Stefanutti Stocks

2022

INTEGRATED ANNUAL REPORT

CONTENTS

COVID-19 RESPONSE

CONTINUATION OF OPERATIONS DURING ALERT LEVELS 4, AND ADJUSTED LEVELS 2 AND 1

Subsequent to the hard lockdown level 5, the South African Government eased restrictions upon implementation of levels 3 to 2.

The organisation experienced a seamless transition during the return-to-work process, subsequent to the hard lockdown. As numerous projects were registered with the Companies and Intellectual Properties Commission (CIPC) and classified as essential services to the national power grid, a more relaxed approach was adopted specifically pertaining to permits no longer required, and onboarding of additional staff where required.

Operations continued throughout the year under review with the same stringent procedures and processes implemented in the prior year, with time and transport availed by the organisation, for employees inclined to participate in the government vaccination programme.

COVID-19 vaccine awareness campaigns were appropriated from government websites and made conspicuous on all projects. Toolbox talks and leadership engagement (LE) took place, to educate employees on all matters surrounding vaccination.

The declaration of the end of the national state of disaster by the South African President on 4 April 2022 had no significant impact on the group as all sites were fully operational.

DELEGATION OF TASK TEAM

A task team (COVID-19 Committee) was formed before the formal lockdown, with the Chief Executive Officer (CEO) heading up the committee to ensure effectiveness and successful implementation of measures.

The committee worked on identifying legal and other requirements, including international best practice measures to develop a COVID-19 response action programme and a system to manage and monitor the process.

COMPLIANCE MEASURES

Although government regulations were amended the task team continued to review and revise the existing measures implemented upon the onset of the level 5 lockdown. Measures were not relaxed from a company perspective, which proved to be prudent, as the country returned to the stringent restrictions, again imposed upon implementation of level 4 in June 2021. The group projects were well prepared for this transition through the ongoing identification, development, and implementation of improved measures to ensure preparedness to return to work.

Some of the measures are:

- COVID-19 risk assessments conducted in high risk areas were reviewed on an ongoing basis to quantify the multi-level risk and effectiveness of associated control measures.
- A COVID-19 policy was formalised, in March 2020, as a declaration of intent by the CEO. The policy was reviewed and re-communicated in the current year.
- COVID-19 operating procedures for sites, plant-yards and offices were drawn up, adopted, and re-communicated.
- COVID-19 inductions are carried out at the offices, sites, and plant-yards to ensure all employees and sub-contractors receive the required information and training.
- COVID-19 daily screening processes continue across all operations.
- COVID-19 reporting, investigation, and monitoring system on Systems at Stefanutti Stocks (S@S).
- Weekly COVID-19 awareness training campaigns.
- COVID-19 audits, assessments, and inspections on all operations.
- COVID-19 vaccine accessibility — accommodating employees with time allowance and transportation to vaccine sites to encourage vaccinations.
- COVID-19 vaccination tracking software for statistical reporting purposes.
- COVID-19 vaccination awareness and training as published on the Department of Health website.
- COVID-19 PCR and rapid results testing coordinated by the group's health care service provider to ensure ease of booking and allocation of funds provided by the relevant sites.

PERSONAL PROTECTIVE EQUIPMENT

The group continues to provide all employees with the required face masks and task-associated personal protective equipment (PPE) as determined through the hazard identification and risk assessment process.

Information, training and instruction are given to all employees on the limitations, correct usage and application of PPE. At the entry points of all operations, mandatory PPE signage is displayed with emphasis on COVID-19. COVID-19 PPE waste bins are provided throughout all operations and are disposed of through licensed hazardous and medical waste removers. No PPE is shared between employees.

RETURN TO OPERATION

On returning to work, all sites and operations' task teams ensured the provision of sufficient sanitiser, soap, PPE, and facilities (social distancing demarcation, etc.) before any employees were permitted to return on-site.

All required measures and systems were implemented, assessed and monitored in relation to COVID-19.

IMPLEMENTATION AND MONITORING

Continuous improvements are performed on current systems and measures to cater for continual amendments of COVID regulations. Periodical audits, assessments and inspections are conducted to ensure compliance and effective implementation of the requirements.

ABOUT THIS REPORT

SCOPE AND BOUNDARY

The integrated annual report for 2022 comprises the operations of Stefanutti Stocks Holdings Limited and its subsidiaries, joint operations and equity-accounted investees (the company, the group, or Stefanutti Stocks).

This report is primarily intended to address the information requirements of investors (the group's equity shareholders and prospective investors). Stefanutti Stocks also presents information relevant to the way it creates value for customers, employees and other key stakeholders.

The information in this report covers the financial and non-financial performance of the company for the year ended 28 February 2022, and where it is relevant to include information post year-end, this has been incorporated and noted. In assessing the risks, opportunities and outcomes that materially impact the group's ability to create value for its stakeholders, the boundary has been extended beyond the financial reporting boundary to include the material interests attributable to or associated with key stakeholders.

Stefanutti Stocks endeavours to achieve a high standard in all disclosures in this report and to provide meaningful, accurate, complete, transparent and balanced information to stakeholders. The board and board committees were actively involved in the disclosures made in this report.

This report was prepared in accordance with the requirements of the South African Companies Act, No. 71 of 2008, as amended (the Companies Act), the Listings Requirements of the JSE Limited (JSE), the principles of the King IV Report on Corporate Governance™ (King IV) (copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved) for South Africa 2016, the International Integrated Annual Reporting Council's International <IR> Framework, the International Financial Reporting Standards (IFRS), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, as well as the company's Memorandum of Incorporation (MOI).

The Stefanutti Stocks Integrated Annual Report contains a summary extract of the annual financial statements. The 2022 financial statements have been prepared under the supervision of the Chief Financial Officer (CFO), Yolanda du Plessis, and have been audited by Mazars, the group's external auditors. The integrated annual report, as well as the comprehensive annual financial statements, sustainability report and investor presentations for the year ended 28 February 2022, are available on the company's website.

The requirement for sustainability assurance is considered annually and is at this stage not deemed necessary by the relevant board committees. This report contains the most material issues of concern to all the company's stakeholders. For additional information visit the company's website: **www.stefanuttistocks.com.**

MATERIALITY

Materiality is determined taking into account the International <IR> Framework, King IV principles and internal policies. The group defines material issues as those matters having the potential to affect its strategy, business model, sustainability or one or more of the capitals (as further described on pages 6 and 7) over the short, medium and long term taking into account the likelihood and consequence of the matters.

FORWARD-LOOKING STATEMENTS

The statements made within this integrated annual report may contain forward-looking information including statements regarding the company's intent, belief or current expectations with respect to Stefanutti Stocks's businesses and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices.

Investors/shareholders are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are based on Stefanutti Stocks's current expectations and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. These statements are based on a number of assumptions that are subject to change. The integrated annual report includes only matters up to the date of this report and the period reported on. Stefanutti Stocks disclaims any duty to update the information herein.

BOARD RESPONSIBILITY STATEMENT

The board of directors acknowledges its responsibility to ensure the integrity of the integrated annual report. The board has accordingly applied its mind, collectively and individually, to the integrated annual report and, in its opinion, the integrated annual report addresses all material issues, and fairly presents the integrated performance of the organisation and its impacts. The integrated annual report has been prepared taking into account the recommendations of King IV. The board authorised the integrated annual report for release on 13 June 2022.

Zanele Matlala
Chairman of the board

Russell Crawford
Chief Executive Officer

13 June 2022

PREPARATION OF FINANCIAL STATEMENTS

The financial statements, available on the group's website **www.stefanuttistocks.com** as well as the extract from the financial statements contained in this integrated annual report, have been prepared under the supervision of the CFO, Yolanda du Plessis, CA(SA). The extract of financial statements has been audited in compliance with the applicable requirements of the Companies Act No. 71 of 2008 as amended.

Yolanda du Plessis
Chief Financial Officer

13 June 2022

CEO AND CFO RESPONSIBILITY STATEMENT ON INTERNAL FINANCIAL CONTROLS

After due, careful and proper consideration, the directors, whose names are stated below, hereby confirm that:

- the separate and group consolidated annual financial statements, which can be found on the website, fairly present in all material respects the financial position, financial performance and cash flows of the company in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the company and its subsidiaries have been provided to effectively prepare the financial statements; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled their role and function within the combined assurance model pursuant to Principle 15 of King IV.

Where the CEO and CFO are not satisfied, they have disclosed to the Audit Committee and the external auditors, the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involve directors, and have taken the necessary remedial action.

Russell Crawford
Chief Executive Officer

Yolanda du Plessis
Chief Financial Officer

13 June 2022

COMPLIANCE WITH COMPANIES ACT AND MOI

Stefanutti Stocks is in compliance with the provisions of the Companies Act, or relevant laws of establishment, specifically relating to its incorporation and is operating in conformity with its MOI.

CERTIFICATE BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act No 71 of 2008 as amended, I certify that, to the best of my knowledge and belief, Stefanutti Stocks Holdings Limited has, in respect of the financial year ended 28 February 2022, lodged with the Companies and Intellectual Property Commission all returns and notices required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

William Somerville
Company Secretary

13 June 2022

INDEPENDENT AUDITOR'S REPORT

The unmodified independent auditor's report, which includes an emphasis of matter, can be found on page 11 of the consolidated annual financial statements on the company's website **www.stefanuttistocks.com**

S Vorster is the individual audit partner responsible for the audit.

COMPANY PROFILE

The group offers **highly diversified services** across a **wide spectrum of engineering and construction disciplines.**

Stefanutti Stocks is **one of South Africa's leading engineering and construction groups**, and is listed on the JSE Main Board in the "Construction and Materials — Construction" sector.

VISION

if **you** can dream it,
we **can construct it**

MISSION

excellence
in **execution**

The group operates throughout South Africa and Southern Africa with multi-disciplinary expertise including concrete structures, marine construction, piling, geotechnical services, roads and earthworks, bulk pipelines, materials handling, tailings management, all forms of building works, including affordable housing, mechanical, electrical and piping (MEP).

Stefanutti Stocks is registered with the Construction Industry Development Board (CIDB) as a Category 9 Contractor, with no restrictions on the size of projects for which the group can tender. The group is ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certified.

The group's operational footprint on the African continent spans South Africa and sub-Saharan Africa, including Botswana, Eswatini, Malawi, Mozambique, Zambia and Zimbabwe in both the private and public sectors.

Clients include governments, state-owned companies, local authorities, large industrial entities, mining corporations, financial institutions and property developers.

The group employs a global workforce of 5 611 with 3 080 South African employees, with its head office based in Kempton Park, Gauteng.

The group has a values-driven culture with which it creates sustainable partnerships with all stakeholders.

The above is achieved by setting and meeting measurable key objectives to support sustainable earnings growth and, at the same time, maintaining a sound financial position while implementing key non-financial objectives to support Stefanutti Stocks's strategy.

