record broken Snells Algies, NZ – longest direct pipe drive	Tallest CLT* building in the Southern Hemisphere Auckland City Mission	
60% increase in work in hand to AUD1,8 billion	17% increase in preferred and ECI contract status to AUD1,4 billion	World 1st 'floating' Apple store Singapore	Australia 1st Stadium Hotel Adelaide Oval	
80% project portfolio delivering greater than as bid margin	40% tender success rate in Australia	5 years LTI free Built Environs	Top Decile Employee Engagement and Alignment In-sync Surveys	

* CLT – Cross laminated timber

McConnell Dowell recorded significant progress in the implementation of its growth strategy, increasing its work in hand, improving overall operational performance and strengthening its balance sheet. The business has now progressed to the **consistent growth and profitability** stage of its strategy.



Financial and operational performance

	AUDm			Rm		
	2020	2019	Variance %	2020	2019	Variance %
Revenue	980	939	4	10 297	9 527	8
Gross earnings	90	110	(8)	593	990	(40)
Net operating (loss)/earnings*	(13)	11	>(100)	(162)	110	>(100)
Operating free cash flow	44	(35)	>100	506	(362)	>100
Capital expenditure	12	13	8	148	137	(8)
Total assets	497	531	(6)	5 755	4 657	24
Total liabilities	316	284	(11)	3 834	2 862	(34)
Work in hand	1 843	1 154	59	21 794	11 686	86

* Includes an AUD14,5 million (R225 million) non-cash impairment on the settlement of two legacy claims.

McConnell Dowell has built a reputation as a highly technically skilled tier-two contractor with engineering in its DNA. The business was consistently profitable and continues to focus on specialised projects in Australia, New Zealand and Pacific Islands and Southeast Asia. McConnell Dowell improved its operational performance in the first half of the year, delivering a net operating earnings (EBIT) of AUD5,5 million. Following the outbreak of COVID-19 during the second half of the year and the responses by various governments in the Australasia region to impose restrictions and lockdowns, McConnell Dowell management responded quickly and proactively and took appropriate decisions to limit the impact of the pandemic.

Despite the effects of COVID-19 on its operations, McConnell Dowell achieved an underlying operating profit of AUD6,0 million before impairments for the full year. The Board of McConnell Dowell was mindful of the emerging uncertainties of COVID-19 and took the decision to settle two long-standing legacy claims with a view to enhancing the resilience of the underlying business by improving available liquidity at a time of greater uncertainty. These settlements assist this objective by releasing cash in the short-term, reducing ongoing legal costs, removing litigation uncertainty and allowing management to focus on the growth objectives of McConnell Dowell. The resolution of these legacy claims is a significant achievement at a critical time, enhancing cash flow and strengthening the Group's liquidity position.

The settlement of the two legacy claims resulted in a cash inflow of AUD42,5 million (R508 million) and a non-cash claims write-down of AUD19,5 million (R225 million). This resulted in a reported EBIT loss of AUD13 million (R162 million loss).

Work in hand grew by 60% to AUD1,8 billion at 30 June 2020, which supports 90% of budgeted revenue for the 2021 financial year. The value of preferred tender status increased to AUD1,4 billion.

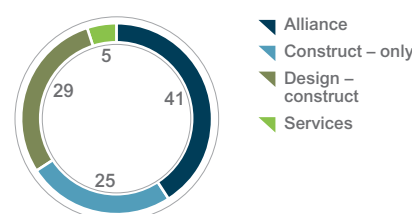
The business remains focused on pursuing opportunities in its areas of specialisation and in which it has a proven track record of success.

Mitigating risk

90% of McConnell Dowell's project portfolio is made up of Government projects across all core geographic markets and 40% of these are alliance contracts. This mitigates risk in the current operating environment.

In addition to secured work, McConnell Dowell had AUD1,4 billion of tenders with preferred bidder status or under evaluation pending contract award at year end. Tender volumes continue to increase in support of stimulus packages as economies enter a post-lockdown period.

Contract diversity (%)



Australia operations – the growth engine

The revenue of the Australia operations increased by 6% to AUD470 million (2019: AUD443 million) due to new contract awards and the continuation of operational activity throughout the lockdown. Operating earnings benefitted from improved implementation of most projects. Bidding activity increased and additional work was negotiated on the strength of sound performances on alliance projects such as the long-term Western Program Alliance in Victoria. New awards included the Mordialloc Bypass and Echuca Moama Bridge, which are both part of Victoria's major roads programme, the HMAS Coonawarra Marine Works in the Northern Territory and the South Australia (SA) Water Framework in Adelaide. The SA Water Framework is an agreement between the SA government and construction partners to deliver major infrastructure projects over the next four years that will improve water and sewerage services for the state.

The Australia operations were restructured into four regional (state-based) operations to accommodate the increased scale of the business and its expansion in New South Wales, Queensland and Western Australia markets. General managers were appointed in three of the new operations to drive business development and project performance.

Review of the Group chief executive officer continued

Southeast Asia operations – post-COVID-19 opportunities

The Southeast Asia operations were heavily impacted by uncertain market conditions and the COVID-19 lockdowns in Singapore and Indonesia. A 36% reduction in revenue to AUD135 million (2019: AUD211 million) impacted operating earnings.

New management succeeded in securing projects across the region, including the Jurong Regional Line (J108) Upgrade project for Singapore's Land Transport Authority, the New Bang Pha Pump Station for Thai Oil in Thailand and the Palembang Wastewater Treatment Plant in Java, Indonesia. The Southeast Asia operations are selective in their bidding activities and have realigned their cost base to revenue opportunities in volatile market conditions. The withdrawal of some competitors from the region opens up new opportunities in McConnell Dowell's specialist disciplines.



Strategy in action – Alliance projects

Western Program Alliance, Australia

Delivering consistent profitability and negotiated repeat work

Customer	Contract	Location	Project capabilities
Victoria State government	Level Crossing Removal Project	Melbourne, Victoria	Rail, road, bridge

The Western Program Alliance (WPA) has delivered consistent profitability and been a source of ongoing negotiated repeat work for McConnell Dowell's Australian operations.

McConnell Dowell forms part of the WPA which is removing level crossings in Melbourne to improve traffic flow and enhance safety for residents, commuters and freight vehicles. Within two years, the alliance successfully completed three level crossing removals in Melbourne which included rail over road bridges and duplication of 800 metres of track in residential, industrial and shopping precincts.

With a track record of excellent performance, the WPA was awarded and completed the design and construction of a new train stabling facility in Wyndham Vale and is delivering the next three level crossings and a major line upgrade in Melbourne. The latter project involves multiple level crossings, signalling works and eight kilometres of track duplication.

Given the active business and residential environments in which these projects are implemented, the WPA works with stakeholders and local communities to ensure the work is done with minimal disruption and that the new infrastructure delivers improved travel outcomes and public amenities.



Creative construction – Delivering innovative solutions

McConnell Dowell constructed **a subsea pipeline for ExxonMobil** between an existing refinery and the new CRISP development on Jurong Island, Singapore.

The project involved a **1,8km** high temperature subsea insulated pipe-in-pipe configuration.



New Zealand and Pacific Islands – leveraging a strong track record

The New Zealand and Pacific Islands operations increased revenue by 24% to AUD263 million (2019: AUD212 million) despite a five-week lockdown in April. Operating earnings were supported by the strategy to target growth opportunities in areas where McConnell Dowell has a record of successful project delivery.

New awards included the strategic Papakura to Pukekohe Rail Electrification project for state-owned KiwiRail, the Westland Milk Outfall project and the Old Mangere Bridge replacement. Repeat work was secured with Watercare following the award of the Mangere Tarp and Warkworth to Snells Pipeline Transfer projects. The operations secured 100% of revenue for 2021 and were awarded preferred status on several government infrastructure development projects.

Creative construction – Breaking a world record

McConnell Dowell set a new Direct Pipe world record for the **longest single drive by a microtunnel boring machine** on Watercare's Snells Algies wastewater pipe and outfall project.

The outfall section consists of **2kms** of trenchless installation of a 1 220mm OD steel pipe linked to the seabed.



Built Environs – expanding into new geographic markets

The commercial building operation, Built Environs, reported an 84% increase in revenue to AUD134 million (2019: AUD73 million) and a return to marginal profitability, despite delays in securing new work and the under-recovery of overheads during the first half of the year as the business awaited tender outcomes.

Operational performance remained strong on projects underway, with the business on schedule to deliver an Australian first by developing a hotel at the Adelaide Oval and continuing its track record of excellence in the delivery of health infrastructure with the Modbury Hospital upgrade in Adelaide.

Built Environs' market entry into New Zealand continued in line with the plan to expand its geographic footprint. The business secured the Puhinui Station upgrade in Auckland in joint venture with McConnell Dowell's New Zealand operation.

The appointment of Michael Clemenger as managing director of Built Environs with effect from August 2020 will focus the business on the significantly larger markets of Victoria and New South Wales. Former managing director Daryl Young was appointed general manager, Queensland and Northern Territory for the Australia business unit. Greg Ford was appointed general manager of Built Environs in New Zealand.



Strategy in action – Alliance projects

Wynyard Edge Alliance, New Zealand

Delivering world class marine infrastructure

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

McConnell Dowell is a construction partner in the Wynyard Edge Alliance which is developing the infrastructure for Auckland to host the prestigious 36th America's Cup in 2021. The America's Cup is one of the oldest and most prestigious international yachting competitions and will attract tourism to New Zealand.

Wynyard Edge is the first alliance led by the Auckland Council and draws on McConnell Dowell's world class marine expertise. The project has been designed to accommodate all the participants and the public for the duration of the Cup and leave a legacy of infrastructure improvements along the waterfront.

The alliance model creates an integrated team structure where all parties work together, from the designers, to the constructors and the client representatives. This partnership model increases the effectiveness of the design, improves constructability, encourages sustainability and innovation in the use of materials, and saves time.

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



Review of the Group chief executive officer continued

Creative construction – Innovative building solutions

McConnell Dowell's use of CLT on the **Oval Hotel in Adelaide** and the **Auckland City Mission** projects is providing both cost and time savings for customers while delivering more sustainable projects. When completed, the Auckland City Mission will be the tallest CLT building in the southern hemisphere.



Safety and health performance

McConnell Dowell's LTIFR of 0,11 (2019: 0,03) reflected five LTIs reported across the business. McConnell Dowell maintained its focus on safety and health performance, with project teams across all business units conducting hazard reporting and finding better ways to manage safety on work sites. Compliance with safety systems remained high and lessons learnt continue to inform future performance as the Group's health, safety, environment and quality (HSEQ) database provides access to HSEQ data trends and internal HSEQ auditing, allowing automatic tracking and monitoring of action close-outs.

The onset of COVID-19 in January posed significant health and safety challenges for all McConnell Dowell operations. The restrictions and practices applied by the business to prevent the spread of the virus were commended by clients and regulators and shared across the construction industry. These COVID-19 protocols will remain in place during the course of the pandemic.

McConnell Dowell focuses on employee wellbeing and mental health, with an emphasis on work life balance, flexibility and mental health support systems. Performance highlights include five years of LTI-free operations at Built Environs.

Environmental performance

McConnell Dowell experienced sound environmental performance with a serious environmental incident frequency rate of zero. This outcome was the result of consistent application of the environmental elements of the McConnell Dowell Management System and a strong focus on environmental awareness.

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

Human capital performance

Talent and succession planning, with a focus on attraction, retention and development of core capability, remained a key focus. The significant growth in new work provided an opportunity to recruit several outstanding new employees, while balancing the need to restructure the cost base in Southeast Asia.

Appointments of new leaders to spearhead growth in Built Environs in New Zealand and Australia, the appointment of internal and external candidates to the new general manager positions in the Australian operations and the expansion of the alliance general manager role for the WPA enhanced leadership capability and provided the opportunity to promote emerging leaders into positions of additional responsibility.



McConnell Dowell's human capital management was strengthened by the implementation of a single human capital information system across the operating group. McConnell Dowell ranked in the top decile for employee engagement and alignment in In-Sync Surveys.



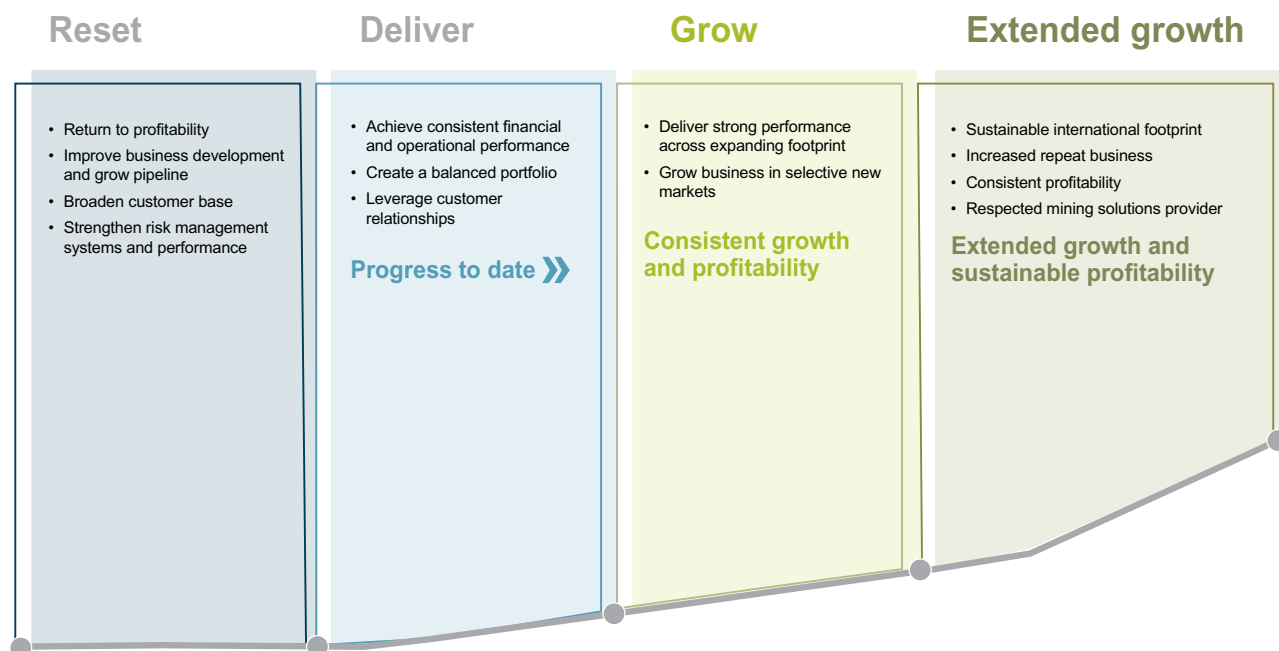
Sustainability report.