CIDB contractor

CATEGORY 9

B-BBEE contributor

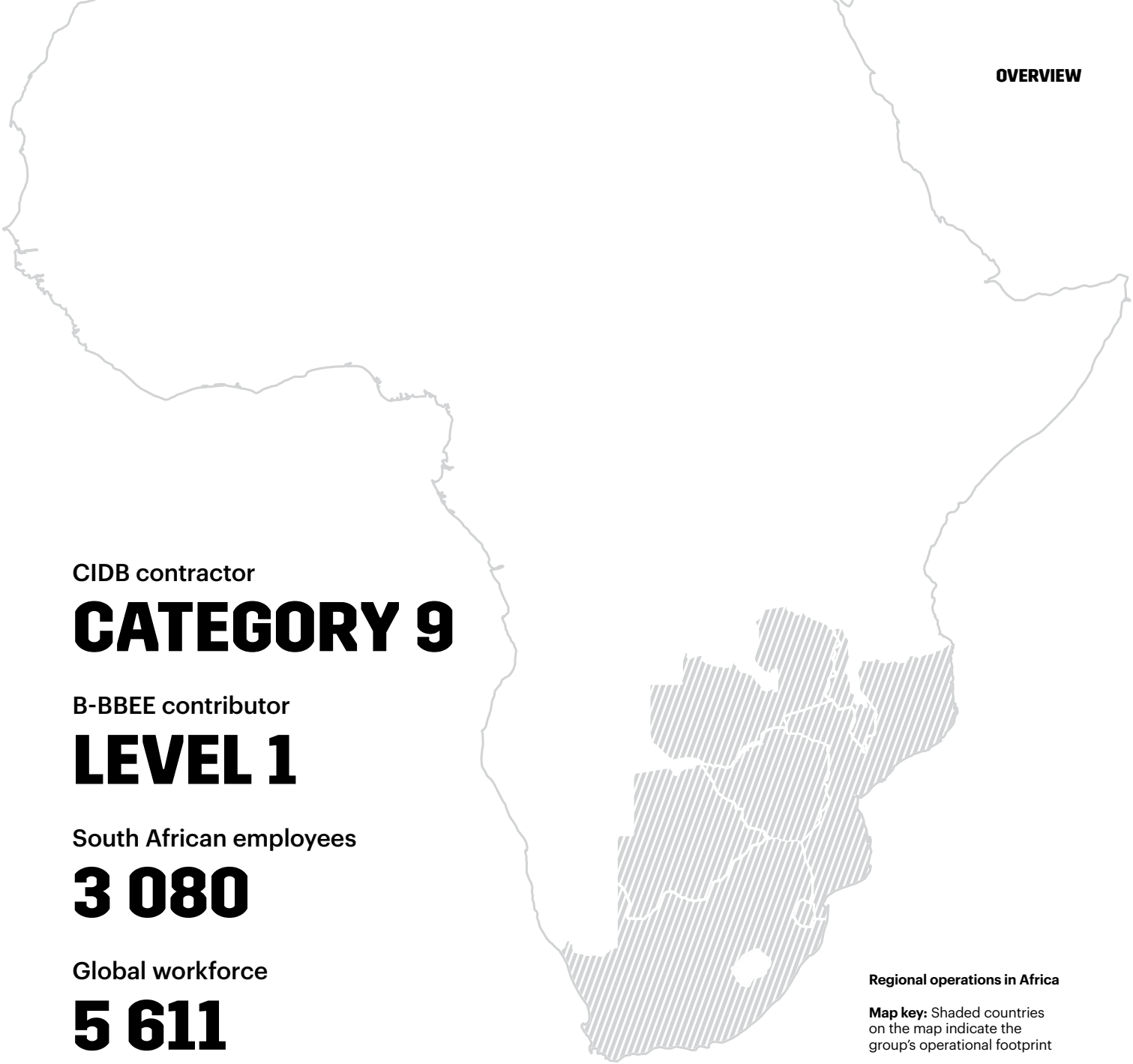
LEVEL 1

South African employees

3 080

Global workforce

5 611



Regional operations in Africa

Map key: Shaded countries on the map indicate the group's operational footprint

VALUES

Candour
Frank and respectful discussions with the objective of finding positive outcomes.

Accountability
Taking personal responsibility for one's actions and the resultant outcomes.

People relations
The value, which results in people treating one another fairly and with respect, and always being mindful of the human dignity of others.

Professionalism
The application of a competent, disciplined and meticulous approach to all aspects of business, resulting in performance of high quality and reliability.

Excellence
A passionate mindset that puts quality at the forefront of all business activity.

Dynamic
Embracing openness and flexibility of mind and an energetic, proactive solution-driven attitude.

BUSINESS MODEL

The business model demonstrates how the group creates sustainable value for its stakeholders by transforming inputs, through business activities, into outputs and outcomes. Operations follow a continuous process of procuring new work, executing it with excellence, and managing the resources that are required within the process. A wide range of service offerings support the company's strategy as it operates within the physical, political and social environments. In addition, various material issues are identified as the group endeavours to implement its business model, and these are set out on page 10 of this report.

CAPITALS	INPUTS
HUMAN Employees, human resource practices, trends	— 5 611 employed by the group — Board of directors — Executive Committee — Social and Ethics Committee — Founder's Mentality — OHSE Forum and HR Forum
SOCIAL AND RELATIONSHIP Relationships with and between employees, communities and other stakeholders	— Emerging contractor development in the VRP — R0,87 million invested in SED initiatives — HR Forum
NATURAL Any stock or flow of energy and material that produces goods and services	— Environmental Forum — Plant initiatives reducing diesel and oil usage — Improved biodiversity management
FINANCIAL Representative of natural, human, social or manufactured capital such as shares, bonds or banknotes	— R6,0 billion revenue — R466 million property, plant and equipment — R738 million work in progress
MANUFACTURED Material goods and infrastructure owned, leased or controlled by the group that contribute to production	— Four operating regions and MEP — R18 million capital expenditure — R5,2 billion group order book as at 28 February 2022
INTELLECTUAL Value of the company's employee knowledge, skills and proprietary information that can provide a competitive advantage	— Multidisciplinary expertise — Leading company operating across South Africa and sub-Saharan Africa — Risk monitoring through risk registers — Internally developed operating ICT system — Brand — CIDB Category 9 Contractor — R8 million invested in training

BUSINESS ACTIVITIES

STRATEGY
Delivering products and services to clients in various regions, while remaining within acceptable risk levels.

PROCUREMENT
Established track record based on technical expertise and market knowledge enhancing reputation.

EXECUTION INPUTS
Innovative projects utilising the right people, knowledge and expertise, quality services and materials, keeping safety first.

MANAGEMENT FOCUS
Effectively managing risk, ensuring compliance and remaining within budget.

FOUNDATIONAL VALUES SYSTEM

The group's business model is underpinned by its robust values system, which is collectively known as **CAPPED: Candour, Accountability, People relations, Professionalism, Excellence, Dynamic.**

OUTPUTS	OUTCOMES	STAKEHOLDERS IMPACTED
— Governance structures adhere to King IV — Employee benefits include retirement, funeral cover, children's educational cover and medical aid — Remuneration policy with long-term incentives for key staff — Various initiatives address skills development and training	— R1,3 billion paid to employees — Good corporate governance practices — Key staff retention — Engaged and energised staff — 2 786 employees are deemed PDIs	— Employees — Communities — Clients — Suppliers — ED partners — VRP partners — Industry and government regulators — Trade unions — The JSE — Shareholders — Investors — Financiers — Analysts — Lenders
— B-BBEE initiatives — Dedicated mentorship and support of emerging contractors — Donating time, skills and materials to support educational facilities	— B-BBEE Level 1 Contributor status — Transformed construction industry and job creation — Economic growth for communities — 0,03 LTIFR — 0,28 RCR — 58 bursary beneficiaries	
— Environmental framework — Environmental initiatives	— No major reportable environmental incidents — ISO 14001 certifications — Reduced environmental impact — Water conservation	
— R409 million cash on hand — R253 million cash consumed by operations	— R6 billion contract revenue — R18 million capital expenditure — R4,6 billion total assets — Interest-bearing debt decreased	
— Enhancing and maintaining operating capacity	— CIDB Category 9 Contractor rating	
— R5,2 billion group order book as at 28 February 2022 — Combined assurance framework to effectively manage risks facing the business — Operational efficiency	— Sustainable performance — Investor confidence — Stable and reliable systems and processes	

STAKEHOLDER ENGAGEMENT

EMPLOYEES

Essential feedback is provided throughout the business through interaction with the group's employees. Management implements various formal and informal methods with which to meaningfully engage with employees.

Employee engagement takes place as part of the full employment cycle. After recruitment, the next engagement occurs at monthly group induction sessions. These provide new recruits with a broad understanding of the group, its internal organisational structure and basic policies and procedures, and act as an introductory discussion when selecting a benefit fund best suited to the employee.

During scheduled, one-on-one employee sessions, employees discuss matters including personal development and training, performance and career path progression. The outcomes of these engagements help guide the succession and training plans of the group.

The group's formal structures of employee engagement and communication include functional forums, consisting of business representatives and subject matter experts with the knowledge and experience to align the group's internal functions with its business strategy and standard policies and procedures. Similar forums exist on a smaller scale within each region and discipline.

Leadership engagement (LE) and visible felt leadership (VFL) demonstrate the company's progressive approach towards health and safety. The group promotes greater personal involvement, acceptance and responsibility from employees, which is a shift from the previous approach of compliance and hard-lined management control.

These initiatives provide two-way communication opportunities allowing employees to contribute to problem solving, while also creating a better understanding of highlighted concerns.

The group conducted an employee survey with focus areas including employee satisfaction with the company, their jobs, colleagues and communication, among others.

Employees who leave the group are encouraged to attend an exit interview and, where necessary, further engagement opportunities are arranged to address issues raised.

LOCAL COMMUNITIES

Local communities play a vital role to ensure successful project delivery. Upfront engagement with the community determine the success or failure of a project. It creates a better understanding of community expectations, while creating a sense of ownership and transparency by considering local communities in the decision-making and procurement processes.

Community Liaison Officers (CLOs) are employed by the group, and their primary role includes communicating daily with local community leaders, assist with recruitment requirements and act as community spokespersons. The communities have intimate knowledge and a unique relationship with their respective environments and in many instances, CLOs create a platform whereby stakeholders can table concerns and queries.

Members of communities that have been properly engaged do become some of the company's greatest brand ambassadors. They help to promote the group's interests, opening the way for new work opportunities, additional work or consideration for future work.

TRADE UNIONS

The group recognises trade unions in line with the 1996 Constitution of South Africa, which provides for the right to join trade unions, and for the unions right to collective bargain and strike. This is also in line with the Labour Relations Act which established the working framework for both employees and employers.

773 (2021:1 315) employees belong to trade unions, which represents 36% (2021:43%) of the total scheduled workforce. Scheduled refers to those employees who are covered by industry- specific bargaining council agreements such as metal and engineering, civil engineering and building industry bargaining councils.

A total of five (2021: seven) trade unions operate within Stefanutti Stocks with stop order facilities in place.

Some of these unions represent the majority of employees within certain disciplines which entitles them to certain organisational rights.

CLIENTS

The continued effects of COVID-19 have demonstrated the importance of having a good relationship with existing clients. Maintaining these relationships has proved to be one of the anchors of the business.

The group upholds its commitment to conducting customer satisfaction surveys to formally engage with clients with the view to continually improve its service offering. This practice has been centralised throughout the group to ensure consistency and standardisation. An analysis of the survey results is monitored at discipline, regional and group levels. Where further intervention is required, a "champion" is delegated to implement.

The group believes that providing a multidisciplinary offering for clients is the correct and competitive approach. In this regard, the group's various disciplines are yielding positive results and clients are benefiting.

SUPPLIERS

The group's suppliers and vendors are important stakeholders, and efforts are focused on enhancing and developing these key relationships.

Open channels of communication and engagement are continually promoted between the group and its suppliers. Open and honest feedback from employees and suppliers are encouraged, which enhances and streamlines interaction between the company, its staff and suppliers.

ENTERPRISE DEVELOPMENT PARTNERS

Stefanutti Stocks appreciates the importance of enterprise development (ED). The group ED strategy is to establish and maintain solid working relationships with capable black-owned companies, which are suppliers and contractors. The aim is to develop them in a measurable and meaningful way, and to guide their future sustainability, while enabling them to execute and deliver larger, more challenging projects.

The regional management teams identify and select the ED partner beneficiaries to synergise with group operations.

VRP PARTNERS

The Voluntary Rebuild Programme (VRP) seeks to develop black-owned emerging enterprises into meaningful competitors within the construction sector in a sustainable manner.

The group is in the process of signing a new VRP partner. The new partner would be a beneficiary until the end of the programme in 2024.

THE JSE, INDUSTRY BODIES AND GOVERNMENT REGULATORS

Compliance with the JSE Listings Requirements and the Companies Act continues to be a focus area and is monitored by the company secretarial and finance functions. These functions also monitor the application of King IV with oversight by the various board committees.

SHAREHOLDERS AND INVESTORS

The group's primary method of interaction with its various shareholders and investors are via announcements released on the Stock Exchange News Service (SENS) of the JSE. These communications inform stakeholders of financial results as well as other matters affecting the financial or regulatory matters pertaining to the group. Additional forms of communication are via the circulation of financial year-end and interim results and reports, group presentations and region specific site visits and meetings.

The executive directors also provide presentations on the group's performance and strategic progress to employees, the media, institutional investors and financial analysts.

General company information via presentations, corporate actions and financial results, as well as information concerning its management, history, operations and various other matters of interest, is made available on the group's website.

LENDERS

The group's Restructuring Implementation Team, which is headed by the Chief Restructuring Officer (CRO), continues to advise on and assist with the development and implementation of a detailed turnaround programme for the group.

At the monthly Restructuring Implementation Team meetings, the group engages with the Lenders, and the following is discussed:

- performance against the Restructuring Implementation Plan;
- cash flows;
- trading results;
- future prospects; and
- other issues relating to the sustainability of the group.

The group envisages this process to continue until the 2023 financial year-end.

MATERIAL ISSUES

The group regularly evaluates its material issues regarding emerging and developing risks as well as legislative and regulatory requirements. Issues that are defined as material are categorised according to the effects they may have on the group's strategic operations.

The process of defining the group's material issues is assisted by stakeholder engagement and conducted through formal and informal channels. The group's material issues are set out in the table below, along with the stakeholders they affect and how they are addressed.

Material issues	Stakeholders impacted	Response to issue
GOVERNANCE AND LEADERSHIP Ensuring that adequate governance is in place throughout the group	— Analysts — Clients — Employees — Investors — Shareholders — Trade unions	— The company has board-appointed committees, namely the ARCO, S&E, REMCO and NOMCO. — The group is committed to adhering to the King IV principles. — The codes of conduct and ethics are applied throughout the group. The B-BBEE codes are applied across South African businesses. — A leadership pipeline has been identified to ensure proper succession exists.
GOING CONCERN, SOLVENCY AND LIQUIDITY Ensuring that the group is able to continue as a sustainable business	— Analysts — Clients — Employees — Financiers — Investors — Lenders — Shareholders — Suppliers	The EXCO, ARCO and the board attend to the matters below: — Monitor the group's going concern, solvency and liquidity, specifically given the liquidity shortage experienced by the group during the past two financial years. — Review funding required for the future sustainability of the group. — Consider and review material contracts, outstanding debtors, the recovery of such debts. — Consider and review possible impairments. — Ensure achievement of the Restructuring Plan.
EARNINGS GROWTH Ensuring sustainable growth in earnings for the group's stakeholders	— Analysts — Clients — Employees — Financiers — Investors — Lenders — Shareholders — Suppliers	— The EXCO tracks operational performance against business plan objectives, budgets and financial targets. Corrective action is taken in the event of non-performance by any region or discipline. — Regional operations ensure that contracts are tendered for at the right margins and controls are in place to monitor and measure performance against those margins.
HUMAN CAPITAL Attracting (with appropriate benefits and opportunities), retaining (by recognition, development and career prospects), developing and motivating employees to their full potential. Ensuring adequate succession planning is in place	— Analysts — Clients — Communities — Employees — Investors — Shareholders — Trade unions	— The Human Resources function assesses capacity requirements, employment and development of skills, the B-BBEE scorecard, compensation and benefits and the group's corporate culture. — A leadership pipeline has been identified to ensure succession exists. — Legislative compliance. — Human capital risk assessments have been conducted and mitigation has been identified.
OPERATIONAL Operational issues associated with securing tenders, assets, credit, fraud and reputation	— Analysts — Clients — Communities — Employees — Investors — Shareholders — Suppliers — Trade unions	— Key performance areas are closely monitored by way of controls and measures that are applied. — Comprehensive ICT systems oversee all areas of the business. — Training is provided on an ongoing basis. — Comprehensive tender completion approval process. — Fraud tip-off line is operational.
HEALTH, SAFETY AND ENVIRONMENT Ensuring that the group provides a healthy and safe environment for its employees and subcontractors, while considering the environmental impact of the group's operations	— Analysts — Clients — Communities — Employees — Investors — Shareholders — Trade unions	— A group Health, Safety and Environment Framework has been implemented. — Health and safety training is continuously provided. — On-site rehabilitation of the environment is undertaken to the best of the group's abilities. — The use of energy-saving products and fuel optimisation is applied. Recycling of resources is undertaken where possible. — Continuous improvements are performed on current systems and measures to cater for continual amendments of COVID regulations. Periodical audits, assessments and inspections are conducted to ensure compliance and effective implementation of the requirements, which include vaccination drives, work from home arrangements, social distancing, provision of hand sanitisers in all buildings and an extensive awareness campaign.
ANTI-COMPETITIVE BEHAVIOUR Ensuring that monitoring of compliance with the Competition Act is ongoing	— All stakeholders	— Annual and regular training sessions and awareness programmes are provided to employees in respect of the Competition Act and ethical behaviour.

RISK MANAGEMENT

The board is responsible for the governance, management and monitoring of risk, and is assisted in these matters by the Audit, Governance and Risk Committee (ARCO). The process includes determining the company's risk appetite and tolerance levels, as well as the approval of the risk strategy, policy and framework.

In managing risk, it is essential to protect stakeholder interests and create sustainable stakeholder value, while also finding an appropriate balance between entrepreneurial endeavour and prudent business practice. The group's philosophy is to be "risk aware" and to recognise potential opportunities that are presented in the course of doing business.

To minimise risk, all infrastructure, controls, systems and ethical behaviour are utilised and managed within predefined procedures and restrictions, which is in line with the board's risk parameters. To ensure that the group's risk model and risk management process aligns with its strategic plan, the group risk register was updated during the year.

The Group Risk Officer reports to the ARCO and presents a risk report at every ARCO meeting. To establish, update and maintain its risk framework, the group adheres to internationally recognised standards. This includes providing guidance, supporting and coordinating the identification and recording of risk areas and properly applying the systems of risk management.

In line with the recommendations of King IV, the group has adopted a combined assurance model to ensure that all identified risks are subjected to the appropriate level of management control. Risks are assured both internally and externally as appropriate. To ensure that all recognised areas of risk are covered and no duplications occur, the ARCO regularly assesses the internal and external audit plan. The combined assurance model is set out in further detail in the corporate governance report on page 56.

Regular assessments are also conducted regarding the group's exposure to corruption, both in South Africa and in the rest of Africa. The group is cognisant of the significance and impact of corruption and to this end, all operations are continually monitored. During the reporting period, the group identified no incidences of corruption.

The group considers the continuing impact of COVID-19 on the company's business, operations and going concern status. A vaccination policy has been implemented and the levels of vaccination uptake within the company are continuously monitored.

Risk assessments also included the impact of the Russian and Ukraine conflict on the group's operations. Although the group does not expect a material direct impact on its operations, potential energy supply disruptions, increased energy, food, raw material, transport costs (driven by fuel hikes) and inflation could impact the group and its customers indirectly. The situation and potential impact will be closely monitored.

FOCUS AREAS

The focus areas for the 2022 financial year were and continue to be the following for 2023:

- Going concern, solvency and liquidity;
- Ongoing funding to ensure the group's sustainability;
- Focused reviews of high-impact site operations;
- Ongoing awareness and training in respect of legal compliance;
- Regular assessment and management of developing risk areas;
- The impact of the COVID-19 pandemic; and
- Cyber risk.

The board committees and the board itself are responsible for overseeing the company's risk mitigation processes. The risks that the group deems material to its operations and ongoing sustainability are set out in the following table.