Moolmans

Performance highlights

R38 million Net operating profit Turnaround from R372 million loss June 2019	R191 million inflow Operating free cashflow from R321 million outflow in June 2019	R4,9 billion Work in hand Secured 81% revenue for FY21	
Contract renegotiation and extensions Nkomati, Gamsberg, Lefa, Tshipi	Safety and care Kolomela – 1 218 LTI-free days Union mine – 782 LTI-free days	Appointment of Key management personnel	

Moolmans' comprehensive and realistic turnaround plan and growth strategy is gaining traction. The business delivered a turnaround to profitability as the Group-led intervention implemented in 2018 yielded positive results, despite challenging operating conditions. Moolmans is now in the on-path stage of its strategy and will progress towards the **consistent growth and profitability** stage in 2021.



Review of the Group chief executive officer continued

Financial and operational performance

	Rm		
	2020	2019	Variance %
Revenue	3 955	4 143	(4)
Gross earnings	214	(182)	>100
Net operating earnings	38	(372)	>100
Operating free cash flow	191	(201)	>100
Capital expenditure	609	584	(4)
Total assets	2 951	3 168	(7)
Total liabilities	1 089	1 254	(13)
Work in hand	4 996	7 322	(32)

Moolmans' performance for the year was impacted by COVID-19 related closures at all operations between March and June 2020. Despite these impacts, Moolmans reported an operating profit of R38 million for the year, representing a significant turnaround from the operating loss of R372 million in the previous financial year.

Moolmans responded immediately to the COVID-19 crisis by implementing a response plan across all operations in consultation with customers. The business focused on protecting the lives of employees while maintaining a responsible level of operational activity and service delivery.

All domestic mining operations ceased in March in line with lockdown stage 5 regulations and were placed into care and maintenance. Moolmans rapidly demobilised 350 items of heavy earthmoving equipment and engaged with customers to plan the safe and efficient remobilisation of operations once the lockdown was lifted. At the beginning of May, Moolmans commenced the remobilisation of all open cut operations, with the exception of Gamsberg and Platreef underground operations which were at 50% of capacity. The business continued to progressively restore operational capacity during the remainder of the financial year. Standard operating procedures were implemented to increase personal safety at work and reduce the spread of infections.

The renegotiation and extension of contracts on more favourable terms, the substantial turnaround in the performance of a number of loss-making projects, the successful completion of the Platreef shaft sinking project and sound operational performance at the Klipspruit project all contributed positively. The underperformance on the Gamsberg contract has subsequently been addressed and detailed recovery plans implemented on the Tshipi and Kolomela projects.

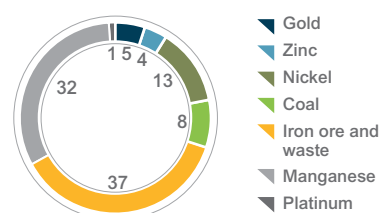
Work in hand was R4,9 billion at 30 June 2020 and supports 81% of budgeted revenue for the 2021 financial year.

Mitigating risk

Moolmans has a multinational client base with minimal credit risk which provides diversification across commodities and geographies.

Moolmans balances growth and risk, while continuing to invest prudently in new fleet.

Commodity diversity (%)





Strategy in action – A diversified portfolio

Platreef platinum mine

Industry leading shaft sinking and mine safety capabilities

Customer	Contract	Location	Project capabilities
Ivanhoe Mines	Mine development (2014 to 2020)	Northern limb of platinum belt, Limpopo	Shaft sinking, drilling and lining

The Platreef PGM project was one of Moolmans' flagship shaft sinking contracts, showcasing its extensive shaft sinking capabilities since 2014. The project scope included the construction of a terrace, cover drilling, sinking and lining of the 7,25 metre diameter shaft and development of four underground stations at depths of 450, 750, 850 and 950 metres.

Moolmans completed the shaft ahead of schedule at a final depth of 996 metres.



Lefa gold mine

Delivering world class performance in remote and difficult operating environments

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

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

The mine is located approximately 700 kms north east of the capital, Conakry, and, as one of the country's leading gold producers contributes significantly to economic development and employment creation in Guinea. It is a conventional open cut operation with three major mining areas and several smaller higher-grade satellite pits.

Moolmans assists the customer with the current mining operation which encompasses loading and hauling over 600 000 in-situ cubic metres a month.



Review of the Group chief executive officer continued

Contract renegotiations, extensions and new awards

Several contract renegotiations and extensions were concluded during the year:

- A renegotiation of the Gamsberg open cut zinc mine contract
- An extension to the Lefa open cut gold project in Guinea
- An extension of the Tshipi open cut manganese mine contract in the Northern Cape (Tshipi 2).

After year end, Moolmans concluded the following additional contract extensions and new awards:

- Award of specialised mine services contracts on the Amandelbult underground platinum mine modernisation project
- An extension of the Nkomati open cut nickel mine contract.

Maintaining positive momentum

Management continues to review all parts of the business to maintain the recent positive momentum, including:

- Enhancing the business development function to grow the available opportunity pipeline and broaden the customer base.
- Strengthening risk management, systems and performance, and implementing best practice consistently across all operations. This includes review and improvement of tendering and estimating practices and strict project management oversight, both of which form a critical foundation for project implementation and financial performance.
- Further improving fleet management to enhance overall equipment effectiveness. Moolmans appointed an experienced engineering executive to implement an equipment maintenance policy and best practices to improve the performance of Moolmans' fleet against the key indicators of equipment availability, reliability, cost efficiency and extended component life.

Safety, health and environment performance

Moolmans reported zero fatalities during the year. Although LTIFR deteriorated to 0,32 (2019: 0,22), TRIFR improved to 0,61 (2019: 0,77) and both indicators tracked below their respective targets. A strong focus on creating safe working environments included increased employee engagement by senior management onsite, higher levels of awareness among employees of risk controls in all mining and maintenance activities and sharing of lessons learnt from incident investigations.

Several mining projects recorded significant safety milestones, including 1 218 LTI-free days at Kolomela mine and 782 LTI-free days at Union mine.

The SHEQ integrated management system combines the management of safety, health and wellness, environmental and quality management onto a single platform. Moolmans has ISO 14001:2015, ISO9001:2015 and OHSACT 18001:2007 accreditations.

No significant environmental incidents were reported.

Gamsberg mine slope failure

It is with great sadness and regret that we report the passing of a colleague, Mr Melvin Saal, following a serious slope failure at our Gamsberg operation on 17 November 2020. Mr Saal was a valued, respected and much liked employee of Moolmans and we feel his loss very deeply. News of this nature is devastating for all of us and we send our deepest and most sincere condolences to Melvin's wife and his three children, and also to his many friends and colleagues.

We further confirm that another one of our colleagues who was in the pit at the time of the slope failure still remained unaccounted for when this report was printed. Rescue attempts are ongoing.

All other employees at Gamsberg mine are safe and accounted for. Counselling is available on site to colleagues and family members. We continue to keep everyone affected by this terrible event in our thoughts and prayers and we wish them strength and courage through this very difficult time.

Human capital performance

Moolmans' focus on employee capability and performance is central to the human capital strategy, which includes the strengthening of Moolmans' executive management team. Since the appointment of Jerome Govender as managing director in April 2019, Moolmans has appointed new safety, health and environment, business development, commercial, human resources and engineering executives. The business has implemented an executive coaching intervention, focusing on team collaboration and operational performance. A back to basics approach ensures rigour in human resource practices, including the management of absenteeism, recruitment practices and remuneration practices and processes.

A review of the Moolmans training strategy is currently underway to improve the balance between internal development and external resourcing. The scope of the review includes technical training and development.

Non-core operations



Strategy in action – Closing out non-core disposals

Project management office

Aveng established a project management office (PMO) to manage and implement the significant task of closing out the non-core disposals and to ensure that the Group complies with all statutory, legal, technical, commercial and human resources obligations.

The PMO team, led by Reg Engelbrecht, ensures that the disposals are conducted in a professional and responsible manner and that projects that are active or subject to defect liability periods are managed to completion.

The PMO also mitigates financial risk by ensuring that Aveng collects all outstanding performance and retention bonds and resolves outstanding contract entitlements. Outstanding bonds decreased by 12% to R1,1 billion in 2020.

In addition to disposing of the majority of its non-core businesses, Aveng successfully closed out the Group's NTRV joint venture toll road concession and made good progress in preparing the Group's property and renewable energy concessions for disposal. In September, Eskom was ordered by the high court in Johannesburg to settle Aveng's R40 million claim for work at the Majuba power station.

Non-core disposals

Aveng has completed disposals of non-core assets valued at more than R1 billion, with cash receipts of R768 million to date. The following disposals were concluded during the year under review:

- October 2019 – Dynamic Fluid Control for R114 million
- November 2019 – Building and Civil Engineering for R70 million
- December 2019 – Mechanical and Electrical for R72 million
- December 2019 – Rand Roads for R37 million
- Other properties for R15 million.

During the course of the year, management negotiated with members of a consortium who had entered into a binding agreement to acquire the Infraset business. The buyer was unable to meet the condition precedent pertaining to funding and the transaction has lapsed. Aveng continues to engage other parties who have expressed interest in Infraset.

Subsequent to the year end, the Group concluded the disposals of GEL, Duraset, REHM Grinaker, Infraset Pietermaritzburg and various properties totalling R54 million.

Aveng Construction: South Africa

The Building and Civil Engineering, Mechanical and Electrical and Rand Roads operations were reported for five months, with the exception of the Pampoensnek and Ventersburg road contracts, and the Telesure and Heineken building contracts, all of which were retained and managed to completion. GEL was reported for the full year and was sold subsequent to year end.

Trident Steel

Trident Steel's revenue and profit were impacted by the ongoing reduction in demand for steel in South Africa and the effects of COVID-19 on the business's operations and markets. Aveng implemented several interventions to mitigate the risk of further market contraction, including the restructuring of the business into a steel services supplier to the automotive industry.

Trident Steel operations ceased activity during COVID-19 lockdown stage 5 and recommenced in Port Elizabeth, Durban, Cape Town and Roodekop during stage 4. This was aligned to the phased restarting of the automotive manufacturers and general steel industry. The business constantly monitored developments among its key customers and managed supply chain disruption to reduce risk. Trident

Steel's employee base reduced by 51% to 480 due to restructuring.

Improved safety performance was reflected in a TRIFR of 1,45 (2019: 2,00). No major environmental incidents were reported. The business maintained its accreditations for safety, environmental and quality management.

Manufacturing

Aveng Manufacturing comprised ACS, Aveng Duraset and Aveng Infraset for the full year. DFC was reported for four months.

Revenue declined due to the disposals of DFC and the impact of unfavourable market conditions in the infrastructure and mining sectors and the onset of COVID-19 during the second half of the financial year. A lower net operating loss of R50 million (2018: R168 million loss) was reported, reflecting management's efforts to stabilise operations in deteriorating market conditions.

Aveng Manufacturing reported an improvement in TRIFR to 0,98 (2019: 1,35) despite the disruptive disposal processes.

Outlook and prospects, page 43.

Group finance director's report

The 2020 financial year was characterised by two distinct, contrasting halves; with the second half of the year impacted by COVID-19. In addition to stabilising operations worldwide, the Group maintained its focus on improving value from the core businesses, completing non-core disposals and restructuring core debt.



Adrian Macartney
Group finance director

Financial Performance

Aveng reported an improved headline loss of R950 million (2019: R1,5 billion), and a net loss of R1,1 billion (2019: R1,7 billion). The basic loss per share was 5,8 cents compared to 10,5 cents in the comparative period and the headline loss per share was 4,9 cents (2019: 9,7 cents loss per share).

Performance summary of the Group's core operations

Rm	H1	H2	Full year
Revenue	6 886	7 299	14 185
Gross margin	709	171	880
Net operating profit/(loss)	99	(416)	(317)
Net finance expenses	(158)	(161)	(319)
Total comprehensive loss for the period	(31)	(794)	(825)
Operating free cash flow	383	69	452

In the first half of the year, both of the core operations contributed to a significant improvement in the Group's performance. McConnell Dowell and Moolmans (including the corporate office) recorded revenue of R6,9 billion (December 2018: R6,8 billion) resulting in R99 million net operating earnings (December 2018: R307 million loss), courtesy of a R283 million turnaround at Moolmans. The core businesses returned a combined positive operating free cash flow of R383 million (December 2018: R555 million outflow).

In the second half of the year, both core businesses were adversely affected by the impact of COVID-19. A net operating loss of R416 million was recorded in the second half of the year. Moolmans was responsible for R79 million of the loss (with R66 million being attributed to COVID-19 losses), while operations at McConnell Dowell resulted in a R221 million loss. Included in the McConnell Dowell loss was a non-cash claims write-down of R225 million relating to the settlement of Gold Coast and Wheatstone claims. Excluding claims write-offs at McConnell Dowell, both core businesses produced underlying operating profits.

Non-core businesses continued to underperform in challenging market conditions which were exacerbated in the second half of the year by COVID-19, particularly in South Africa. These businesses recorded a net operating loss of R215 million (June 2019: R530 million loss) and a cash outflow of R457 million (June 2019: R630 million outflow).

2020 MILESTONES

41%

increase in the Group work in hand

Moolmans

returned to profitability despite difficult trading environment

McConnell Dowell

continued to capitalise on growth in its markets

R247 million

cash received from disposal of non-core assets

Restructuring

of core debt achieved

Management took difficult decisions in implementing permanent Group-wide cost-saving initiatives amounting to R168 million from South African-based employees, management and the Board by way of salary cuts between April and June 2020. In addition, lease reductions on a number of important leases throughout the COVID-19 period contributed R14 million to the overall savings.

Operational performance

	Revenue		Net operating earnings/(loss)	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
McConnell Dowell	10 297	9 527	(162)	110
Moolmans	3 955	4 143	38	(372)
Other and eliminations	(67)	(122)	(193)	(327)
Total Core	14 185	13 548	(317)	(589)
Construction:				
South Africa	1 865	4 617	(174)	(401)
Manufacturing	1 297	2 027	(55)	(168)
Trident Steel	3 531	5 484	14	39
Total non-core	6 693	12 128	(215)	(530)
Total	20 878	25 676	(532)	(1 119)

McConnell Dowell

Revenue increased due to work in hand growth, including alliance projects in Australia and New Zealand. Partially offset by COVID-19 restrictions in New Zealand and Southeast Asia.

Despite the effects of COVID-19 on its operations, McConnell Dowell achieved a sixth consecutive six-month period of underlying profit of R63 million (excluding the non-cash claims write-down).

Moolmans

Revenue decreased mainly due to COVID-19 government lockdown in South Africa in H2.

Turnaround plan gaining traction - improved operational performance and project execution in first half led to a 111% turnaround in profit.

Gamsberg contract continued to be loss-making and was addressed by renegotiating rates and conditions.