Risk category	Risk	Mitigation strategy	Affected capital
ECONOMIC	Significant change in pricing levels and pressure on margins	— Diversification and expansion of group offering — Identification of opportunities in new markets — New geographical territories — Alternative procurement approaches and methods	— Financial capital — Human capital — Intellectual capital — Manufactured capital
	Ability of the group to remain a sustainable business	— Preservation of cash resources — Continuous contact with clients in respect of cancelled and delayed projects — Following governmental guidelines to ensure safety of group employees — Supporting the government's vaccination programme	— Financial capital — Human capital — Manufactured capital — Social and relationship capital
FINANCIAL	Inability to achieve agreed Restructuring Plan	— Chief Restructuring Officer and Restructuring Implementation Team continue to oversee the implementation of the Restructuring Plan — Progress against the Restructuring Plan monitored monthly	— Financial capital — Intellectual capital — Social and relationship capital — Human capital
COMMERCIAL	Diverse number of contracting forms and solutions	— Specialised skills deployed for tenders	— Financial capital — Human capital — Intellectual capital

Risk category	Risk	Mitigation strategy	Affected capital
INDUSTRY COMPLIANCE	Not maintaining a Level 1 B-BBEE rating	— Structured initiatives to increase representation of previously disadvantaged individuals at various management levels — B-BBEE initiatives by regions — Monthly measurement tool implemented by regions — Procurement with qualifying B-BBEE suppliers and subcontractors	— Intellectual capital — Human capital — Financial capital
INDUSTRY VOLATILITY	Exposure to industrial action	— Ongoing liaison with site teams and forging strategic relationships with unions — Constant communication and feedback at sites	— Intellectual capital — Human capital — Financial capital
HUMAN RESOURCES	Scarcity of resources for execution of projects	— Focused actions as part of the restructuring process	— Human capital — Financial capital — Intellectual capital
LEGAL	Potential non-compliance with legal frameworks	— Ongoing annual training and awareness programmes for all management on Competition Act requirements — Code of Business Conduct and Ethics accessible to all employees — Risk management and legal compliance reviews — Rigorous health and safety management systems in each region and discipline — Monitoring and reporting of all incidents, ensuring corrective action is taken — Reporting against environmental metrics — Identification of Acts applicable to the group and key controls to ensure compliance — Financial management processes, procedures for VAT and income tax compliance — Risk management and compliance reviews	— Financial capital — Human capital — Social and relationship capital — Natural capital — Intellectual capital — Manufactured capital
RESOURCES	Electricity supply	— Uninterrupted power supplies and generators have been installed at all major sites	— Natural capital — Financial capital — Manufactured capital
	Resource utilisation	— Flexible resource arrangements — Proactive redeployment of resources	— Human capital — Financial capital
	Water supply	— Water saving awareness campaigns and initiatives — The construction of more effective wash bays — Frequent use of recycled water through water recycling plants — Deliberately reusing good quality water, rather than fresh water	— Natural capital — Financial capital — Manufactured capital
MARKET	Loss of market share	— Client relationship marketing strategies — Quality, on-time and within client budget performance — Process of continuous improvements and cost control — Growing market share in selected business areas — Diversification of client base within the regional operations	— Financial capital — Social and relationship capital — Intellectual capital — Human capital
PRICING	Estimating	— Well-developed estimating systems — Experienced estimators — Regular reviews and updates of rates — Structured and stringent tender finalisation process — Complex, large, new types of projects subjected to particular focus	— Intellectual capital — Human capital — Financial capital — Manufactured capital
CONTRACT SELECTION	Contractual terms and conditions becoming onerous	— Commercial skills capacity — Conforming to standard industry contracts — Deviations subject to professional advice inputs and senior management sign-offs — Avoidance and/or mitigation of high-risk contracts e.g. fixed price contracts	— Intellectual capital — Financial capital

Risk category	Risk	Mitigation strategy	Affected capital
EMPLOYMENT EQUITY (EE)	EE targets	— Regional operations developed EE plans in line with demographics — Focused recruitment	— Social and relationship capital — Human capital — Intellectual capital
COMPETENCY	Staff competency	— "Know your staff" practices prior to assigning individuals to a team — On-the-job training and performance management for qualified quantity surveyors, engineers, junior safety officers, quality officers	— Human capital — Intellectual capital — Financial capital
GEARING	Financial gearing	— Appropriate financial gearing levels determined and reviewed regularly	— Financial capital
LIQUIDITY	Working capital and availability of funding	— Qualify payment terms in tender — Deviations from standard contractual terms to be approved at senior management levels — Continuous monitoring and management of working capital — Certification and debtors management — Continuous cash flow forecasting as well as close internal management of cash flows — Compliance with information and general undertakings as imposed by funding arrangements	— Financial capital — Intellectual capital — Social and relationship capital — Human capital
EXECUTION	Poor project delivery	Project management controls covering all aspects of the project process are devised and implemented: — Start-up management meetings — Monthly contract reviews — Financial performance reviews, controls and record keeping — Monthly forecasting — Site asset controls — Quality management plans — Health and safety plans — Environmental plans — Commercial plans — Certification and payment management — Subcontracting and supplier management — Handover and completion certificate controls — Skills development, capacity building and human capital development — Executive and line management progress reviews with regard to key sites	— Intellectual capital — Human capital — Financial capital — Social and relationship capital
INFORMATION PLATFORM AND SYSTEMS	ICT failure	— Business continuity plan has been developed and communication and training provided to relevant management — Service level agreements with ICT service providers — Contingency plan with respect to network connectivity — Increased security measures have been implemented	— Social and relationship capital — Intellectual capital — Financial capital — Human capital
ALIGNMENT	Inability to form partnering/strategic alliances/joint arrangements	— Seek compatible operational cultures/approaches — Build strong interpersonal relationships at correct management levels — Ensure joint operation partners are the right match in terms of skills, quality and financial position	— Human capital — Intellectual capital — Financial capital — Social and relationship capital
SUCCESSION	Inadequate key human resources capacity and capabilities	— Focused individual development plans — Structured skills training, mentoring and deployment — Remuneration and retention schemes	— Human capital — Intellectual capital — Social and relationship capital

CHAIRMAN'S REPORT

ZANELE MATLALA
Chairman

BUSINESS OVERVIEW

Continuing operations

The group delivered an improved performance for continuing operations, on a normalised basis, in an extremely difficult environment.

Contract revenue increased to R6,0 billion compared to the restated R4,7 billion of the prior year with an operating loss of R99 million (restated Feb 2021: R55 million).

The following costs are included within operating loss:

- Restructuring costs and abnormal legal fees of R115 million (Feb 2021: R126 million).
- Fair value adjustment of R15 million relating to a property held for sale (Feb 2021: R8 million).
- Fair value adjustment of R12 million relating to plant and equipment held for sale (Feb 2021: R2 million).
- In line with group policy, land and buildings are independently valued every five years. Based on these valuations certain properties have decreased in value resulting in an impairment of R21 million.
- The group is required to test goodwill for impairment at each reporting period or when there is an indicator of impairment. Based on tests performed, goodwill attributable to the Stocks Limited acquisition and Mining Services discipline of R84 million and R22 million respectively has been impaired (Feb 2021: R26 million).
- Subsequent to year-end, a settlement was reached with the City of Cape Town regarding the civil claim received. A liability of R28 million was raised at year-end.

Excluding the restructuring costs, fair value adjustments and impairments and the liability relating to the civil claim, the operating profit would have been R198 million (Feb 2021: R107 million).

Restructuring Plan update

The group continued to focus on the implementation of the Restructuring Plan, which aims to achieve an optimal capital structure and access to liquidity. The plan includes the sale of non-core assets, under-utilised plant and equipment and certain operations.

The group, on 21 February 2022, reached an agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 28 February 2023.

The slower than anticipated sale of certain operations, the non-implementation of the Materials Handling and Tailings Management sub-divisions transaction and further delays in resolving contractual claims and compensation events on certain projects, resulted in capital loan repayments envisaged to commence from April 2022 not materialising. The group is currently in negotiations with the Lenders to extend the capital repayments of the loan to January and February 2023, with the residual loan balance remaining at approximately R420 million.

The Lenders continue to provide guarantee support for current and future projects being undertaken by the group. Management has made considerable progress in reconfiguring the group's organisational structure to improve operational performance and decrease overhead costs, including the reduction of the group's overall headcount. This is an ongoing process which continues as the various aspects of the Restructuring Plan are being implemented.

As one of its primary objectives, the group continues with its efforts to pursue contractual claims and compensation events on the Kusile power project, which has contributed to the group's liquidity challenges.

CORPORATE GOVERNANCE

The board understands that the group's strategy, risk, performance, and ultimately its sustainability, are inseparable from one another. The group and its businesses subscribe to good corporate governance principles to operate within acceptable risk parameters, create stakeholder value and maintain sustainable growth.

Reviewed on an annual basis, the formally adopted board charter articulates the board's responsibilities and terms of reference. The charter ensures that the directors maintain effective control over the strategic, financial and compliance matters of the group. In turn, the board is accountable to shareholders.

Incorporated into the board charter is a board diversity policy, which supports the principles and aims of diversity at board level, specifically regarding gender, race, culture, age, field of knowledge, skills and experience.

Exercising good judgment, strong leadership and acting with integrity, positions the group for long-term sustainability.

The application of the King IV principles is assessed on an ongoing basis and further information is available on page 48 of this integrated annual report.

B-BBEE

The group supports the B-BBEE Act and the Codes of Good Practice for B-BBEE in South Africa and remains committed to the principles and implementation of B-BBEE within the group and its operations. It sees B-BBEE as an effective means to rectify the economic and social disparities in South Africa.

The group's current scorecard, dated August 2021, is based on the Revised Construction Codes of Good Practice. Stefanutti Stocks' status remained as a Level 1 Contributor.

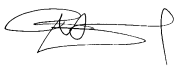
HEALTH AND SAFETY

The objectives and targets for 2022 were centred around maintaining COVID-19 prevention practices, and the mitigation of minor and major incidents on projects. The group continues to track all COVID-19 cases. COVID-19 vaccine awareness campaigns were appropriated from government websites and made visible on all projects.

The group's lost time injury frequency rate (LTIFR) at February 2022 was 0,03 (2021: 0,03) and the recordable case rate (RCR) was 0,28 (2021: 0,35).

APPRECIATION

I would like to thank the management team for their dedication to leading the group during a very difficult time. I would also like to thank my fellow non-executive board members for their insight, guidance and contributions in board and committee meetings.



Zanele Matlala
Chairman of the board

13 June 2022

PERFORMANCE REVIEW

RUSSELL CRAWFORD
Chief Executive Officer

THE YEAR UNDER REVIEW

In line with the Restructuring Plan, the group has initiated a disposal programme to sell certain operations which have accordingly been classified as discontinued operations.

Consequently, the results for this period and the comparative period have been prepared to reflect continuing and discontinued operations.

For continuing operations there has been an increase in contract revenue to R6 billion when compared against restated February 2021 of R4,7 billion and an operating loss of R99 million when compared against a restated operating loss of R55 million in February 2021.

An improved performance was delivered for continuing operations, on a normalised basis, in what remains a difficult environment in all regions.

The adjudication and award of tenders, especially in the public sector, where it can take up to two years to have a contract award, had a significant impact on holding costs through all regions and disciplines in the group.

Abnormal legal fees, to close out legacy issues, negatively affected results. The group is on track to wrap up all these matters by February 2023.

Eskom — Kusile Power Projects

As previously highlighted to shareholders in numerous announcements and updates since late 2018, the group continues to pursue a number of contractual claims and compensation events on the Kusile power project. Due to the complexity of the claims, the processes remain ongoing. No further details of the claims have been disclosed on the basis that it may prejudice the group's position in defending the claims brought against it and in pursuing those claims brought against Eskom by the group.