Other and eliminations

R127 million saving due to the restructuring of corporate office, coupled with other cost-saving initiatives, including curtailing consulting fees.

Aveng Construction: South Africa

Decrease in revenue due to the disposal of businesses in the first half of the year. Despite an improved operating performance, negatively impacted by penalties, defect rework and overruns on projects.

Net interest – R299 million excluding IFRS 16 notional interest of R130 million. Finance expenses decreased in comparison to the prior year due to the early conversion of bonds. Finance income reduced due to lower cash balances in high interest-earning regions.

Aveng Manufacturing

ACS remained profitable despite the challenging market environment. Although the net operating loss improved, other manufacturing businesses reported losses as a result of weak market conditions.

Revenue decreased due to COVID-19 government lockdown and the disposal of DFC.

Trident Steel

Revenue decreased as a result of the strategic restructuring of the business and the impact of COVID-19.

Group finance director's report continued

Statement of financial position

	2020 Rm	2019 Rm
Total assets	11 636	12 282
Total liabilities	9 796	9 828
Cash and cash equivalents (including overdrafts)	1 331	1 605
Total external borrowings (excluding IFRS 16 lease liabilities)	1 883	2 145
Total equity	1 840	2 454
Uncertified revenue and claims*		
Amounts due from contract customers	2 531	2 621
Amounts due to contract customers	(1 290)	(813)

* Excludes assets Held for Sale.

Property, plant and equipment (PPE) increased with right-of-use assets to the value of R1,5 billion, of which R926 million related to Held for Sale PPE, following the implementation of IFRS 16 Leases. The modified retrospective approach was adopted with the effect of initially applying the standard at the date of transition, 1 July 2019. The balance of continuing operations right-of-use assets amounted to R439 million at 30 June 2020 after depreciation.

The Group incurred **capital expenditure**, including non-core assets, of R787 million (June 2019: R834 million), applying R781 million (June 2019: R730 million) to replace and R6 million (June 2019: R104 million) to expand property, plant and equipment. The majority of the amount was spent as follows:

- R148 million at McConnell Dowell, relating to specific projects across the various businesses
- R609 million at Moolmans, primarily as a result of investment in existing fleet.

Assets Held for Sale decreased by R1,5 billion to R2,3 billion (June 2019: R3,8 billion), mainly due to the sale of DFC, Construction Buildings and Civil Engineering Mechanical and Electrical and Rand Roads. The transitional impact of IFRS 16 Leases resulted in recognition of right-of-use assets of R926 million, which were included in the assets Held for Sale as at 1 July 2019.

Borrowings and other liabilities, pre-IFRS 16, decreased by R262 million to R1,9 billion from June 2019. The implementation of IFRS 16 Leases resulted in a R1,5 billion increase in lease liabilities of which R926 million related to Held for Sale lease liabilities. The balance of continuing operations' lease liabilities amounted to R497 million (R323 million non-current liabilities and R174 million current liabilities) at 30 June 2020. The discontinued operations' lease liabilities amounted to R854 million, after considering lease payments and notional interest.

Liabilities Held for Sale decreased by R1,4 billion to R2,0 billion (June 2019: R3,4 billion) due to the movement in working capital associated with non-core assets and the disposal of businesses mentioned above. The transitional impact of IFRS 16 resulted in recognition of lease liabilities of R926 million, which were included in the liabilities Held for Sale as at 1 July 2019.

Amounts due from contract customers for the Group (non-current and current) reduced by R90 million to R2,5 billion due to the settlement of Wheatstone and Gold Coast claims, as well as the unwinding of contracts. An amount of R78 million relating to Construction: South Africa offset the claims as it was transferred out of Held for Sale.

Accumulated losses decreased by R184 million on 1 July 2019 as a result of the implementation of IFRS 16. The decrease is as a result of the reversal of the operating lease straight-lining liability which was previously included in the trade and other payables balance at 30 June 2019. The recognition of a right-of-use asset and lease liability eliminates the need for a straight-lining liability, which is reversed at the date of transition, 1 July 2019.

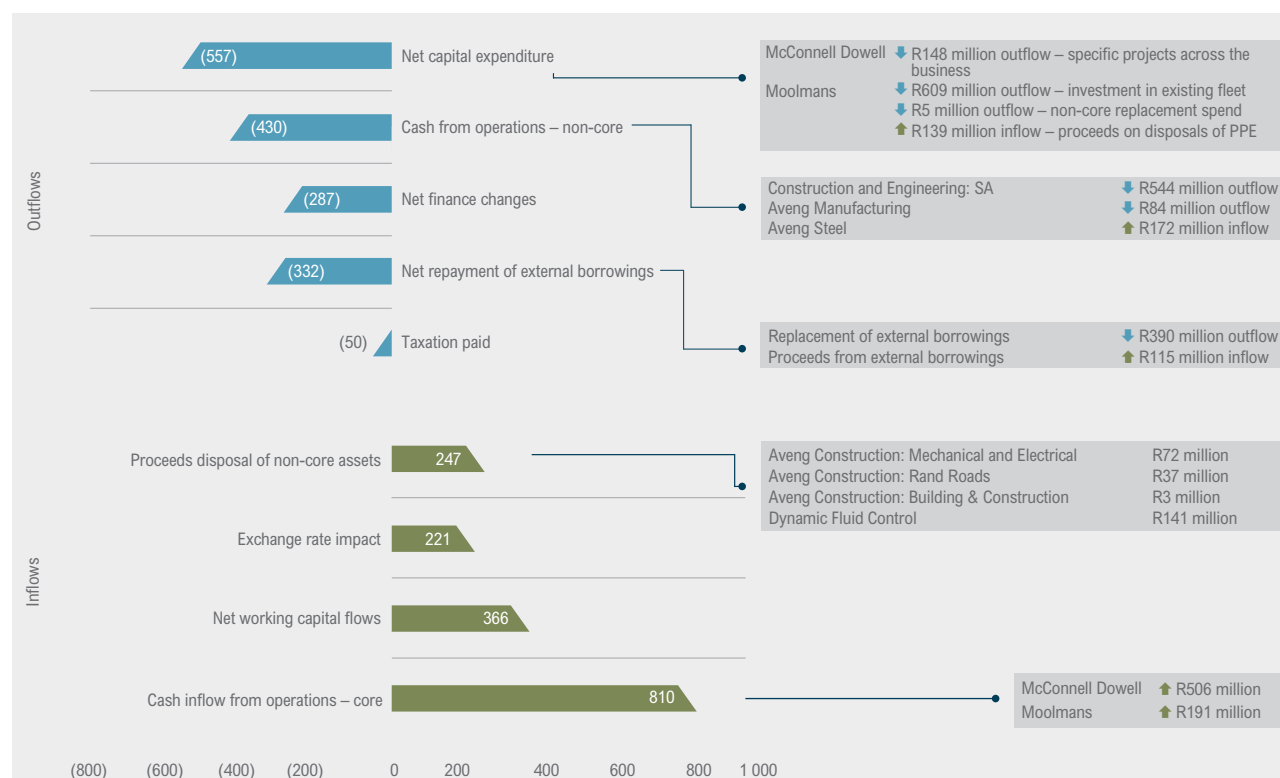
Liquidity

	June 2020 Rm	December 2019 Rm	June 2019 Rm	Cash and bank balances (net of bank overdrafts) decreased to R1,3 billion (June 2019: R1,6 billion) and the net debt position increased to R1 billion (June 2019: R540 million). The increase in debt position was mainly attributable to the recognition of an additional R497 million as a result of IFRS 16 Leases lease liabilities. Excluding the impact of IFRS 16 Leases net debt increased to R552 million.
Net cash	1 331	1 396	1 605	
South African operations	(342)	294	581	
McConnell Dowell	1 673	1 102	1 024	
Borrowings	(1 883)	(1 945)	(2 145)	
South African operations	(1 762)	(1 768)	(1 967)	
McConnell Dowell	(121)	(177)	(178)	
Net debt excluding IFRS 16 lease liabilities	(552)	(549)	(540)	
IFRS 16 lease liabilities*	(497)	(488)	–	
Net debt	(1 049)	(1 037)	(540)	

* The Group adopted IFRS 16 Leases using the modified retrospective approach, with the effect of initially applying the standard at the transition date (1 July 2019). Accordingly, the information presented for 30 June 2019 has not been restated.

Operating free cash flow amounted to an outflow of R5 million (June 2019: R1 billion outflow).

Cash utilisation in the current year (2020)



* Excludes R497 million, IFRS 16 lease liabilities

Group finance director's report continued

Aveng engaged with various stakeholders, including its South African lenders, the holders of notes issued through iNguza Investments, its largest shareholder, and others, to negotiate a sustainable debt restructuring and recapitalisation. Subsequent to the financial year end, the Group reached an in-principle agreement on a structure that will result in:

- The introduction of a minimum of R300 million of new capital by way of a rights offer at 1,5 cents per share, fully underwritten by Aveng's largest shareholder
- The restructuring of the South African lender debt into (i) restructured term and overdraft facilities of R1,1 billion with a term of three years and (ii) the settlement of the remaining debt by way of a cash settlement of 31 cents in the Rand or a specific issuance of new ordinary shares at five cents per share
- The settlement of the iNguza notes debt by way of an election of an early cash settlement at 31 cents in the Rand or the participation in the restructuring of the South African lender debt on the same basis as set out above.

The pro-forma impact of this transaction will be:

- An increase of stated capital of R700 million as follows:
 - introduction of R300 million of new capital in a rights offer at 1,5cps, fully underwritten by Aveng's largest shareholder
 - settlement of R400 million of debt by issuing shares for cash at 5cps
- A reduction in South African lender debt and overdraft facility from R2,1 billion to R1,1 billion (after repaying R200 million in August) as follows:
 - early settlement of R660 million debt at a discount, for cash of R210 million
 - a gain on settlement of debt of R450 million
 - an extension to the Group's South African lender debt maturity profile to December 2023
 - a significant saving in ongoing interest expense
- A net increase in liquidity of approximately R90 million

Pro forma balance sheet post restructure

	30 June 2020 Rm	Cash settled 31 Aug 2020	Effect of restructure	Pro forma Rm	
Borrowings	1 708			848	
Overdraft (assume fully drawn at all times)	605			205	
Total CTA debt	2 313	(200)	(1 060)	1 053	<ul style="list-style-type: none"> • R210m early cash settlement of debt • R400m debt settled by equity issue at 5cps • R450m gain from discount on settlement of debt
ABF*	175			175	
Total debt	2 488			1 228	
Cash (adjusted for overdraft cash)	1 936	(200)	90	1 826	<ul style="list-style-type: none"> • R300m rights offer proceeds • (R210m) early cash settlement of debt
Net cash/debt	(552)			598	
Equity	1 840		1 150	2 990	<ul style="list-style-type: none"> • R300m rights offer proceeds • R400m debt settled by equity issue at 5cps • R450m gain from discount on settlement of debt
Debt to equity ratio	135%			41%	

* Asset backed finance.

The transaction will be subject to various conditions, including Aveng shareholder approval which will be fully set out in a circular in due course. We believe that our remaining debt is sustainable and the reinstated balance is forecast to be repaid over the next three years.

Outlook and prospects

Renegotiation of core debt underpins growth strategy

Pre-COVID-19 growth momentum restored

Core businesses profitable and cash generative

Strong growth in work in hand, within risk appetite

Market expansion supports sustainable growth

Aveng enters the new financial year with work in hand of R26,8 billion for the core businesses which represents a 41% year-on-year growth. Both businesses have significant pipelines of tenders under evaluation or pending contract award.

McConnell Dowell

McConnell Dowell has successfully worked through COVID-19 and emerged stronger, both financially and operationally, with more predictable project performance and a robust level of work in hand.

The McConnell Dowell brand is strong and offers differentiating value through its culture, technical expertise in its specialist disciplines and geographic

diversity. The organisational structure has evolved with additional senior leadership and specialist resources to keep pace with growth, while the approach to working collaboratively with customers mitigates project risk.

The underlying principles that form the basis of McConnell Dowell's growth strategy remain intact. McConnell Dowell's growth momentum is expected to be maintained by increasing tender volumes in 2021. Market expansion will continue to provide strong demand for infrastructure in all business units and regions, supporting planned growth over the next three to five years.

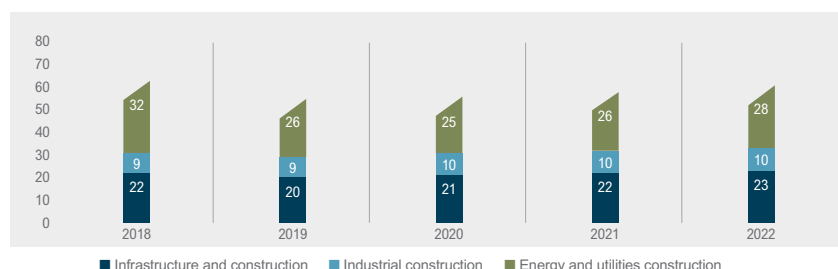
Moolmans

The interventions to address project performance have stabilised Moolmans and restored profitability in difficult operating conditions. Moolmans' revitalised management team will now focus on achieving consistent operational excellence and cost management to establish a firm foundation for growth.

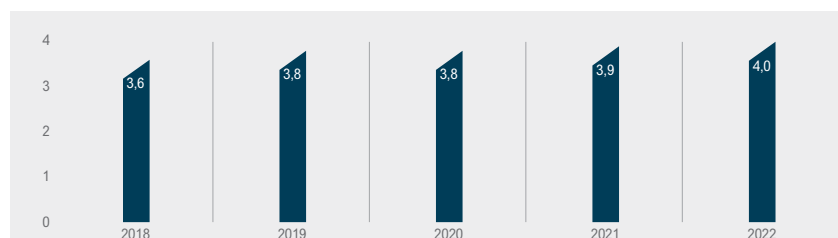
Moolmans is capitalising on growth opportunities in open cut and underground mining by strengthening business development activities in its targeted geographic markets in South Africa, Southern Africa and West Africa.

Moolmans will continue to invest selectively in the maintenance of its mining fleet.

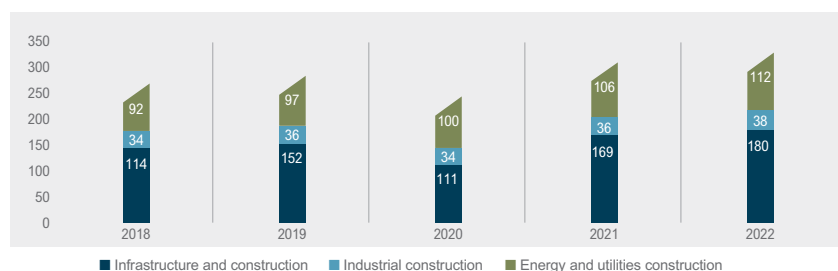
Australia – engineering and construction output (AUD billion)



New Zealand – Infrastructure spending (AUD billion)



Southeast Asia – engineering and construction output (AUD billion)¹



¹ Includes: Singapore, Malaysia, Indonesia, Philippines and Thailand.

A stable financial base

The debt restructuring and recapitalisation of Aveng concluded subsequent to the financial year end provides the Group with the financial flexibility to complete its non-core asset disposals and wind down its remaining exposure to discontinued businesses. Importantly, it sets the Group on a path to pursue the growth strategy it is implementing through McConnell Dowell and Moolmans.

Although Aveng's external environment remains unpredictable due to COVID-19, the Group has restored the momentum established before the pandemic. Therefore, the Board and management are committed to the Group's strategy and confident that its leadership and core businesses will continue to achieve their growth plans. This, in turn, will create sustainable long-term value for our stakeholders.

Management's financial review and key ratios

Consolidated statement of financial position	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
Property, plant and equipment	3 180	2 814	3 010	4 611	4 843
Goodwill and other intangibles	115	139	147	613	667
Equity-accounted investments	35	45	73	334	100
Infrastructure investments	259	142	142	265	177
Deferred taxation	813	622	747	1 290	1 858
Inventories	187	214	255	2 085	2 211
Receivables*	2 983	2 858	3 532	6 371	11 542
Cash and bank balances	1 755	1 605	2 391	1 996	2 450
Assets Held for Sale	2 309	3 843	4 773	122	1 484
Total assets	11 636	12 282	15 070	17 687	25 332
Total equity	1 840	2 454	2 594	6 058	13 556
Deferred tax liability	166	86	49	319	266
Payables**	4 627	4 025	4 745	8 090	8 279
Payables other than contract-related	148	136	146	154	–
Borrowings and other liabilities (excluding IFRS 16 Lease Liabilities)	1 883	2 145	3 141	3 066	2 984
Lease Liabilities recognised under IFRS 16***	497	–	–	–	–
Bank overdrafts	424	–	–	–	–
Liabilities Held for Sale	2 051	3 436	4 080	–	247
Total liabilities	9 796	9 828	12 476	11 629	11 776
Non-controlling interest	7	7	9	8	37
Total equity and liabilities	11 636	12 282	15 070	17 687	25 332

* Including trade and other receivables, amounts due from contact customers, derivative instruments and taxation receivable.

** Including trade and other payables, amounts due to contract customers, derivative instruments, taxation payables and employee-related payables.

*** The Group has adopted IFRS 16 using the modified retrospective approach, with the effect of initially applying the standard recognised at the transition date (ie 1 July 2019). Accordingly, the information presented for prior years has not been restated – ie it is presented, as previously reported under IAS 17 Leases (IAS 17), IFRIC 4 Determining whether an Arrangement contains a Lease (IFRIC 4) and related interpretations.

	2020 Rm	2019 Rm
ASSETS		
Non-current assets		
Goodwill arising on consolidation	100	100
Intangible assets	15	39
Property, plant and equipment	3 180	2 814
Equity-accounted investments	35	45
Infrastructure investments	259	142
Derivative instruments	1	–
Deferred taxation	813	622
Long-term receivables	43	–
Amounts due from contract customers	–	462
	4 446	4 224
Current assets		
Inventories	187	214
Derivative instruments	9	–
Amounts due from contract customers	2 531	2 159
Trade and other receivables	358	194
Taxation receivable	41	43
Cash and bank balances	1 755	1 605
	4 881	4 215
Assets Held for Sale	2 309	3 843
Total assets	11 636	12 282
EQUITY AND LIABILITIES		
Equity		
Stated capital	3 874	3 874
Other reserves	1 102	781
Accumulated losses	(3 143)	(2 208)
Equity attributable to equity-holders of parent	1 833	2 447
Non-controlling interest	7	7
Total equity	1 840	2 454
Liabilities		
Non-current liabilities		
Deferred taxation	166	86
Borrowings and other liabilities	1 313	1 450
Payables other than contract-related	104	115
Employee-related payables	330	245
	1 913	1 896
Current liabilities		
Amounts due to contract customers	1 290	813
Borrowings and other liabilities	1 067	695
Payables other than contract-related	44	21
Employee-related payables	243	283
Derivative instruments	–	1
Trade and other payables	2 764	2 683
Bank overdrafts	424	–
	5 832	4 496
Liabilities Held for Sale	2 051	3 436
Total liabilities	9 796	9 828
Total equity and liabilities	11 636	12 282

Management's financial review and key ratios

continued

Working capital [#]	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
Inventory	1 026	1 872	2 045	2 085	2 211
Trade and other receivables	817	1 471	1 580	1 840	2 058
Amounts due from contract customers	2 539	3 022	3 964	4 468	9 464
Current trade and other payables	(3 225)	(4 877)	(5 722)	(5 909)	(5 886)
Amounts due to contract customers	(1 297)	(1 037)	(1 489)	(1 351)	(1 322)
Net working capital	(140)	451	378	1 133	6 525

[#] Reflects working capital before Held for Sale adjustments.

Uncertified revenue and claims [*]	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
Uncertified claims and variations	660	1 316	1 646	1 760	6 584
Contract contingencies	(291)	(638)	(490)	(701)	(390)
Contract and retention receivables	2 170	2 344	2 808	3 409	3 270
Amounts due from customers	2 539	3 022	3 964	4 468	9 464
Progress billings received	(1 284)	(977)	(1 404)	(1 205)	(1 014)
Amounts received in advance	(14)	(60)	(85)	(146)	(308)
Amounts due to customers	(1 297)	(1 037)	(1 489)	(1 351)	(1 322)
Net amounts due from contract customers	1 242	1 985	2 475	3 117	8 142
Foreign exchange impact	(320)	34	8	(462)	910

^{*} Reflect uncertified revenue and claims before Held for Sale adjustments.

	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
Revenue	20 878	25 676	30 580	23 456	33 755
Gross earnings	971	1 048	1 798	(3 135)	2 495
Other earnings	163	110	106	206	591
Operating expenses	(1 647)	(2 247)	(2 292)	(2 305)	(2 808)
Earnings/(loss) from equity-accounted investments	(19)	(30)	(13)	4	(132)
Operating (loss)/earnings	(532)	(1 119)	(401)	(5 230)	146
South African government settlement		–	–	(165)	–
Net operating (loss)/earnings	(528)	(1 119)	(401)	(5 395)	146
Impairment of non-financial assets	(168)	(241)	(2 300)	(278)	(333)
Gain on redemption of convertible bond	–	102	–	–	–
Gain on sale of assets Held for Sale	24	203	–	–	–
Gain on sale of subsidiaries	10	41	–	–	–
Gain on sale of property, plant and equipment and intangible assets	61	36	47	4	592
Fair value adjustment on properties and disposal groups classified as Held for Sale	(13)	(51)	–	–	–
Operating (loss)/earnings before finance transactions	(618)	(1 029)	(2 654)	(5 669)	405
Finance earnings	32	181	246	198	211
Convertible bond	–	(63)	(251)	(237)	(225)
Other finance expenses	(461)	(524)	(434)	(405)	(327)
(Loss)/earnings before taxation	(1 047)	(1 435)	(3 093)	(6 113)	64
Taxation	(69)	(245)	(426)	(626)	(129)
Loss for the period	(1 116)	(1 680)	(3 519)	(6 739)	(65)
Loss from continuing operations	(825)	(927)	(1 050)	(6 238)	–
Loss from discontinued operations	(291)	(753)	(2 469)	(501)	–
Other comprehensive earnings/(loss) for the period:					
Exchange differences on translation of foreign operations	318	(73)	48	(773)	786
Movement in other reserves	–	20	–	–	–
Total comprehensive (loss)/earnings for the period	(798)	(1 733)	(3 471)	(7 512)	721
(Loss)/earnings for the year attributed to:					
Equity-holders of Aveng Limited	(1 119)	(1 681)	(3 523)	(6 708)	(101)
Non-controlling interests	3	(1)	4	(31)	36
Loss for the period:	(1 116)	(1 680)	(3 519)	(6 739)	(65)
Total comprehensive (loss)/earnings attributable to:					
Equity-holders of Aveng Limited	(798)	(1 731)	(3 473)	(7 481)	676
Non-controlling interests	–	(2)	2	(31)	45
	(798)	(1 733)	(3 471)	(7 512)	721
Determination of headline loss					
Loss for the year attributable to equity-holders	(1 119)	(1 681)	(3 523)	(6 708)	(101)
Headline earnings adjustment	169	136	1 844	259	(198)
Headline loss	(950)	(1 545)	(1 679)	(6 449)	(299)

Management's financial review and key ratios continued

Consolidated statement of cash flows	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
Cash from operating activities	279	(1 002)	430	(622)	(1 834)
Cash from investing activities	(284)	(1)	(464)	314	709
Operating free cash flow	(5)	(1 003)	(34)	(308)	(1 125)
Cash from financing activities	(490)	613	133	(23)	384
Net increase/(decrease) in cash and bank balances before foreign exchange movements in cash	(495)	(390)	99	(331)	(741)
Returns and productivity					
Net (debt)/cash position	(1 049)	(540)	(1 211)	(1 070)	(534)
CPI (%)	2,2	4,5	4,4	1,9	4,7
Current ratio (times)	0,7	1,0	1,0	1,1	1,8
Effective tax rate before impairment (%)	(5,9)	(17,1)	(13,8)	(10,2)	201,0
Margin – gross (%)	4,9	4,1	5,9	6,7	7,4
– net operating earnings (%)	2,5	(4,4)	(1,3)	(1,6)	0,4
Property, plant and equipment					
Property, plant and equipment					
– expansion capital expenditure	3	47	138	135	175
– replacement capital expenditure	759	674	625	793	319
Operating free cash flow before expansion capital expenditure (Rm)	2	(956)	104	(102)	(950)
Headline earnings growth (%)	38,6	(1,2)	74,0	(<100)	48,3
Return on invested capital (%)*	(7,3)	(16,2)	(7,0)	(65,8)	0,7
Return on equity (%)	(60,7)	(68,5)	(135,8)	(100,9)	(2,2)
Number of employees at year end	7 266	11 544	14 158	15 495	16 948

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

Operating free cash flow	2020 Rm	2019 Rm	2018 Rm
Construction and Engineering: Australasia and Asia	506	(362)	202
Mining	191	(201)	(79)
Construction and Engineering: South Africa and rest of Africa	(545)	(488)	27
Manufacturing	(84)	(131)	(107)
Steel	172	(11)	3
Other	(245)	190	(80)
Total	(5)	(1 003)	(34)

Net cash	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
Cash	1 331	1 605	2 076	1 996	2 450
South African operations	(766)	581	633	759	1 009
McConnell Dowell	1 673	1 024	1 443	1 237	1 441
Borrowings (excluding IFRS 16 Lease Liabilities)	1 883	2 145	3 287	3 066	2 984
Convertible bond	–	–	1 929	1 823	1 731
South African operations	1 761	1 967	1 154	322	348
McConnell Dowell	122	178	204	921	905
Net debt	(552)	(540)	(1 211)	(1 070)	(534)

Shares performance (cents per share)	2020 Rm	2019 Rm	2018 Rm	2017 Rm	2016 Rm
Headline (loss)/earnings	(4,9)	(9,7)	(290,1)	(1 197,0)	(75,2)
Diluted headline (loss)/earnings	(4,9)	(9,7)	(285,2)	(1 185,5)	(74,4)
(Loss)/earnings	(5,8)	(10,5)	(653,9)	(1 245,1)	(25,4)
Diluted (loss)/earnings	(5,8)	(10,5)	(643,0)	(1 233,1)	(25,1)
Cash generated/(utilised) by operating activities	746	(580)	813	(124)	(440)
Net asset value	9	13	14	31	70
Closing share price	4	3	14	585	351
Number of shares (million)					
In issue	19 394,5	19 394,5	416,2	416,7	416,7
Weighted average	19 369,6	15 995,5	538,8	538,8	397,4
Diluted weighted average	19 369,6	15 995,5	551,8	–	402,1
Rand to AU Dollar					
Closing	11,96	9,90	10,12	10,05	10,97
Average	11,81	10,15	9,98	9,75	11,14
Rand to US Dollar					
Closing	17,37	14,10	13,71	13,07	14,73
Average	17,12	14,19	13,32	12,90	15,04

IN THIS SECTION

2020 FOCUS AREAS

In addition to the strategic reorganisation that continued during 2020, the Board discharged its responsibility to provide ethical and effective leadership and protect shareholder value by:

- Reviewing the Group's sustainability and protecting employees and other stakeholders during the COVID-19 pandemic
- Improving the performance of the core assets
- Restructuring the balance sheet
- Continued disposal of non-core assets
- Leadership, focusing on culture and values and stakeholder relationships

GOVERNANCE

Aveng is committed to applying high standards of corporate governance by entrenching the Group's values and demonstrating integrity, competence, accountability, fairness, and transparency in all its business activities.

Aveng's approach to governance remains founded on an unwavering commitment to ethical conduct.



Governance

2021 KEY FOCUS AREAS

Implementation of the balance sheet restructure and recapitalisation plan

Improving the performance of the core assets

Completing the disposal of non-core assets

Customer focus

Board and senior leadership succession planning

IT governance

Governance performance

The Aveng Board is ultimately responsible for the governance of Aveng. To ensure that the Group consistently practices effective corporate governance, the Board is fully committed to the highest standards of governance and accountability as recommended in King IV. The Board monitors the King IV register regularly. During the 2020 financial year, Aveng refreshed the King IV principles in its core businesses, including the Australian operations of McConnell Dowell. The Group is committed to living the King IV values.



Values and culture

The Board sets the governance tone and the values and culture of the organisation. This is cascaded down the Group and the values are embraced by all employees. Aveng's culture and values are aligned with the Group's strategy. Management instils an enabling leadership mindset and ensures that the Group is equipped with the capabilities required to manage effectively in an uncertain and volatile environment.

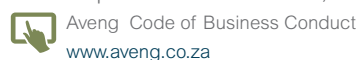
Ethics and human rights

The Board sets the tone at the top, prioritising ethics, effectiveness and responsibility, within acceptable risk parameters. This approach is aligned to the King IV principle that the governing body should lead ethically and effectively. The Board accepts its responsibility for ensuring that management nurtures a culture of ethically honest conduct, leads by demonstrating the Group's values, and adheres to human rights principles.

Our compliance approach

The Board functions within the ambit of an annually reviewed charter through which it maintains oversight on the management and control structure of the Aveng Group that directs and implements the strategy. The governance

framework is structured to ensure compliance with laws, regulations, and codes of best practice applicable in all countries within which the Group operates. The Aveng Code of Business Conduct requires all Group companies, employees, and directors to comply with all applicable laws. Compliance reports are presented quarterly to the audit and risk committee and social, ethics and transformation committee. The Board monitors compliance with the JSE Limited Listings Requirements, King IV, the Companies Act 71 of 2008, and other legislation.