Restructuring Plan

In accordance with the Restructuring Plan, the Lenders had provided the group with total funding of R1,205 billion.

Following the receipt of the initial purchase consideration of R92 million for the disposal of Al Tayer Stocks LLC, a capital repayment of R45 million was made on 15 November 2021.

The group, on 21 February 2022, reached an agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 28 February 2023.

Due to the slower-than-anticipated sale of certain operations, the non-implementation of the Materials Handling and Tailings Management sub-divisions transaction, and further delays in resolving contractual claims and compensation events on certain projects, resulted in capital loan repayments envisaged to commence from April 2022 not materialising. The group is currently in negotiations with the Lenders to extend the capital repayments of the loan to January and February 2023, with the residual loan balance remaining at approximately R420 million.

The group continues to evaluate an optimal business model and associated capital structure.

COVID-19

The group's results continue to be affected by higher rates of COVID-19 infections. This high infection rate disrupted operations, due to infected employees and contacts having to leave the site and self-isolate.

The group has been unable to quantify the cost of such a disruption. Operations were also hampered throughout the year by clients and professional teams insisting on working remotely, making communications and decision-making difficult.

The group continues to implement all necessary COVID-19 policies and protocols across all regions. Employees and subcontractors are being encouraged to vaccinate with constant vaccine awareness campaigns being run throughout the group.

Order book

The group's order book was R5,2 billion of which R1,1 billion arises from work beyond South African borders.

OPERATIONAL PERFORMANCE

As part of the internal restructuring initiatives to restore optimal operational and financial performance, as set out in the Restructuring Plan, the group has reorganised its operations into regions, except for the Mechanical & Electrical (M&E) business, effective 1 March 2021. The regions are reported as Inland, Coastal, Western Cape and Africa. The Mechanical & Electrical business has been renamed to Mechanical Electrical Piping (MEP).

Below is a summary of the results of each region for continuing operations. For a more detailed overview of the operational performance, notable projects, sustainability matters and initiatives, please refer to the operational reviews commencing on page 26.

Inland Region (Building, Civils, Geotechnical, Materials Handling, Tailings Management, Roads & Earthworks)

Inland's contract revenue from operations is R2,0 billion (restated Feb 2021: R1,7 billion) with an operating profit of R86 million (restated Feb 2021: R26 million). Included within operating profit is an impairment of R21 million (Feb 2021: Nil) and fair value adjustments of R11 million (Feb 2021: R8 million) relating to the revaluation of land and buildings and plant and equipment respectively. Excluding these adjustments, the operating profit is R118 million (restated Feb 2021: R34 million).

The Civils and Roads & Earthworks disciplines are profitable and performing to expectation.

The former Gauteng Building division, now forming part of the Inland Region, has been right sized and refocused due to a declining order book.

The results of the Materials Handling and Tailings Management disciplines were negatively impacted by the sale process. As reported the sale did not materialise and the group is refocusing these operations and rebuilding their order book.

The Contract Mining discipline was wound down in October 2021 and is disclosed as part of discontinued operations.

As previously reported, with respect to two contract mining project terminations:

- one project has been amicably settled with the client; and
- the other is proceeding to arbitration. The group is confident that the termination was lawful and therefore no provision has been made. This arbitration is expected to be completed in the following financial year.

— Opportunities exist for this region in transport infrastructure, water and wastewater treatment plants, mine infrastructure, renewable energy and geotechnical sectors.

Inland's order book at February 2022 was R2,2 billion (restated Feb 2021: R2 billion).

Coastal Region (Building, Civils, Roads & Earthworks, Marine)

The Coastal Region's contract revenue from operations is R1,0 billion (restated Feb 2021: R935 million) with an operating profit of R3 million, negatively impacted by the civil unrest during July 2021 (restated Feb 2021: R7 million operating loss).

Opportunities exist for this region in transport infrastructure, water and wastewater treatment plants, and in the private sector commercial, retail and industrial projects.

Coastal's order book at February 2022 was R1,1 billion (restated Feb 2021: R741 million).

Western Cape Region (Building, Civils)

Western Cape's contract revenue is R1,1 billion (restated Feb 2021: R535 million) with an operating profit of R54 million (restated Feb 2021: R4 million).

The building discipline outperformed, exceeding expectation.

Opportunities exist for this region in water and wastewater treatment plants, framework agreements, and in the private sector commercial, residential, retail, industrial plants, warehouses and data centres.

Western Cape's order book at February 2022 was R658 million (restated Feb 2021: R910 million).

Africa Region (Multi-disciplinary services in Botswana, Eswatini, Zambia)

The Africa Region's contract revenue is R1,6 billion (restated Feb 2021: R1,2 billion) with an operating profit of R102 million (restated Feb 2021: R73 million).

The Eswatini operation outperformed and exceeded expectation, with Zambia and Botswana operating profitably.

Opportunities exist for this region in transport infrastructure, water and wastewater treatment plants, pipelines, dams, strategic fuel farms, and in the private sector commercial, retail, office, leisure, warehouses, mine infrastructure, renewable energy and industrial projects.

Africa's order book at February 2022 was R1,1 billion (restated Feb 2021: R2 billion).

Mechanical Electrical Piping (MEP) (Mechanical, Electrical & Instrumentation, Oil & Gas)

MEP's contract revenue is R307 million (Feb 2021: R270 million) with an operating loss of R78 million (Feb 2021: R64 million). Included in this result is a fair value adjustment of R15 million relating to a property held for sale.

This business has been severely impacted by the effects of the COVID-19 pandemic on global commodity prices resulting in major plant maintenance and upgrade projects being delayed. However, opportunities in the traditional petrochemical sector for the Oil & Gas discipline are showing signs of improvement.

The arbitration matter relating to the cancellation of a petrochemical contract had to be postponed due to a fundamental change in the client's defence. A date for the arbitration is yet to be set. At this stage the financial impact thereof cannot be quantified.

As previously reported, with respect to the mechanical project termination, the arbitration process is expected to be completed by February 2023. The group is confident that the termination was lawful and therefore no provision has been made.

Opportunities exist for this business in renewable energy, industrial projects, clean fuels, tank farms, data centres, mining infrastructure and plant upgrades, shutdowns and maintenance.

MEP's total order book at February 2022 was R93 million (Feb 2021: R136 million).

INDUSTRY-RELATED MATTERS

Civil claim

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), the parties to the civil claim being the City of Cape Town and WBHO, Aveng and Stefanutti Stocks (the Contractors) remain confident of their respective legal positions.

However, the parties have mutually agreed that it is in the best interests of all to settle the matter amicably rather than prolong an extended and costly arbitration and court process. This will allow for future positive engagements between the City of Cape Town and the Contractors.

The settlement includes an annual payment of R10,5 million by each Contractor over the next three years, and a commitment to corporate social investment projects in the Cape Town district by WBHO and Stefanutti Stocks.

Voluntary Rebuild Programme (VRP)

With respect to the Voluntary Rebuild Programme and the group's request for deferment of the 2020 contribution, a positive response was received, and it is anticipated that this contribution will be deferred to 2028.

Community unrest

The group continues to be negatively affected through disruptive and unlawful activities by certain communities and informal business forums in certain parts of South Africa.

SUSTAINABILITY MATTERS

The various sustainability-related sections are summarised below and are covered in more detail in the group's Sustainability Report, which is available on the company's website: **www.stefanuttistocks.com**.

Human capital

Total staff complement for the group was 5 611 (2021: 8 693) employees, excluding temporary employment service employees with 3 080 (2021: 3 956) local employees and 2 531 (2021: 4 737) based beyond South African borders.

Due to the continued adverse market conditions, as well as the substantial impact of COVID-19, the group concentrated on essential training only. R8 million (2021: R7 million) was invested in skills development and training.

Health and safety

Management and staff remain committed to the group's health and safety policies and procedures, and together strive to constantly improve the group's safety performance.

There were no fatalities during the financial year.

The group's lost time injury frequency rate (LTIFR) at February 2022 was 0,03 (Feb 2021: 0,03) and the recordable case rate (RCR) was 0,28 (Feb 2021: 0,35).

All the regions have performed well, with group achieving 51,7 million hours without a lost time injury.

Environmental management

The group's environmental forum sets objectives and drives good environmental practices. The forum includes EXCO members to ensure that responsibility remains a top priority.

Our environmental policies and plans are drafted to assist operations in NOT deviating from the clients' Environmental Management Plan.

No significant environmental incidents or legal summonses were received for transgressions during the year.

The group carries ISO 14001:2015 accreditation.

Quality management

Driving quality in the group:

- increases efficiency,
- increases productivity,
- decreases wastage,
- ensures consistent outcomes,
- increases profit, and
- provide an improved customer experience, resulting in customer retention and acquisition.

The group carries an ISO 9001:2015 accreditation.

Transformation

The group's current scorecard dated 17 August 2021, is based on the Revised Construction Codes of Good Practice and remains at a Level 1 B-BBEE Contributor.

The group's black ownership is 64,28%.

RISK MANAGEMENT

The governance, management and monitoring of risk is the responsibility of the board, which is assisted in this regard by the Audit, Governance and Risk Committee (ARCO). It includes the determination of risk appetite and tolerance and the approval of the risk strategy, policy and framework.

Good governance relies on the three-lines of defence model applied throughout the group:

- The board, EXCO and senior management being responsible for Corporate Governance, Risk Management and Internal Control as the first line of defence;
- line management responsible for the second line of defence; and
- external accreditation service providers, internal audit and external audit being the third line of defence.

Various other external assurance providers assist on an ad-hoc basis.

The group endorses and supports the four governance outcomes set out by the King IV Report: ethical culture, good performance, effective control and legitimacy. The application of the King IV principles is assessed and reviewed on an ongoing basis.

Further details regarding risk management can be found on page 11 of this integrated annual report.

OUTLOOK AND STRATEGY

With the current strong commodity prices, the group expects an increase in tender activity with opportunities in mining related infrastructure services.

The group's focus will be on successfully implementing the Restructuring Plan, achieving favourable outcomes from the claims resolution processes being undertaken on the Kusile Power Projects, continue driving the collection of all outstanding slow-paying receivables and continue our focus on the reduction of loss-making projects and returning the group to profitability.

APPRECIATION

I would like to thank the board, for always making themselves available at very short notice, and for their guidance and support.

A special thank you to my executive team, for their steadfast support, absolute dedication, candour and true leadership in a very difficult operating environment.

I would also like to thank every single employee of ours for their contribution, dedication and loyalty to Stefanutti Stocks.

Lastly, I would like to thank all our clients, lenders, shareholders, business partners, suppliers and other stakeholders for their ongoing support.

Russell Crawford
Chief Executive Officer

13 June 2022

CHIEF FINANCIAL OFFICER'S REPORT

YOLANDA DU PLESSIS
Chief Financial Officer

Results for the year ended 28 February 2022

Continuing operations	2022	Restated 2021
Contract revenue (Rbn)	**6,0**	4,7
Operating loss (Rm)	**(99)**	(55)
Loss after tax (Rm)	**(264)**	(236)
Loss after tax from discontinued operations (Rm)	**(151)**	(54)
Loss for the year total operations (Rm)	**(415)**	(290)
EPS total operations (cents)	**(248,27)**	(171,62)
HEPS total operations (cents)	**(97,07)**	(155,13)
Cash on hand (Rm)	**409**	756
Total year-end order book (Rbn)	**5,2**	5,8

RESTRUCTURING PLAN UPDATE

As previously reported, the Restructuring Plan has been approved by both the company's board of directors and the Lenders and envisages, inter alia:

- the sale of non-core assets;
- the sale of underutilised plant and equipment;
- the sale of certain operations;
- internal restructuring initiatives required to restore optimal operational and financial performance;
- the securing of additional short-term funding of R430 million, of which R270 million related to the negative effects of the national lockdown in March/April 2020;
- a favourable outcome from the processes relating to the contractual claims and compensation events on the Kusile power project;
- the restructuring of the short-term funding received to date from the Lenders into a loan; and
- evaluation of an optimal business model going forward and associated capital structure analysis including the potential of raising new equity.

In accordance with the Restructuring Plan, the Lenders had provided the requisite funding and converted the short-term funding agreement into a loan on 1 July 2020. The group, on 21 February 2022, reached an agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 28 February 2023.

The loan bears interest at prime plus 5,4%, including arranging and facility fees, and is secured by special and general notarial bonds over movable assets, continuous covering mortgage bonds over immovable assets and various cessions. The funding loans do not contain any financial covenants but rather impose certain information and general undertakings.

Following the receipt of the initial purchase consideration of R92 million relating to the disposal of Al Tayer Stocks LLC, a capital repayment of R45 million was made on 15 November 2021.

The slower than anticipated sale of certain operations, the non-implementation of the Materials Handling and Tailings Management sub-divisions transaction and further delays in resolving contractual claims and compensation events on certain projects, resulted in capital loan repayments envisaged to commence from April 2022 not materialising. The group is currently negotiating with the Lenders to extend the capital repayments of the loan to January and February 2023, with the residual loan balance remaining at approximately R420 million.

The Lenders have agreed to provide continued guarantee support for current and future projects being undertaken by the group. Management has made considerable progress in reconfiguring the group's organisational structure to improve operational performance and decrease overhead costs, including the reduction of the group's overall headcount. This is an ongoing process which continues as the various aspects of the Restructuring Plan are being implemented.

The purpose of the Restructuring Plan is to put in place an optimal capital structure and access to liquidity to position the group for long-term growth. The Restructuring Plan is anticipated to be implemented over the financial year ending February 2023 and, to the extent required, shareholder approval will be sought for certain aspects of the Restructuring Plan. The group will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

GOING CONCERN

The directors consider it appropriate that the group's results for the reporting period be prepared on the going-concern basis, taking into consideration:

- the current order book;
- imminent project awards;
- continuing operations executing the group's order book profitably;
- the availability of short- and mid-term projects;
- reaching favourable outcomes on contractual claims and compensation events on certain projects;
- having converted the short-term funding agreement with the Lenders to a loan terminating on 28 February 2023;
- the assumption of a successful completion of current negotiations with the Lenders relating to the extension of capital repayments of the loan to January and February 2023;

— continued support from the Lenders; and
— successfully implementing the Restructuring Plan.

The funding provided by the Lenders has assisted with the group's liquidity, even though total liabilities continue to exceed total assets at 28 February 2022. The group believes it remains commercially solvent based on the cash flow projections included in the Restructuring Plan. However, uncertainties surrounding the contingent liabilities as noted in note 26 of the group's Consolidated Annual Financial Statements for the year ended 28 February 2022, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term.

KUSILE POWER PROJECT

As previously highlighted to shareholders in various announcements and updates since late 2018, the group continues to pursue a number of contractual claims and compensation events on the Kusile power project. Due to the complexity of the claims, the processes remain ongoing. No further details of the claims have been disclosed on the basis that it may prejudice the group's position in defending the claims brought against it and in pursuing those claims brought against Eskom by the group.

OVERVIEW OF RESULTS

In line with the Restructuring Plan, the group has initiated a disposal programme to sell certain operations which have accordingly been classified as discontinued operations. These disposals, including certain foreign operations, are expected to be concluded within the next 12 months.

Current market conditions, impacted by COVID-19, resulted in the delay of these disposals. The group remains committed to the sale processes as envisaged in the Restructuring Plan.

Not all conditions precedent relating to the sale of the Materials Handling and Tailings Management sub-divisions had been fulfilled or waived and consequently the disposal could not be implemented. These sub-divisions have been retained and therefore, reclassified as part of continuing operations.

The Contract Mining division has been wound down from October 2021 and has subsequently been classified as a discontinued operation.

Due to these changes, the comparative period in the Statement of Profit or Loss and Other Comprehensive Income has been restated. The reclassification of disposal groups and their reserves impacted the Statement of Changes in Equity, which has also been restated.

The disposal of Al Tayer Stocks LLC remains conditional, even though the initial purchase consideration of R92 million was received. The carrying value of R168 million is classified as part of non-current assets held for sale, after recognising a fair value adjustment, in the Statement of Profit or Loss, of R76 million. Al Tayer Stocks LLC is included within discontinued operations as it represents a geographical area in which the group operated.

In addition, a fair value adjustment of R62 million was recognised in the Statement of Profit or Loss relating to the foreign operation held for sale.

FINANCIAL PERFORMANCE

Contract revenue from continuing operations increased to R6,0 billion (restated Feb 2021: R4,7 billion) with an operating loss of R99 million (restated Feb 2021: R55 million).

The following costs are included within operating profit:

— Restructuring costs and abnormal legal fees of R115 million (Feb 2021: R126 million).
— Fair value adjustment of R15 million relating to a property held for sale (Feb 2021: R8 million).
— Fair value adjustment of R12 million relating to plant and equipment held for sale (Feb 2021: R2 million).
— In line with group policy, land and buildings are independently valued every five years. Based on these valuations certain properties have decreased in value resulting in an impairment of R21 million.
— The group is required to test goodwill for impairment at each reporting period or when there is an indicator of impairment. Based on tests performed, goodwill attributable to the Stocks Proprietary Limited acquisition and Mining Services discipline of R84 million and R22 million respectively has been impaired. (Feb 2021: R26 million).
— Subsequent to year-end, a settlement was reached with the City of Cape Town relating to the civil claim received, requiring a liability of R28 million to be raised at year-end.

Excluding the restructuring costs, fair value adjustments, impairments and the liability relating to the civil claim, the operating profit would have been R198 million (restated Feb 2021: R107 million).

The group has not provided for a deferred tax asset on the losses pertaining to the South African trading entity. Furthermore, the tax charge is impacted by the profitability of the cross-border operations at their varying tax rates.

The after tax loss for continuing operations is R264 million (restated Feb 2021: R236 million).

Earnings and headline earnings per share for total operations are reported as a loss of 248,27 cents (Feb 2021: 171,62 cents) and a loss of 97,07 cents (Feb 2021: 155,13 cents) respectively.

FINANCIAL POSITION

The reduction in property, plant and equipment is attributable to the reclassification to non-current assets held for sale, impairment of properties and depreciation.

Capital expenditure for the year amounted to R18 million (Feb 2021: R34 million), of which R17 million was for maintaining operations (Feb 2021: R30 million).

The amount of uncertified work included under contracts in progress and reflected within current assets, has increased from R611 million to R738 million reported at the end of February 2021. Trade receivables have decreased by 14% with debtors' days decreasing from 95 days to 58 days.

Total interest-bearing liabilities reduced by R102 million from R1 553 million reported at February 2021 to R1 451 million, resulting in a reduction in net finance costs to R113 million (restated Feb 2021: R115 million).

Cash consumed from operations is R253 million, negatively impacted by the restructuring costs, abnormal legal fees and the repayment of excess billings over work done. (Feb 2021: R209 million). As a result thereof, the group's total cash position at year-end has decreased to R409 million (Feb 2021: R756 million).

OPERATIONS

Inland's contract revenue from operations is R2,0 billion (restated Feb 2021: R1,7 billion) with an operating profit of R86 million (restated Feb 2021: R26 million). Included within operating profit is an impairment of R21 million (Feb 2021: Nil) and fair value adjustments of R11 million (Feb 2021: R8 million) relating to the revaluation of Land and Buildings and Plant and Equipment respectively. Excluding the impairment and fair value adjustments, the operating profit is R118 million (restated Feb 2021: R34 million).

The Coastal Region's contract revenue from operations is R1,0 billion (restated Feb 2021: R935 million) with an operating profit of R3 million, negatively impacted by the civil unrest during July 2021 (restated Feb 2021: R7 million operating loss).

Western Cape's contract revenue is R1,1 billion (restated Feb 2021: R535 million) with an operating profit of R54 million (restated Feb 2021: R4 million).

The Africa Region's contract revenue is R1,6 billion (restated Feb 2021: R1,2 billion) with an operating profit of R102 million (restated Feb 2021: R73 million).

MEP's contract revenue is R307 million (Feb 2021: R270 million) with an operating loss of R78 million (Feb 2021: R64 million). Included in this result is a fair value adjustment of R15 million relating to a property held for sale. This business has been severely impacted by the effects of the COVID-19 pandemic on global commodity prices resulting in major plant maintenance and upgrade projects being delayed.

The group's order book is R5,3 billion of which R1,7 billion arises from work beyond South Africa's borders.

CONTINGENT LIABILITIES

As previously reported, with respect to two contract mining project terminations:

- one project has been settled amicably with the client; and
- the other is proceeding to arbitration. The group is confident that the termination was lawful and therefore no provision has been made.

The arbitration matter relating to the cancellation of a petrochemical contract had to be postponed due to a fundamental change in the client's defence. A date for the arbitration is yet to be set. At this stage the financial impact thereof cannot be quantified.

With respect to the mechanical project termination, the arbitration process is expected to be completed by February 2023. The group is confident that the termination was lawful and therefore no provision has been made.

Also refer to note 26 of the group consolidated annual financial statements.

DIVIDEND DECLARATION

No dividend has been declared for the year (Feb 2021: Nil).

SUBSEQUENT EVENTS

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), the parties to the civil claim being the City of Cape Town and WBHO Construction (Pty) Ltd, Aveng Africa (Pty) Ltd and Stefanutti Stocks (the Contractors) remain confident of their respective legal positions. However, the parties have mutually agreed that it is in the best interests of all to settle the matter amicably rather than prolong an extended and costly arbitration and court process. This will allow for future positive engagements between the City of Cape Town and the Contractors.