IT governance

The Board is satisfied that it fulfilled all its duties and obligations in 2020 and is committed to providing effective IT governance. The Board is assisted by the audit and risk committee in monitoring IT governance and compliance. The audit and risk committee reviews IT risks regularly when they relate to the financial reporting and the going concern assessment. The audit and risk committee receives a quarterly IT report that monitors and evaluates significant IT investments and expenditure, innovation, and IT risk management.

Actions in the review period:

IT governance was a key focus area given the increase in risks associated with cyber security, particularly the high prevalence of successful global phishing attacks, and leading to an increase in the associated overall risk rating. Mitigation measures through improved employee awareness and additional measures were investigated and implemented. The focus area in 2021 will be on implementing an updated IT strategy that addresses the future requirements of the Group, an IT governance framework, risk management and cyber security vigilance, innovation and to coordinate and guide the efforts of the IT managers within the core and non-core businesses.

Governance structure

The Board is the ultimate governing body of the Group. The Board approves the purpose, values and strategy as developed by the executive and oversees their implementation, together with the organisational culture. The Board provides support and challenge to the executive largely through its interaction with the executive directors and executive members. A delegation of authority framework is in place and is regularly reviewed, including during the 2020 financial year.



Board statement

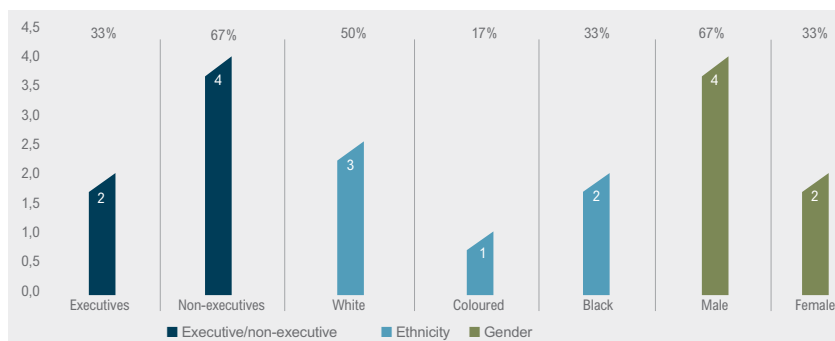
The Board is satisfied that it fulfilled all its duties and obligations in 2020 and is committed to providing effective and ethical leadership characterised by responsibility, accountability, fairness, and transparency, in compliance with the provisions of the Companies Act and other relevant laws operating in conformity with the Aveng memorandum of incorporation and other relevant constitutional documents. The Board is satisfied that it complied with the provisions of the constitutional documents.

Board profile and diversity

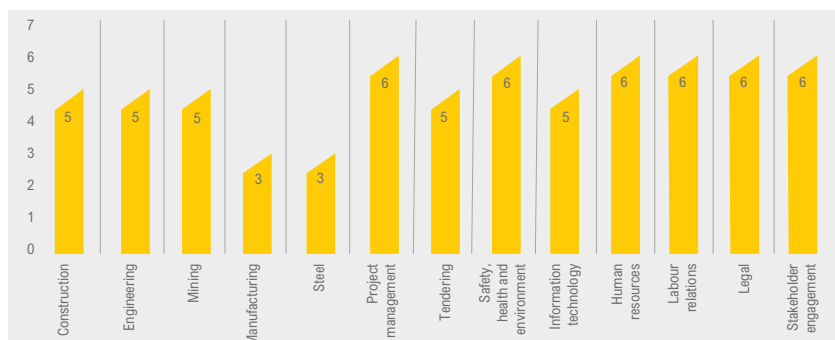
The Board charter promotes a unitary Board structure composed of executive and non-executive directors of which the majority are independent non-executive directors.

The Board is conscious of its obligations to reflect the diversity of the economically active population, while balancing the need to have the requisite skills and experience. The Board recognises that a truly diverse Board includes and utilises a variety of skills, experience, industry knowledge, perspectives, gender, age, background, ethnicity, and other distinctions between directors. The Board's diversity policy provides that the majority are independent directors of whom at least two should be female. In order to strengthen diversity, the Board should comprise a minimum of three black directors. We currently have vacancies on our Board which we expect to fill during 2021. In doing so, we will be cognisant of our diversity goals. We are currently marginally behind our black target and ahead of our gender target.

Board composition



Board skill and experience (number of Board members with experience)



Board and committee composition

The Board

Aveng has a mature agile Board with directors whose skills complement each other to constructively challenge strategies. The Board serves as the focal point and custodian of corporate governance in the organisation. 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. To provide consistent, quality, ethical, and effective leadership, the Board delegates to management and Board committees certain functions to assist in properly discharging its duties. The composition of the Board and its ability to perform its mandate is scrutinised regularly by the remuneration and nomination committee.

During the year, Bridgette Modise was appointed to the Board with effect from 1 November 2019. Mr Eric Diack stepped down from his position as executive chairman with effect from 30 April 2020 and he continued to act as a non-executive chairman before retiring from the Board on 12 June 2020. This was in line with the Board's original intention following a period of orderly handover.

Philip Hourquebie who has been a Board member since 1 August 2015, was appointed as the Board chair with effect from 17 June 2020.

On 30 June 2020, the Board comprised six members. Four Board members are independent non-executive directors.

Executive leadership

As the Group chief executive officer (CEO), Sean Flanagan provides leadership to the executive team in managing the Group's business. The CEO is appointed by the Board. Succession planning for Group executives will be a focus area in the 2021 financial year.

Governance performance continued

Board oversight

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

Audit and risk committee

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

The committee is properly constituted with three independent non-executive directors. During 2020, Bridgette Modise was appointed as a member of the committee with effect from 1 November 2019 following her appointment to the Board.

PA Hourquebie, the committee chair resigned from the committee with effect from 17 June 2020 following his appointment as Board chair and Bridgette Modise was appointed chair of the committee.

Members

- B Modise (chair)
- MJ Kilbride
- MA Hermanus

Standing invitees: Board chair, CEO, CFO, internal and external auditors

Remuneration and nomination committee

The committee enables the Board to achieve its responsibilities concerning the Group's remuneration policy, processes, and procedures. It 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 Board chair also leads the committee's nominations role.

The committee is properly constituted with three independent non-executive directors.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Members

- MJ Kilbride (chair)
- MA Hermanus
- PA Hourquebie

Social, ethics and transformation committee (SET)

The committee provides independent oversight by reviewing actions of the Board through an ethical lens and taking accountability for specific areas within its mandate. It monitors the Group's compliance relating to social and economic development, good corporate citizenship, and environmental matters. The committee addresses social and transformation issues and recognises that these issues are crucial for the sustainability of the Group.

The committee is properly constituted with four independent non-executive directors. During 2020, Bridgette Modise was appointed as a member of the committee with effect from 1 November 2019.

Members

- MA Hermanus (chair)
- PA Hourquebie
- MJ Kilbride
- B Modise

Statement by the social, ethics and transformation committee

The committee confirms that it has fulfilled its mandate as prescribed by the companies regulations to the Companies Act. While the committee acknowledges that there have been dismissals and disputes across the Group and that some matters were referred to the labour court, to date there have been no adverse findings, and some matters are currently ongoing. Further, assurance is given that to our knowledge there have been no material breaches in any of the jurisdictions within which Aveng operates.

Safety, health and environmental committee (SHE)

The committee ensures that the Aveng priority of “Home Without Harm Everyone Everyday” is upheld and assists the Board to ensure that the Group, in conducting its business, acts to protect the safety and health of its employees and others, and the environment.

The committee is properly constituted with three independent non-executive directors.

Membership

- MA Hermanus (chair)
- PA Hourquebie
- MJ Kilbride

Attendance at Board and committee meetings

The Board met eight times in 2020, including four informal meetings. The number of meetings, combined with a good attendance record, reflects the directors' commitment to understanding, engaging, and providing informed leadership on matters that materially affect the Group's ability to create value for stakeholders.

		BOARD				SPECIAL BOARD				AUDIT AND RISK				REMCO		SPEC REM		SHE				SET				
		4 Board, 4 special – 8 total								4 meetings				3 meetings, 2 special – 5 total				4 meetings				3 meetings				
Director		27 08 2019	29 11 2019	21 02 2020	18 05 2020	22 05 2020	25 05 2020	05 06 2020	12 06 2020	26 08 2019	27 11 2019	19 02 2020	10 06 2020	08 08 2019	26 08 2019	25 11 2019	18 02 2020	24 04 2020	13 08 2019	25 11 2019	18 02 2020	09 06 2020	13 08 2019	25 11 2019	18 02 2020	
EK Diack	1	✓*	✓*	✓*	✓	✓	✓	✓	✓	✓*	✓*	✓*	✓	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*
MA Hermanus	2	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
MJ Kilbride	3	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
PA Hourquebie	4	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
B Modise	5		✓	✓	✓	✓	✓	✓	✓		✓	✓	✓												✓	✓
SJ Flanagan	6	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
AH Macartney	7	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓													
Attendance percentage		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

¹ * Executive chairman of the Board from 23 August 2017 to 30 April 2020.

² Appointed LID: 23 August 2017 Chair: SET and SHE.

³ Chair: Remuneration and nominations committee.

⁴ Chair of the Board: 9 June 2020 and relinquishes role as chair of the audit and risk committee.

⁵ Joined Board, SET, audit and risk: 1 November 2019 Chair: audit and risk – 9 June 2020.

⁶ CEO.

⁷ FD.

Audit and risk committee report

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

The committee complies with relevant legislation, regulation, and governance practices. The responsibilities of the committee are outlined in its written charter, which was reviewed and updated during the 2019 reporting period.

On 1 November 2019 Bridgette Modise was appointed to the Averg Board and as a member of this committee. The composition of this committee changed again in June 2020 when Eric Diack stepped down as chair of the Board. Bridgette Modise was elected as chair of this committee on 17 June 2020, after Philip Hourquebie was appointed chair of the Board and stepped down as a member and chair of this committee.

Membership of the committee

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

- B Modise – chair
- MJ Kilbride
- MA Hermanus.

Each member is an independent director and has adequate relevant knowledge, financial expertise, and experience to equip the committee to properly execute its duties and responsibilities. The experience and qualifications of the members are set out on the website.

Functions of the committee

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

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

The committee reports that it has an appropriate formal terms of reference as its mandate. The committee has regulated its affairs in compliance with this mandate and discharged all the responsibilities set out therein. During the financial year under review, the committee reviewed:

- The quarterly and half-yearly financial reports, the integrated report, the annual financial statements and accounting policies for the Company and all subsidiaries

- The effectiveness of the combined assurance model
- The reports of the internal audit function on the state of internal control, including its forensic reports regarding fraud prevention and detection
- The effectiveness of the internal audit function
- The auditor's findings and recommendations
- Statements on ethical standards for the Company and considered how they are promoted and enforced
- The effectiveness of risk management systems and processes across the Group.

Independence of external auditor

The committee is satisfied with the independence and objectivity of Ernst & Young Inc as external auditor and AJ Carshagen as the designated auditor. The designated audit partner was assessed in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements. The committee further approved the fees to be paid to Ernst & Young Inc and its terms of engagement, and pre-approved each proposed contract with Ernst & Young Inc for the provision of non-audit services to the Company.

Mandatory audit firm rotation

The committee had a robust discussion regarding the mandatory audit firm rotation. The committee acknowledges the need to rotate its auditor due to tenure. As the Group is in the final stages of a major turnaround, it concluded this is not the time to effect a change given the significant risks faced by the Group. The IRBA has mandated rotation by 1 July 2022. The committee is committed to rotation by that date at the least and is considering whether it may be pragmatic to do so a year earlier.

Statutory reporting

The committee has evaluated the annual financial statements of Averg and the Group for the year ended 30 June 2020 and, based on the information provided to the committee, considers that the Company and

Group comply, in all material respects, with the requirements of the Companies Act of South Africa, the IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and applicable legislation and financial pronouncements as issued by the Financial Reporting Standards Council.

Internal financial controls

The committee's agendas provide for confidential meetings between committee members and both the internal and independent external auditors. 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 head of internal audit reports administratively to the chief financial officer and functionally to the chair of the committee.

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

Statement of internal control and risk management

The risk management function together with management identifies and monitors potential risks faced by the Group and the risk mitigation strategies proposed and implemented by management. The internal audit functions monitor the effectiveness of

internal control systems and make recommendations to management and the audit and risk committee. The Board has concluded, based on the recommendation of the audit and risk committee and their own understanding, that there is no reason to believe that there were any material internal control or risk management shortcomings during the current financial year that have not been addressed or are in the process of being addressed.

Expertise and experience of the Group finance director and the finance function

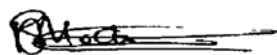
In accordance with the JSE Listings Requirements, the audit and risk committee is required to consider the appropriateness of the expertise and experience of the Group FD. In respect of this requirement and for the year under review, the committee is satisfied that Adrian Macartney, the Group FD, possesses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

Expertise and experience of the company secretary

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

Recommendation of the annual financial statements and integrated report

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



B Modise
Chairperson

IN THIS SECTION

MESSAGE TO SHAREHOLDERS

Aveng is reviewing the way it remunerates employees to ensure that our pay is **fair, responsible and transparent**. Our employees' remuneration should be deemed impartial, objective and rational.

Our short-term and long-term incentive schemes were impacted by COVID-19 during the year under review, but remain in place and we continue to review the schemes' effectiveness in **rewarding targeted behaviour and performance in line with shareholder expectations**.

Remuneration

2021 KEY FOCUS AREAS

Re-evaluate the current mix and appropriateness of remuneration

Continue to evaluate internal and external equity across the Group

Consider the appropriateness of the short-term and long-term incentives and if any changes are required

Benchmark executive and non-executive directors' fees.

Remuneration report

Letter from the chairman

Dear stakeholders

I write to you in this period of historic difficulty with COVID-19 impacting nearly every aspect of life. Against this background, we report on the difficult decisions the remuneration committee (remcom) have had to make during the current financial year as well as our proposed plans for financial year 2021 regarding executive remuneration.

Aveng's strategy, as reported in last year's remuneration report, of focusing on profitably growing our core businesses while completing the disposals of the remaining non-core assets, was well on track when we reported our interim results in February. This was demonstrated with operating profit of R99 million from the core businesses in contrast to an operating loss of R307 million for the prior year comparative period. Operating free cash flow (OFCF) was also significantly improved at a positive R383 million compared to a negative R555 million in the prior year comparable period. In addition, good progress on the disposal of non-core businesses had been achieved. Prior to lockdown being announced, the Company was at an advanced stage of negotiating the sale of Trident Steel, ACS, GEL, Grinaker and Duraset, with non-binding offers received, values agreed, and draft sale of business agreements having been exchanged. These were all immediately put on hold once lockdown was announced. Following the lockdown and after the reporting period closed, these sale processes have been resuscitated and GEL, Grinaker and Duraset now have signed agreements subject, in some instances, to regulatory approvals.