The settlement includes an annual payment of R10,5 million by each Contractor over the next three years, and a commitment to corporate social investment projects in the Cape Town district by WBHO Construction (Pty) Ltd and Stefanutti Stocks.

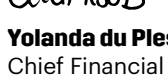
Subsequent to year-end, the group received a non-binding offer of USD13,5 million to purchase a foreign entity. Negotiations are ongoing and no terms have been agreed. The foreign entity is classified as held for sale, and the fair value of its assets and liabilities is based on an orderly transaction between market participants at the reporting date under current market conditions.

The recent flooding in KwaZulu-Natal impacted one project in the Coastal Region. An insurance claim will be submitted for damages incurred of approximately R20 million.

Other than the matters noted herein, there were no other material reportable events which occurred between the reporting date and the date of this integrated annual report.

APPRECIATION

I would like to express my gratitude to the finance teams and other service departments, for their continued dedication and commitment to the group.



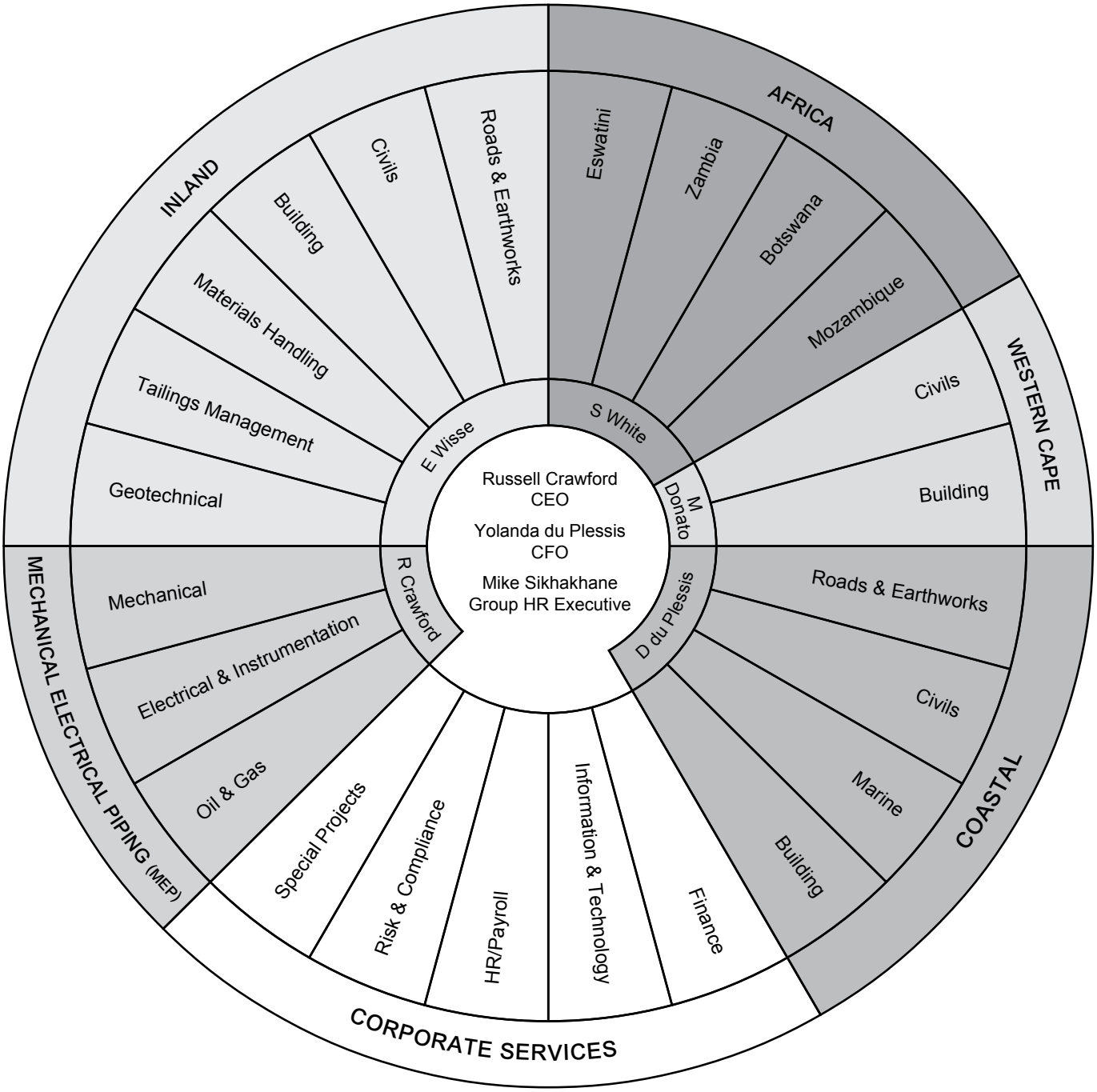
Yolanda du Plessis
Chief Financial Officer

13 June 2022

FIVE-YEAR FINANCIAL REVIEW

		2022	Restated 2021	2020	2019	2018
Profit information						
Contract revenue	R'million	**5 968**	4 692	7 227	9 875	10 364
Operating loss	R'million	**(99)**	(55)	(1 022)	(158)	(506)
Operating loss margin	%	**(1,7)**	(1,2)	(14,1)	(1,6)	(4,9)
Loss for the period	R'million	**(415)**	(290)	(1 072)	(111)	(547)
Net loss margin	%	**(7,0)**	(6,2)	(14,8)	(1,1)	(5,3)
Headline earnings	R'million	**(162)**	(259)	(1 041)	(118)	115
Financial position						
Total assets	R'million	**4 597**	5 413	6 645	6 448	6 345
Total equity	R'million	**(90)**	353	712	1 732	1 790
Total liabilities	R'million	**4 687**	5 060	5 933	4 717	4 555
Cash (consumed by)/generated from operations before working capital movements	R'million	**(253)**	(209)	(674)	114	560
Asset management						
Return on assets	%	**(0,1)**	(4,8)	(16,4)	(1,7)	(8,5)
Return on equity	%	**(461,2)**	(53,0)	(86,5)	(6,3)	(26,0)
Net asset turn	times	**1,3**	0,9	1,1	1,5	1,6
Shareholders' ratios						
Loss per share	cents	**(248)**	(172)	(640)	(66)	(318)
Headline earnings per share	cents	**(97)**	(155)	(622)	(70)	68
Dividend per share	cents	**—**	—	—	—	—
Stock exchange statistics						
Market capitalisation — close	R'million	**90**	47	41	489	342
Market value per share						
— At year-end	cents	**48**	25	22	260	182
— Lowest closing for the year	cents	**25**	12	8	140	182
— Highest closing for the year	cents	**58**	50	260	420	460
Weighted number of shares		**167 244**	167 244	167 244	167 836	170 749
Total volume traded during the year		**133 146 772**	118 520 767	120 798 448	69 714 276	27 445 523
Rand value traded during the year	'000	**62 873**	28 499	50 473	167 822	81 974

GROUP STRUCTURE



OPERATIONAL REVIEWS
INLAND

MANAGING DIRECTOR:
ERIC WISSE

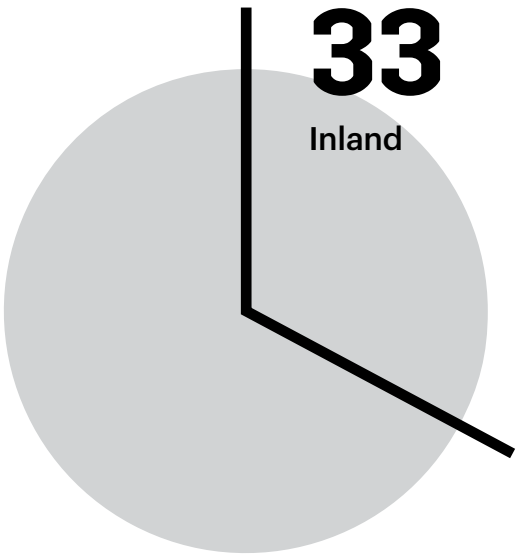
Order book
R2,2bn

Contract revenue
R2,0bn

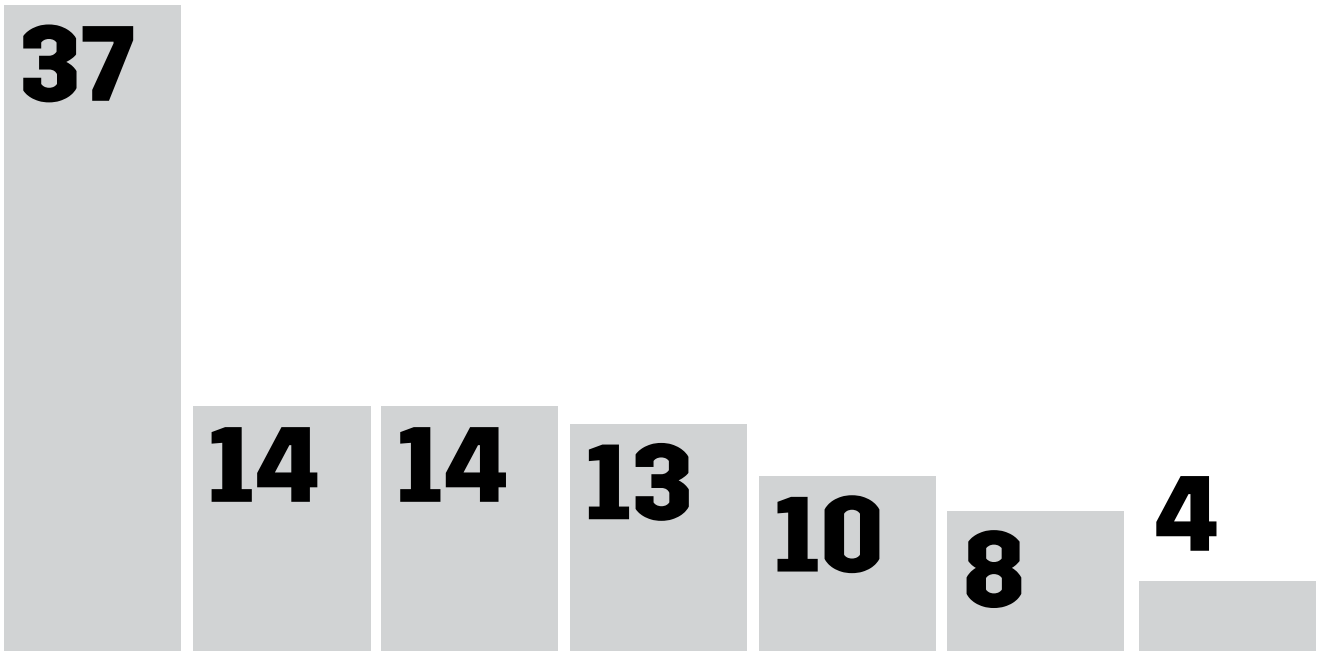
Operating profit
R86m

LTIFR
0,00

Percentage of group revenue (%)