As part of the interim reporting process, the remcom evaluated how the executives were performing against the scorecard metrics for the short-term incentive (STI). Based on the actual interim results versus the targets set per the scorecard the executives were on track to achieve 77% of their targets. This first half review confirmed that the incentive scheme was yielding the desired result and rewarding executives appropriately for achieving challenging business goals. This is

obviously not the case at year end post the COVID-19 pandemic impact.

The COVID-19 global pandemic arrived in South Africa in early March and by the end of March the South African economy went into complete lockdown until 30 April 2020. In addition, the majority of our Australian, New Zealand and Southeast Asian markets went into some form of lockdown with varying degrees of severity. As reported in the Group finance director's report, COVID-19 had a R398 million impact on earnings before interest and tax (EBIT) and R485 million impact on OFCF. This resulted in a liquidity crisis for the Group which was addressed with immediate action taken by the Board and ultimately the significant contribution from the Group employees by accepting a no-work-no-pay policy in South Africa and the Board and senior management taking voluntary salary reductions.

In our South African business, the entire Board accepted a 30% salary reduction for the months of April, May and June and senior management also agreed to voluntary salary reductions. Voluntary contributions and the no-work-no-pay policy implemented at the South African business resulted in a total savings of R168 million.

Similarly, in our Australian, New Zealand and Southeast Asian businesses salary reductions of between 20% and 40% for senior management for the months of May and June were implemented. The CEO, FD and non-executive directors of McConnell Dowell voluntarily agreed to a 40% reduction for May and June; the McConnell Dowell exco 30% and all others impacted 20%. These measures applied to c.70 staff in total and resulted in savings of AUD1 million across the region.

In addition to the above salary sacrifices, the Group implemented initiatives to contain costs, preserve cash flow, renegotiate a significant loss-making contract in Moolmans, secure rental holidays and additional liquidity lines with funders to survive the impact of COVID-19. McConnell Dowell decided to settle two legacy claims to eliminate litigation uncertainty, turn off ongoing legal costs and release AUD42,5 million (R508 million) of cash. Due to these

immediate actions, the Group survived the pandemic

Performance

The performance of the business and the impact of COVID-19 has been extensively covered in the FD's report but it is noteworthy to mention that the core businesses being: 1) Moolmans reported an operating profit of R38 million secured even after losses on its Gamsberg contract and the R66 million losses as a result of COVID-19; and 2) McConnell Dowell reported a AUD6 million (R63 million) EBIT (excluding the non-cash impairment of AUD19,5 million) (R225 million) but including the COVID-19 losses of AUD7 million (R221 million).

Both businesses have proved resilient post the lockdown from both a revenue and profitability perspective and are delivering according to the strategic plan and budget. Unfortunately, the manufacturing assets of Duraset and Infraset, continued to incur losses. Trident Steel is profitable and performing to expectations.

The commitment from the executives, throughout the Group, during this very challenging year has been exemplary and progress continues to be made against the Group's strategy.

This report is split into three sections covering the following:

Part 1: Overview: Covering the work performed by the remcom during the year; as well as our future areas of focus for the 2021 financial year.

Part 2: Remuneration policy.

Part 3: Implementation of remuneration policies.

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

I look forward to your support on the above-mentioned resolutions.



MJ Kilbride
Chairman

11 December 2020

PART 1: OVERVIEW

As mentioned in the remcom chairman's letter, the COVID-19 pandemic had a significant impact on the business, its employees and all other stakeholders. As a result, it consumed the attention of the remcom in determining appropriate remuneration strategies for both the current year and next year's remuneration policy.

Work performed by the committee during financial year ended June 2020

The remcom carefully considered the impact of COVID-19 on employee wellbeing, the necessity to continue to retain key talent and the ability of Aveng to implement remuneration policies that were formulated prior to the dramatically changed social and economic environment. To this end, the remcom decided to implement a number of measures to take into account the impact of COVID-19. These include:

- All employees including the Board and executive teams received zero percent increases unless it was related to a promotion or other exceptional circumstances. The only Board member to obtain a fee increase is PA Hourquebie as a result of his recent appointment as chairman of the Board. Given his increased responsibilities his fees have been based on external benchmarking data as well as taking into consideration his non-resident status. The proposed fees are set out in part 3 for approval.
- While certain of the performance targets of the STI were met (as set out in part 3) and would have resulted in a small bonus pool, the CEO proposed to the remcom that no bonuses are paid which the remcom has endorsed.
- The metrics for the FY2021 STI were carefully considered, and while consideration was given to reducing the weighting of "hard" financial targets as a result of the difficulty of forecasting in a COVID-19 environment, it was concluded by the remcom that 80% of the metrics should still be weighted towards

financial metrics as this was critical to delivering the approved strategy.

- Hence the metrics and targets have been re-evaluated and the relevant financial metrics have been included in the scorecard in part 2.
- Review of the composition of the Board and tenure of executive directors and non-executive directors. New committee chairpersons were appointed following the appointment of Mr PA Hourquebie as chairman of the Board.
- The limited duration contract of the CEO came up for renewal during the year and it was unanimously decided by both the Board and remcom to renegotiate a revised employment contract to secure the CEO on a further three-year limited duration contract to the end of June 2023 in order to ensure the turnaround plan is completed and the strategy is well executed.

While COVID-19 has had a devastating impact on the business and employees, post-COVID-19 global lockdowns, the Group has continued to employ the required talent to grow and develop the business. This includes:

- McConnell Dowell has continued to recruit new senior management to expand its skill base and geographic presence in the markets in which it operates with a number of new senior appointments completed within the last six months.
- Moolmans continues to enhance its leadership team with the majority of the leadership appointments now complete.

Future areas of focus

To address the challenges that Aveng is facing, the remcom will focus on the following matters during FY2021:

- Re-evaluate the current mix of remuneration and the appropriateness thereof.
- Continue to evaluate internal and external equity across the Group.
- Carefully consider the appropriateness of the STI and Long-term Incentive (LTI) and consider what/if any changes are required.

- Re-evaluation of the LTI, including share ownership for executives and other senior management (minimum shareholding requirement policy to be incorporated at the same time).
- The LTI from the prior year remains in place and the targets set for the three-year period are still intact but will obviously be more difficult to achieve as a result of the impact of COVID-19. There is no intention to reset the performance targets.
- As no benchmarking was performed for executive and non-executive director fees for 2021 (except for the chairman fees), it is likely that we will conduct a survey during 2021 and based on the results consider whether executive director and non-executive director fees are market related; whether the remuneration mix is still relevant and whether any adjustments are required.

Statement of fairness and responsibility

We are constantly reviewing the way in which 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

The Group used DG Capital to provide advice regarding executive remuneration and incentives. The remcom considered and interrogated this advice in order to discharge their mandate.

Remuneration report continued

Shareholders

At the 2019 AGM held on 29 November 2019, the 2019 remuneration report was presented and voted on as follows:

	2019 %	2018 %	2017 %
Remuneration policy	93,23	89,28	60,94
Implementation report	67,10	89,30	63,88
Non-executive directors' remuneration	92,79	90,84	99,80

The advisory vote on the Group's remuneration implementation report was approved by less than 75% of shareholders present in person or represented by proxy at the AGM. In line with the recommendations of the King IV and the JSE Limited Listings Requirements, Aveng is required to engage with its shareholders who did not vote in favour of the resolution. The remcom chairman engaged with the specific shareholders who voted against the implementation report and the main contention was the quanta of the STI paid to executive directors when the Company reported a significant loss.

In the current year, even though some of the metrics had been achieved and a small pool would have been payable to the executives, in light of COVID-19, no STI pool has been provided for or will be paid.

We have also considered the impact of King IV on the remuneration policy as well as the amended JSE Listings Requirements and present in part 2: The remuneration policy and part 3: The implementation of the policy during the year.

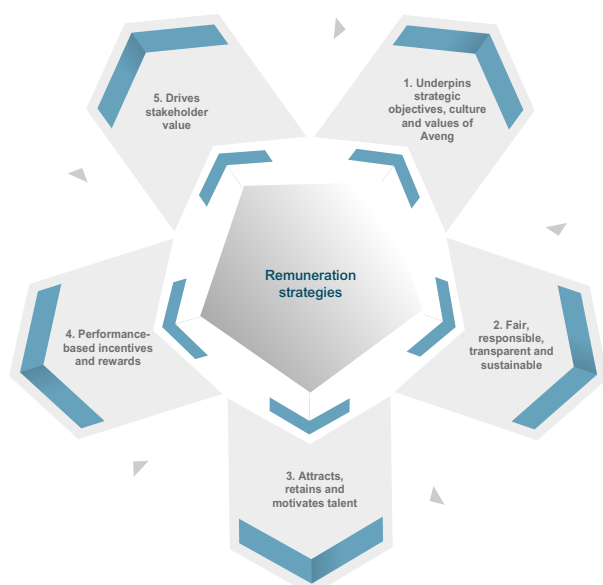
PART 2: REMUNERATION POLICY

Introduction

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

The 2020 STI and LTI schemes were proposed during the 2019 financial year to support the strategic vision of the Group.

The adoption and implementation of the 2020 schemes will ensure that Aveng's remuneration strategies underpin continuous and consistent alignment of executive directors and senior management's behaviour for all stakeholders including ensuring shareholder value creation while stabilising the business and ensuring long-term success. The objectives and values are demonstrated in the diagram below:



Governance and the remcom Remcom responsibility

The Board which provides a mandate to remcom carries the ultimate responsibility for the remuneration policy. The duties and responsibilities of the remcom are governed by the 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 and head of human resources shall be standing invitees 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 55.

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

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

Remuneration report continued


Remuneration

Remuneration structure

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

	Component, objective and link to strategy	Policy	Future changes
Total Guaranteed Package (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 executive chairman and CEO's increase is approved by the remcom.	No changes are proposed for FY2021.
	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 FY2021.

* CPI – Consumer Price Index

Component, objective and link to strategy		Policy	Future changes
Short-term Incentives (STI)	<p>STI</p> <p>To motivate and incentivise delivery of financial and non-financial performance targets, consistent with the Group's strategy over a one-year period.</p> <p>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.</p> <p>The STI quanta, metrics and targets are reconsidered each year to determine whether they are still appropriate.</p> <p>Performance targets are disclosed prospectively but performance metrics are disclosed retrospectively.</p> <p>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.</p>	<p>Threshold, target and stretch performance targets are set for the following metrics:</p> <ul style="list-style-type: none"> Financial performance Core businesses EBIT performance Non-core businesses EBIT performance OFCF Non-core disposal proceeds Restructuring the Common Terms Agreement (CTA) to provide a longer-term debt repayment profile <p>Safety, health and environmental (SHE)</p> <p>Strategic performance</p> <ul style="list-style-type: none"> Disposal of non-core businesses and refinancing of CTA with banks. For Moolmans and McConnell Dowell the Group CEO will set the strategic targets <p>Each of the measures are appropriately weighted and based on the total score for each metric. The final STI quantum is determined and the maximum payout for CEO and FD is 100% of TGP. The weightings and percentage payable of TGP for threshold, target and stretch performance are set out on page 67. </p>	<p>The main changes for FY2021 are as follows:</p> <ul style="list-style-type: none"> EBIT performance was split between core and non-core businesses. Work secured was dropped at Group level but still included in the two core businesses' scorecards. ROCE was dropped at Group level but still retained in the asset intensive Moolmans business. It will likely be re-introduced next year once the non-core disposals are complete and non-core/GLTA losses are out of the system. Disposal proceeds were introduced as a separate metric in order to ensure value is maximised and completed in the current year. COVID-19 compliance protocols were introduced as a metric across all business units given the significance of the pandemic.

Remuneration report continued

	Component, objective and link to strategy	Policy	Future changes
LTIs	<p>Cash-settled LTI</p> <p>To motivate and incentivise delivery of long-term, sustainable performance. This aligns executives' interests with shareholders' through a long-term cash-settled LTI.</p> <p>The cash-settled LTI is subject to performance targets including a significant weighting to absolute share price performance to ensure that executives are only rewarded after delivering tangible sustainable returns for shareholders.</p> <p>Performance metrics and targets are disclosed prospectively.</p> <p>The LTI is subject to meeting performance targets and will be paid in cash as follows:</p> <p>75% after the release of the financial results for year 3; and 25% one year later.</p> <p>The payment profile is to encourage longer-term thinking and performance. Remcom has discretion to apply its mind to the final amounts payable and make adjustments.</p>	<p>Awards are cash settled and subject to performance conditions over a three-year period as well as continued employment.</p> <p>The Group performance metrics comprise the following:</p> <ul style="list-style-type: none"> • Returns to shareholders in terms of share price growth and distributions over a three-year period based on a 60-day VWAP* • ROCE achieved by end of year three <p>Both measures are appropriately weighted with a more significant weighting towards returns to shareholders and based on the total score for each metric, the final LTI quantum is determined and the maximum payout over a three-year period for CEO and FD is 390% of TGP (ie it builds up at a maximum of 130% pa). The weightings and percentage payable of TGP for threshold, target and stretch performance are set out on page 67. ▼</p>	No changes are proposed for FY2021.

* Volume weighted average price

Revised STI for 2021

The following table sets out the revised STI for 2021. There are six metrics against which performance will be measured and each 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 CEO and FD. The performance targets are set out in the table following and will be reported on in the 2021 implementation report.

Aveng Group – STI Performance Scorecard

Short-term incentive		Weighting %	Threshold	On Target	Stretch
Financial ¹	Balance sheet restructure	25	To be disclosed retrospectively in the FY2021 implementation report		
Financial ²	Core businesses profitability (EBIT pre STI)	25			
Financial ³	OFCF (SA OFCF + MCD Div, excluding disposals and excluding IFRS 16)	15			
Financial ⁴	Disposal proceeds	10			
Financial ⁵	Non-Core EBIT (pre STI)	15			
Non-Financial ⁶	SHE (Based on Moolmans and MCD scores)	5			
Non-Financial ⁷	COVID-19 Compliance protocols and measures in place across Group	5			
		100			

Notes:

¹ The balance sheet restructure refers to the restructuring of the CTA facility over a longer-term period and as discussed in the FD's report in more detail.

² Core business profitability refers to the profits of Moolmans and McConnell Dowell plus appropriate head office costs.

³ Operating free cash flow (OFCF) is defined for the purposes of the scheme only as: Total South Africa operating free cashflow plus dividends received from McConnell Dowell and specifically excludes disposal proceeds and IFRS16 implications.

⁴ Disposal proceeds = the total expected value of proceeds from the non-core asset disposals.

⁵ Non-core EBIT = EBIT for the non-core steel assets and manufacturing assets as well as the costs related to winding up the GLTA contracts and PMO.

⁶ SHE is based on the underlying SHE metrics at both core businesses. If there is a fatality in any of the businesses executive directors' percentage will be zero for this metric.

⁷ COVID-19 protocols have been established throughout the Group and compliance will be measured over the coming year.

Similar scorecards are applicable to the prescribed officers in respect of the two core businesses except the metrics are specifically targeted to the objectives of the two core businesses.

Long-term incentive (LTI)

The following LTI scheme is currently in place. All other historical schemes are suspended or not operational. No awards have been made under these schemes since 2018 and no further awards will be made.

2020 Scheme

As detailed in the 2019 remuneration report, a new LTI scheme was introduced in 2019. There are two metrics against which performance will be judged, namely returns to shareholders and ROCE.

Long-term Incentive	Weighting %	Targets		
		Threshold 30%	On Target 80%	Stretch 130%
Returns to shareholders ^{1, 2} (number of times 60-day VWAP at 30 June 2019 = R0.0244) Share price target in year three (60-day VWAP) ²	75	3.28	4.10	8.20
ROCE ^{2, 3}	25	11.2	12.5	14.7
		100		

¹ Includes share price increases (including any premium paid by potential acquirer of a controlling interest), plus any distributions (including distributions from sale of operating units). If the share price is achieved prior to year three as a result of a buy-out premium, then the full 75% weighting will vest but the 25% weighting for ROCE will be proportional to target achieved and time based. The rationale for the 75% to include the buyout premium and not making it time-based is to ensure management interests are aligned with shareholders and are therefore agnostic to a potential buy-out transaction.

² 100% vests in year three subject to the achievement of the performance targets and is payable 75% after the audited results in year three and 25% after the audited results in year four. The remaining 25% is purely time-based. The award and payments are subject to malus and claw back provisions.

³ ROCE = EBIT/(Average capital employed less historical claim value). Targets to be achieved by end of year three.

A three-year performance period is applicable for the 2019 awards commencing 1 July 2019 to 30 June 2022.

The performance targets to be achieved over the performance period are set out in the following table. The percentage payable based on meeting the targets is 90% (threshold); 240% (target) and 390% (stretch) respectively of 2020 annualised TGP. The total payment will only be made based on achieving the targets in year three. If threshold is not achieved no payment will be made.

Remuneration report continued

Executive earning potential

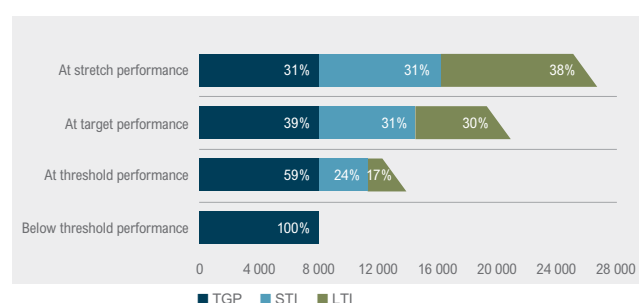
Executive earning potential in terms of remuneration mix for TGP, STI and LTI for the CEO and FD at various levels of performance (below threshold, threshold, target and stretch) is depicted in the graphs below.

CEO, FD remuneration mix (2021)

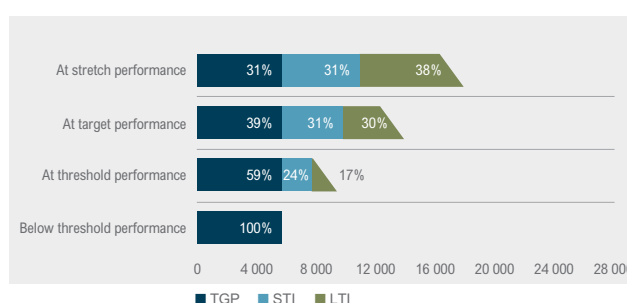
Policy on terms of service on employment contracts and severance arrangements

Executive management

CEO remuneration mix (2021)



FD remuneration mix (2021)



Policy on terms of service in employment contracts and severance arrangements

Executive management

Notice periods: The termination condition of executives and prescribed officers is three months' notice, with the remainder of the Group set between one and three months' notice depending on the seniority and criticality of the role. The current CEO is on a renewed three-year limited duration contract. There is no termination payment on completion of the contract. The CEO participates in the current STI and 2020 LTI. 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 reasons for the renewal of the contract are set out in part 1: Overview.

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

Although not a requirement of King IV, Aveng directors have historically retired by rotation every three years and presented themselves for re-election at the Group's AGM. This practice 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 table below summarises the various termination reasons and the impact on the executive management's variable remuneration elements:

Plan	"Bad leavers" – resignation, abscondment, early retirement at the employees' instance, dismissal; and trigger events in terms of the malus and clawback policy	"Good leavers" – retrenchment, early retirement at the instance of the Company, restructuring, disability, death
Aveng 2015 Long-term Incentive Plan	All unvested awards shall be forfeited in their entirety and will lapse immediately on the date of termination.	In respect of bonus shares and retention shares, a pro-rata portion of the award shall vest. In respect of performance shares, the portion of the award that will vest shall be determined to the extent that the performance conditions were met.
2018 Special Incentive "Cash-settled retention awards"	Future payments are forfeited and the executive must pay back either full or a pro-rated amount of the net value of the award already received.	Future payments are forfeited and the executive is not required to reimburse the Company for any awards already received.
2019 Performance Incentive Plan	All unvested awards shall be forfeited in their entirety and will lapse immediately on the date of termination.	The remcom has discretion to make a payment of a proportionate amount based on the extent to which performance measures have been met.

Plan	“Bad leavers” – resignation, abscondment, early retirement at the employees’ instance, dismissal; and trigger events in terms of the malus and clawback policy	“Good leavers” – retrenchment, early retirement at the instance of the Company, restructuring, disability, death
2020 Scheme	Future payments are forfeited. In addition, Malus and Clawback provisions apply.	The remcom has discretion to a make payment of a proportionate amount based on the extent to which performance measures have been met.

Malus and clawback provisions

The 2020 Scheme in respect of STI and LTI will both be subject to both malus and clawback provisions.

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

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

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

Minimum shareholding requirement (MSR)

The remcom is 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.

Currently we are considering implementing a more specific MSR policy based on targeted shareholdings built up over a reasonable number of years.

Shareholder engagement

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

In the event that 25% or more of the votes cast are recorded against either the remuneration policy resolution or the implementation resolution, then:

- The Company will engage with shareholders to examine their vote and note their concerns and report back to shareholders in the next remuneration report.

Non-executive directors Policy

Non-executive directors are appointed by the shareholders at the AGM. Where a non-executive director holds office for longer than nine years, the independence of that director will be subjected to a review by the Board and a statement to that effect will be included in the integrated report. The remcom shall consider the continuation (or not) in service of any non-executive director who has reached the age of 65. Non-executive directors must retire from the Board by the age of 70. Notwithstanding this

provision, non-executive directors are also subject to retirement by rotation as provided for in the memorandum of incorporation.

Fee structure

Non-executive directors who sit on the Board and all committees are paid on a retainer basis subject to attendance at scheduled 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 extra ordinary 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. For the current year, save for the chairman, no fee increases have been proposed for non-executive directors.

Remuneration report continued

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.

2021 proposal

For 2021, a 0% increase is recommended in respect of all Board and committee fees save for the newly appointed chairman. See details below for non-resident director fees.

Board/committee	Category	2020 fee (R)	2021 proposed fee ¹ (R)
Main Board	Chairperson	1 034 560	²
	Lead independent	477 000	477 000
	Director	340 680	340 680
	Ad hoc meetings ³	29 890	29 890
Remuneration and nomination committee	Chairperson	229 600	229 600
	Member	91 270	91 270
Safety, health and environmental committee	Chairperson	198 220	198 220
	Member	85 650	85 650
Social, ethics and transformation committee	Chairperson	198 220	198 220
	Member	85 650	85 650
Audit and risk committee	Chairperson	303 580	303 580
	Member	170 870	170 870
	Subsidiaries member	92 540	92 540
Investment committee	Chairperson ⁴	12 080	12 080
	Member ⁴	9 220	9 220
Tender risk committee	Member ⁴	11 870	11 870
Ad hoc committee meetings	Member/invitee ⁵	19 400	19 400
Extraordinary services rendered	Per hour fee ⁶	4 770	4 770

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

² Refer to 2021 proposal for non-resident non-executive directors.

³ Per meeting in excess of the four scheduled meetings per year.

⁴ Per meeting attended.

⁵ Directors who are not members of a Board committee are sometimes requested on an ad hoc basis to attend meetings of certain committees. The proposed fee structure as set out above includes a fee payable under these circumstances. The meeting attendance fee to directors who are not members of the relevant committee will only be paid if attendance is based on a formal invitation from the committee chairperson.

⁶ Per hour.

2021 proposal for non-resident chairman

For 2020, a 20% increase is recommended in respect of the non-resident UK-based non-executive director fee as a result of his increased responsibilities on appointment as chairman of the Board.

Category	Fee type	2020 fee (£)	2021 proposed fee ¹ (£)
Non-resident UK-based non-executive director	Composite fee ²	83 040	100 000
	Ad hoc meeting fee ³	2 606	2 606

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.

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 2020 FINANCIAL YEAR

Total guaranteed pay and benefits increases

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

	Average increase percentage
Executive directors/prescribed officers	5
General staff	5

Even though the table above reflects 5% agreed increases, the fact is that the executive directors, prescribed officers and the majority of South African employees took a salary reduction, either as a voluntary reduction or a no work, no pay policy was implemented, as a result of COVID-19. The total salary reduction across the South African operations was R168 million. In the Australian business (McConnell Dowell), all employees earning in excess of AUD200 000 (AUD150 000 in Southeast Asia) took between a 20% and 40% salary reduction which resulted in c.70 staff members taking a combined AUD1 million reduction.

2020 STI outcomes

The table below sets out the performance metrics as disclosed in the prior year report, including the target set as well as the actual performance against target. The only targets that were met were SHE and a threshold performance for strategic. This resulted in a potential bonus payment of 19% of TGP for executive directors.

Aveng Group –

Performance Scorecard	% Payable Per Target Range				Actual June 2020			
Short-term incentive	Weighting %	Threshold 40%	On target 80%	Stretch 100%	Actual performance	% Achieved	Outcome %	Weighted outcome %
EBIT (pre STI+LTI) (R'm)	20	65	76	91	(486)	0	0	0
Work secured (R'm)	15	19 000	21 300	24 000	18 398	0	0	0
OFCF (R'm)	25	709	720	735	(277)	0	0	0
SHE	15	40	80	100	100%	100	100	15
ROCE (post STI+LTI)	15	0.6	(0.2)	(0.6)	(9.40%)	0	0	0
Strategic	10	40	80	100	40%	40	40	4
	100						STI Payable	19

The table below sets out the STI that would have been payable in normal circumstances, however, due to COVID-19 the remuneration on recommendation from the CEO approved no bonus payments.

STI calculated per scorecard versus actual paid:

2020 STI	Calculated STI payable	Actual STI paid
SJ Flanagan	1 564 000	–
AH Macartney	1 052 000	–
Total	2 616 000	–

Remuneration report continued

Long-term incentives

Cash-settled Conditional Share Plan (CSPs)

No awards were made under this plan during the 2020 financial year.

CSP	Number of bonus awards ¹	Number of performance awards ²	Number of retention awards ³	Total awards	CSP issued/CSP adjusted ⁴	Total number of CSP issued to date	Forfeited to date	Vested to date
2017	7	37	4	48	10 149 930	10 149 930		
2018						10 149 930		
2019					7 254 797	17 404 727		
2020						17 404 727	(14 645 409)	(2 759 318)

¹ Deferred portion of 2016 financial year STI award.

² Performance awards are subject to an employment and performance condition. The performance condition for the 2017 award is Aveng's growth in headline earnings per share (HEPS) relative to the JSE construction index J235 (excluding PPC Ltd), as per the approved 2016 remuneration policy. No vesting will occur for performance below threshold and linear vesting will be applied between the threshold and target. A maximum of 100% of the award will vest.

³ Retention awards are subject to an employment condition of three years.

⁴ The number of cash-settled conditional shares were adjusted, as per the rules of the scheme, based on the impact of the 2018 Rights Offer

2018 Long-Term Incentive Plan

In line with the approved remuneration policy, for the 2018 financial period, the bonus shares awarded under the LTIP formed part of the 2017 financial year STI awards. Retention awards and performance awards were made under the 2018 special incentive.

LTIP	Number of bonus awards ¹	Number of performance awards ²	retention awards ³	Total awards	LTIP issued	Total number of LTIP issued to date	Forfeited to date	Vested to date
2018	3	14	14	31	10 254 910	10 254 910		
2019						10 254 910		
2020						10 254 910	(7 201 736)	(104 593)

¹ Deferred portion of 2017 financial year STI award.

² Performance awards are subject to an employment and performance condition. Issued as part of the 2018 Special Incentive Award.

³ Retention awards are subject to an employment condition of three years. Issued as part of the 2018 Special Incentive Award.

2020 Long-Term Incentive Plan

The 2020 LTIP is described in detail in part 2 remuneration policy. Vesting only occurs 75% in year three and 25% in year four and is cash settled. The percentage payable is a multiple of annualised 2020 TGP. Based on the performance targets required to be achieved, it is unlikely at this stage that any payments will be made and therefore no provision has been raised.

Single figure of remuneration

The total remuneration and detail on outstanding and settled long-term incentives for executive directors and prescribed officers for 2020 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 2020

	Salary ¹ R'000	Retirement fund ² R'000	Termination payments ³ R'000	Performance incentive ⁴ R'000	Long-term incentives reflected ⁵ R'000	Total single figure of remun- eration R'000
Executive directors						
EK Diack ⁶	6 047	–	425	–	–	6 472
SJ Flanagan	7 412	–	–	–	–	7 412
AH Macartney	4 798	192	–	–	–	4 990
Total	18 257	192	425	–	–	18 874
Prescribed officers						
JN Govender	4 311	210	–	–	–	4 521
S Cummins (AUD'000) ⁷	1 048	151	–	–	–	1 199

¹ Salary for South African Directors and Prescribed Officers is total fixed earnings inclusive of contributions towards medical aid, admin & risk benefit expenses, accident cover and vehicle benefits, all of which is funded from the Total Guaranteed Package (TGP). In the months of April, May and June, the Executive Directors and Prescribed Officers in South Africa voluntarily took a 30% salary reduction. In Australia, S Cummins took a 40% salary reduction for the months of May and June. Operations were in full lockdown and the principle of "no work, no pay" was applied.

Salary reductions were also applied at McConnell Dowell for Q4 of 2020.

² Retirement fund contributions are also funded from the TGP.

³ Termination payments including leave pay, notice pay and sundry, where applicable.

⁴ Per the actual scorecard performance, the executive directors and prescribed officers were entitled to the following bonuses:

SJ Flanagan = R1,564m; AH Macartney = R1,052m; JN Govender = R748k; S Cummins = AUD196k.

⁵ For 2019, The Cash-Settled Conditional Performance Shares awarded under the CSP on 19 September 2016 with a performance period ending 30 June 2019 did not meet its performance conditions and is therefore zero.

⁶ EK Diack stepped down as Executive Chairman with effect from 30 April 2020.

⁷ S Cummins earnings disclosed in AUD'000. Salary amount includes vehicle benefits allowance.

• HJ Verster resigned 22 September 2017 and his exit arrangements were agreed and included in a settlement agreement signed by the parties at that time. As previously stated, the agreement included a provision for a clawback and was subject to a dispute between the parties. In March 2020, a second settlement agreement was signed by the parties in which HJ Verster was required to refund R5 million to the Company in order to settle the dispute. The full amount has been received by the Company.

2019

	Salary ¹ R'000	Retirement fund ² R'000	Termination payments ³ R'000	Other payments ⁴ R'000	Performance incentive ⁵ R'000	Long-term incentives reflected ⁶ R'000	Total single figure of remun- eration R'000
Executive directors							
EK Diack	7 800	–	–	–	9 802	–	17 602
SJ Flanagan ⁷	3 250	–	–	–	3 627	–	6 877
AH Macartney	4 229	213	–	–	4 287	–	8 729
JJA Mashaba ⁸	676	51	1 447	–	–	–	2 174
Total	15 955	264	1 447	–	17 716	–	35 382
Prescribed officers							
JN Govender ⁹	1 110	71	–	–	–	–	1 181
SPF White ¹⁰	2 452	165	1 654	–	–	–	4 271
Total	3 562	236	1 654	–	–	–	5 452
AUD							
S Cummins (Aus) ¹¹	1 120	161	–	100	–	–	1 381

¹ Salary for South African directors and prescribed officers is total fixed earnings inclusive of contributions towards medical aid, admin and risk benefit expenses, accident cover and vehicle benefits, all of which are funded from the Total Guaranteed Package (TGP).

² Retirement fund contributions are also funded from the TGP.

³ Termination payments including leave pay, notice pay and sundry, where applicable.

⁴ Other payments relating to S Cummins' appointment award. The appointment award was paid in three equal tranches, this being the final tranche.

⁵ Cash incentive payments made in relation to 2019 Performance Incentive Plan.

⁶ For 2019 the cash-settled conditional performance shares awarded under the CSP on 19 September 2016 with a performance period ending 30 June 2019 is not likely to meet its performance conditions and therefore not included in this value.

⁷ SJ Flanagan appointed as Group CEO on 1 February 2019.

⁸ JJA Mashaba resigned on 31 August 2018.

⁹ JN Govender appointed as Moolmans' Managing Director on 1 April 2019.

¹⁰ SPF White resigned on 31 January 2019.

¹¹ S Cummins earnings disclosed in AUD'000. Salary amount includes vehicle benefits allowance.

Remuneration report continued

Schedule of unvested awards and cash flow on settlement

Names		Lasting Vesting Date	Grant Price	Opening number on 1 July 2019	Adjustment relating to Rights Offer	Granted during 2019	Forfeited/ Renounced during 2018
EXECUTIVE DIRECTORS							
AH Macartney							
FSP – with performance conditions	Sep 2015	Sep 2018		391 000	0	0	(391 000)
Cash-CSP: Bonus Shares	Aug 2016	Aug 2019		32 749	21 534	0	0
Cash-CSP: Performance Shares	Sep 2016	Sep 2019		400 000	526 026	0	0
LTIP: Bonus Shares	Dec 2017	Dec 2020		126 373		0	(42 124)
LTIP: Performance Shares (2018 Special Incentive Award)	Dec 2017	Dec 2020		840 011		0	0
LTIP: Retention Shares (2018 Special Incentive Award)	Dec 2017	Dec 2020		441 006		0	0

Total

¹ Value of receipts includes the cash equivalent of shares vested during the year.

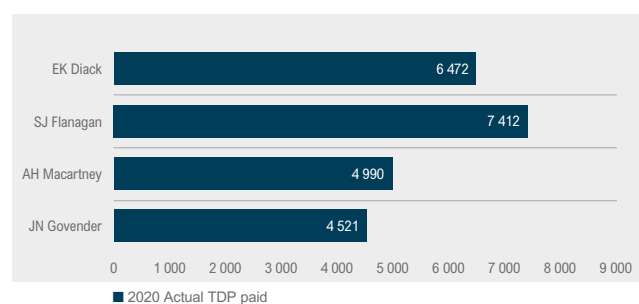
² The fair value of Bonus Shares and Retention Shares were shown using the 10-day VWAP as at each year-end. The fair value of all Performance Shares is shown as zero as the performance conditions linked to these awards are unlikely to be met / have not been met.

³ The Cash-Settled Conditional Shares: The Performance Condition for the awards was not satisfied, and in terms of the rules of the scheme, the Shares were automatically forfeited.

Total remuneration outcomes

The total remuneration outcomes in 2020 for the executive directors and prescribed officers are shown below:

Remuneration outcomes (R'000)



Vested/ exercised during 2019	Closing number on 30 June 2019	Value of receipts 2019 ¹	Estimated closing fair value on 30 June 2019 ²	Granted during 2020	Forfeited/ renounced during 2020 ³	Vested. exercised during 2020	Closing number on 30 June 2020	Value of receipts 2020 ¹	Estimated closing fair value on 30 June 2020 ²
0	0	R0	R0	0	0	0	0	R0	R0
(16 374)	37 909	R1 146	R758	0	0	(37 909)	0	R758	R0
0	926 026	R0	R0	0	(926 026)	0	0	R0	R0
0	84 249	R0	R1 685	0	(42 124)	0	42 125	R0	R1 264
0	840 011	R0	R0	0	0	0	840 011	R0	R0
0	441 006	R0	R8 820	0	0	0	441 006	R0	R13 230
		R1 146	R11 263					R758	R14 494

Remuneration report continued

Non-executive director fees	Directors' fees R'000	Chairman fees R'000	Committee fees R'000	Total ¹ R'000
2020				
MA Hermanus	512	321	251	1 084
MJ Kilbride	389	166	460	1 015
B Modise ²	309		155	464
EK Diack ³	265		14	279
Total	1 475	487	880	2 842
PA Hourquebie (£) ^{4, 5}	83	–	13	96

¹ The non-executive directors undertook to have a 30% reduction in their fees for April, May and June 2020, totalling R773 000.

² B Modise appointed as non-executive director on 1 November 2019.

³ EK Diack stepped down as executive chairman with effect from 30 April 2020 and continued as non-executive chairman until he retired from the Board on 12 June 2020.

⁴ PA Hourquebie's fees disclosed in British Pounds (£).

⁵ PA Hourquebie appointed as non-executive chairman on 17 June 2020.

Non-executive director fees	Directors' fees R'000	Chairman fees R'000	Committee fees R'000	Other fees ¹ R'000	Total R'000
2019					
MA Hermanus ²	499	374	170	–	1 043
MJ Kilbride	462	162	723	126	1 473
K Mzondeki ³	338	108	241	–	687
SJ Flanagan ⁴	274	–	616	4 151	5 041
Total	1 573	644	1 750	4 277	8 244
PA Hourquebie (£) ⁵	94	–	36	6	136

¹ Other fees relate to attendance at subsidiary Board meetings and extraordinary services rendered by SJ Flanagan for his role as the chief restructuring officer of Grinaker LTA.

² MA Hermanus appointed as lead independent director 24 December 2018.

³ K Mzondeki resigned on 21 December 2018.

⁴ SJ Flanagan appointed Group CEO on 1 February 2019.

⁵ PA Hourquebie's fees 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' analysis

as at 26 June 2020

Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	1 979	22,05	611 577	0,00
1 001 – 10 000 shares	1 809	20,15	8 027 312	0,04
10 001 – 100 000 shares	2 364	26,34	102 184 662	0,53
100 001 – 1 000 000 shares	2 004	22,33	751 621 638	3,88
1 000 001 shares and above	820	9,14	18 532 053 031	95,55
Total	8 976	100,00	19 394 498 560	100,00

Beneficial shareholder categories

Category	Total shareholding	% of issued capital
Private investor	5 660 515 174	29,19
Hedge funds	3 931 365 387	20,27
Unit trusts/mutual fund	3 804 786 546	19,62
Trading position	3 244 149 312	16,73
Pension funds	928 439 091	4,79
Corporate holding	265 001 000	1,37
Foreign government	111 975 137	0,58
University	68 394 212	0,35
Custodians	40 276 495	0,21
Insurance companies	20 768 596	0,11
ESOP LTIP	18 046 763	0,09
Investment trust	13 000 000	0,07
Black economic empowerment	8 586 593	0,04
Employees	6 018 386	0,03
Exchange-traded fund	5 700 000	0,03
Charity	5 539 788	0,03
Remainder	1 261 935 740	6,51
Total	19 394 498 560	100,00

Public and non-public shareholdings

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	5	0,06	34 097 077	0,18
Directors	1	0,01	129 999	0,00
Aveng Limited Share Purchase Trust	1	0,01	6 018 386	0,03
Aveng Management Company Proprietary Limited	1	0,01	788 684	0,00
Aveng LTIP	1	0,01	18 046 763	0,09
Aveng LTIP	1	0,01	526 652	0,00
Community Investment Trust	1	0,01	8 586 593	0,04
Public shareholders	8 971	99,94	19 360 401 143	99,82
Total	8 976	100,00	19 394 498 560	100,00

Beneficial shareholders holding more than 3%

Beneficial shareholdings	Total shareholding	% of issued capital
1992 Tactical Credit Fund	3 698 756 984	19,07
ATON GmbH	1 359 584 404	7,01
Allan Gray Balanced Fund	969 530 966	5,00
Corolife Managed Portfolio Suplaf	672 967 783	3,47
Total	6 700 840 137	34,55

Shareholders' analysis continued

as at 26 June 2020

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

Investment manager	Total shareholding	%
Highbridge Capital Management LLC	3 698 756 984	19,07
Coronation Asset Management Proprietary Limited	2 663 691 702	13,73
ATON GmbH	1 359 584 404	7,01
Allan Gray Proprietary Limited	969 530 966	5,00
Ninety One Plc	634 076 028	3,27
Personal Trust International	629 530 200	3,27
Total	9 955 170 284	48,08

Geographic split of investment managers and Company-related holdings

Region	Total shareholding	% of issued capital
South Africa	12 776 665 444	65,88
United States of America and Canada	3 728 292 109	19,22
United Kingdom	765 513 820	3,95
Rest of Europe	1 391 406 273	7,17
Rest of the world ¹	732 620 574	3,78
Total	19 394 498 560	100,00

¹ Represents all shareholdings except those in the above regions.

Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	12 889 331 932	66,46
United States of America and Canada	3 728 292 109	19,22
United Kingdom	765 513 820	3,95
Rest of Europe	1 391 406 273	7,17
Rest of the world	619 954 086	3,20
Total	19 394 498 560	100,00

Shareholders' diary

Financial year end
Annual general meeting

30 June
20 January 2021

Publication of results

– Half year ended 31 December 2020
– Year ended 30 June 2021

23 February 2021
24 August 2021

About this report

Our 2020 integrated report provides information to our shareholders and other stakeholders about the performance, governance, material risks and opportunities, strategy and future prospects of Aveng.

Scope and boundary

This report covers the performance of the Group's operations across the geographies it operated in during the financial period 1 July 2019 to 30 June 2020. Relevant developments between 1 July 2019 and the date of publication are included. We endeavour to report on matters that influence our ability to create value, including information about the effect of our business activities on our stakeholders.

Our reporting process is guided by the principles and requirements of the International Integrated Reporting <IR> Framework, King IV, the Companies Act 71 of 2008 (as amended) (Companies Act), the Listings Requirements of the JSE Limited (JSE), the International Financial Reporting Standards (IFRS), the Aveng safety, health and environment and human resource policies and frameworks, the Global Reporting Initiative (GRI), the Greenhouse Gas (GHG) protocol, the BBBEE codes of good practice and the Construction Sector Charter.

Reporting approach

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

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

Materiality and strategy report, pages 16 to 21.

Assurance and comparability

Feedback

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

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

The summarised audited consolidated financial statements are extracted from the audited consolidated financial statements, prepared in accordance with IFRS, the Companies Act and the JSE Listings Requirements, and independently audited by Ernst & Young Inc.

Pursuant to the Group's commitment to transparency and effective communication, Aveng has provided disclosures in this report and the sustainability report on the website in line with best practice and internationally accepted standards, where possible. Certain sustainability information has been correctly extracted from the online sustainability report.

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

Aveng's combined risk management assurance model is encapsulated in its "three lines of defence" approach and is continuously improved, as reported on page 16. ▀

2020 suite of reports

The integrated report should be read in conjunction with:

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



Stay informed

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

Board responsibility and approval

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

The integrated report was approved by the Board on 11 December 2020 and signed on its behalf by:

PA Hourquebie
Independent non-executive chair

SJ Flanagan
Group chief executive officer

AH Macartney
Group financial director

Corporate information

Directors

PA Hourquebie^{**} (Chairman), SJ Flanagan (Group CEO),
MA Hermanus (Lead independent director)^{**},
MJ Kilbride^{**}, Bridgette Modise^{**}, AH Macartney (Group FD)

*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 000111829

Website

www.aveng.co.za

Auditor

Ernst & Young Inc
Registration number: 2005/002308/21
102 Rivonia Road
Sandton, Johannesburg, 2196
Private Bag X14
Northlands, 2146
South Africa
Telephone +27 (0) 11 772 3000
Telefax +27 (0) 11 772 4000

Principal bankers

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

Corporate legal advisers

Baker & McKenzie
Pinsent Masons

Sponsor

UBS South Africa Proprietary Limited
Registration number: 1995/011140/07
64 Wierda Road East
Wierda Valley, Sandton 2196
PO Box 652863
Benmore, 2010
South Africa
Telephone +27 (0) 11 322 7000
Facsimile +27 (0) 11 322 7380

Registrars

Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue
Rosebank 2196, South Africa
PO Box 61051
Marshalltown, 2107
South Africa
Telephone +27 (0) 11 370 5000
Telefax +27 (0) 11 688 5200

Forward looking statements

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

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



www.aveng.co.za