Turnover by sector (%)



STRATEGIC FOCUS

- **Strengthen and diversify order book through targeted client and project selection**
- **Excellent project execution that improves on tendered margins**
- **Profitable, cash-positive operations**
- **Rebuild the two Mining Services disciplines order book and diversify service offering**
- **Successful conclusion of winding-down Inland building projects**

CAPABILITIES

Civils

- Caisson floating and installation
- Civil works, bridges (conventional, precast, incrementally launched, cable-stayed, balanced cantilever, etc.), and transport infrastructure (road, rail, container terminals, airport aprons and taxiways)
- Concrete rehabilitation, repair and waterproofing
- Industrial, petrochemical and mining plant repair and renovation under shutdown or live conditions
- Desalination infrastructure
- Precast concrete
- Reinforced concrete construction
- Specialist civil mine infrastructure (process plants, shaft development, etc.)
- Specialist water and waste-water civil infrastructure (water and waste-water treatment plants, pump stations and associated infrastructure, concrete dams and reservoirs)
- Materials handling balance of plant
- Energy infrastructure (power plants: coal-fired, gas, etc.), renewable energy
- Petrochemical plants, industrial plants (cement) and industrial factories
- Environmental rehabilitation and management projects

Roads & Earthworks

- Bulk earthworks
- Road construction and rehabilitation
- Mining infrastructure
- Construction of high-density polyethylene (HDPE) lined containment infrastructure
- Crushing and screening
- Asphalt manufacture and paving
- Agricultural land preparation and infrastructural development
- Water infrastructure construction
- Rail and rail infrastructure construction
- Large diameter welded steel pipe installation
- In situ concrete lining of pipelines
- HDPE and ductile cast-iron pipeline installation

Geotechnical

- Geothermal installations
- Piling in all soil conditions
- Design and construction of various types of piles
- Lateral support
- Rock anchoring
- Shotcrete
- Void fill
- Grouting – including specialist consolidation, compaction and dolomitic
- Sinkhole remediation and repairs

Mining Services: Materials Handling

- Energy coal processing
  - Reclamation of discard and fine coal
  - Mine, blend, dry and process product that conforms to specifications
- Conventional Materials Handling
  - Reclamation of dumps including screening, blending, placement, slurry disposal, final dump rehabilitation
  - Waste rock dump management
  - Handling of terrace coal
  - Handling of material from dumps and stockpiles

Mining Services: Tailings Operations

- Design, construction and operations of tailings storage facilities
- Hydraulic mining/reclamation

COVID-19 IMPACT

COVID-19 did not have a material effect on the Inland Region's performance, although higher-than-normal absenteeism was observed, and head office-based staff worked from home for short durations.

CIVIL UNREST

Eight site operations were negatively affected by the July 2021 civil unrest, resulting in time delays on projects.

CONSOLIDATION OF OPERATIONS

During the year, the operational disciplines of Building, Civils, Roads & Earthworks (including Pipelines), Geotechnical and Mining Services were consolidated under the Inland Region. The winding-down process of Contract Mining was concluded, while the failed sale of the Tailings and Materials Handling business resulted in a re-integration of the two Mining Services disciplines, as well as re-recruiting of previous management. Going forward, the focus is to rebuild the Mining Services order book and diversify its service offering.

PERFORMANCE AND OUTLOOK

Overall, the Inland Region delivered a profitable result, amidst difficult trading conditions, with the Civils Discipline performing to expectation. Notwithstanding delayed project awards (that increased staff holding costs), the Roads & Earthworks Discipline delivered a pleasing performance.

A lack of work saw the Geotechnical Discipline experience a disappointing year and resulted in its resources not being continuously occupied. However, its order book improved significantly towards the end of the financial year.

The two mining services disciplines delivered a satisfactory result, despite the failed sale of the Materials Handling and Tailings Management sub-divisions. The failed transaction affected both the order book and client base, and there will be a refocus on growing these disciplines and diversifying the mining services offering.

Tough operating conditions in the construction industry were exacerbated with the delayed award of many public infrastructure tenders. In particular, SANRAL – that has in excess of R20 billion worth of contracts for which the industry has tendered – made no significant awards in the year under review. The rise in commodity prices did restore some confidence in the market and saw the award of some sizeable mining infrastructure contracts. More activity in this market segment is evident.

The region aims to capitalise on its now integrated overhead structure and take full advantage of the improved market conditions within its key segments of operation. It is actively engaging with various renewable energy project opportunities and is in line for the award of some major public infrastructure projects which will further bolster its order book.

NOTABLE PROJECTS

Stefanutti Stocks has executed three multidisciplinary large-scale, multi-million Rand mining infrastructure construction projects (phase 1, 2 and 3) for **Anglo American Platinum's Mototolo Concentrator** (Tailings Storage Facility) project. Phases 2 and 3 were completed at the end of 2021 and included the participation of the Roads & Earthworks Discipline (contract lead), the Civils Discipline, and the Geotechnical Discipline. Phase 2 entailed earthworks and the construction of associated infrastructure for the elongated extension of the dam basin area spanning a greenfield area of approximately 105 000m^2. Phase 3 entailed the width extension of the dam basin area, spanning approximately 166 000m^2 greenfield area.

The design, supply, installation, construction and commissioning of the **Palapye Water Treatment Plant Expansion Project** in Botswana was undertaken by the Stefanutti Stocks Heinsite Joint Operation, with the support of Metsi Projects (mechanical), EDSE Projects (electrical) and Bigen Africa (design). This plant was constructed to increase the capacity of the existing plant. The Civils Discipline main scope of work included the construction of inlet and blending chambers, clarifiers, rapid gravity sand filters, a contact tank and a clear water reservoir, sludge thickeners, site chambers, a chemical dosing building, and the motor control centre (MCC) room. The interconnecting of all of the plant's pipework also formed part of the project's civils scope.

The Geotechnical Discipline undertook the **Swakopmund River Bridge piling** project that forms part of the upgrade of a 210km-long rail link in Namibia. The upgrade will see the current steel structure (that spans approximately forty metres between abutments) lifted off its position and replaced by a new upgraded steel structure.

The refurbishment of the 237m-high **Sentech Tower** (originally built in 1962) included the access systems and temporary works required to access the tower externally. The project, the majority of which was undertaken working at heights, was completed with a LTIFR of zero. The concrete rehabilitation, repair, and protection was undertaken to provide a short to medium term solution to prolong the tower's lifespan. A purpose-built access system accommodated the increased loads and provided a continuous work face around the tower. Repair work was conducted from the top platform down to the middle of the tower, and from the middle platform down towards the ground. The concrete repair and protection, as far as practicable, was undertaken from the temporary suspended platforms (TSP). The repair and protection to areas not accessible from the TSPs was undertaken either from the landing platforms or via rope access.

Stefanutti Stocks is undertaking the repair of the outer shell of a 154m-high **cooling tower for Sasol Synfuels**. The defective concrete is repaired on a "target pass" arrangement with a "pass" equating to 30m³ of repairs that must be repaired within a period of nine weeks. The structure is accessed via two Alimak lifts and work on the cooling tower shell is undertaken from 88 temporary suspended platforms. The team of 80 has, for the past five years, maintained a LTIFR of zero. Over the past two decades, the experienced concrete rehabilitation and repair team has undertaken a number of repair projects for Sasol, as part of its long-term maintenance and repair strategies. These include structures similar to the cooling tower, the east and west smoke stacks as well as various other smaller structures.

The **Black Rock Gloria Slimes Dam Project** is the fourth large scale construction project recently undertaken by Stefanutti Stocks for client Assmang Limited. Construction is taking place over a 12-month period, the first two of which were dedicated to adhering to all of the mine regulations with regard to safely mobilising and demobilising. An incredibly large area was cleared for both construction and stockpiling of excess material. Material was then excavated, stockpiled, imported and blended in different manners to achieve the desired materials required for the dam construction. The sequencing of the project is done in a way that allows progressive handovers for the installation of the drainage system, as well as for the lining system. The project is meeting all key milestone dates, will be delivered on time and has a LTIFR of zero.

Project name	Duration	Project value (excl. VAT)	Location
Palapye Water Treatment	22 months	R410m	Botswana
Sasol Cooling Tower	60 months	R301m	Mpumalanga
Mareesburg Tailings Facility Phase 3	18 months	R268m	Limpopo
Black Rock Gloria Slimes Dam	12 months	R102m	Northern Cape
Sentech Brixton Tower	16 months	R32m	Gauteng

SUSTAINABILITY MATTERS

Skills development and training

Skills development and training across the Inland Region's operating disciplines was heavily impacted by the lack of contract awards, however, in early 2022 it was able to take on five new apprenticeship candidates for Earthmoving Equipment Mechanic. Currently, 15 apprentices are employed by the Region and are at various stages of their apprenticeship. The apprenticeship is four years, and each year begins with an eight-week long theoretical block, prior to the apprentice embarking on practical workplace exposure. In addition to the practical training, candidates are assisted in their trade test preparation, attend an external training centre for pre-trade testing and will then write their trade test at MERSETA. Once they have qualified in their trade, the goal is to absorb them within the group.

The Stefanutti Stocks Academy is based at the group head office and provides a comprehensive range of accredited training courses and skills development opportunities to the Inland Region's employees. Accredited skills development opportunities relevant to the region and its disciplines include operator training (including simulator time), the Solid Foundations Course, Environmental and Hand Tools, Safety Awareness, Basic Concrete, Reinforcement Training, Formwork Training, Tailings Dam Operations and Slimes Reclamation, Depositions and Reclamation.

Academy services range from apprenticeship facilitation through to professional registration coordination, bursary administration, skills training courses and skills reporting. It is currently accredited for almost 100 unit standards and, in addition to its apprenticeship programme, it is able to provide skills assessments, foreman assessments, lab assessments and dover assessments.

Initiatives

The Region is focused on continued injury prevention through:

- VFL and LE
- Training, mentoring and coaching
- Fostering a health and safety culture that exceeds best practice
- Ensuring compliance and conformance to legal, ISO and group standards

AWARDS, ACCREDITATIONS AND ACHIEVEMENTS

Awards

There were no notable awards.

Accreditations

- The Inland Region disciplines participated in the group's successful ISO 45001:2018 and ISO 14001:2015 certification audits.
- Group certification was maintained for the relevant ISO management systems: ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.

Achievements

- The Inland Region maintained a LTIFR of 0,00
- The Kusile Civil Works Joint Operation achieved 9 million LTI-free hours during the year.

OPERATIONAL REVIEWS
COASTAL

MANAGING DIRECTOR:
DEREK DU PLESSIS

Order book

R1,1bn

Contract revenue

R1,0bn

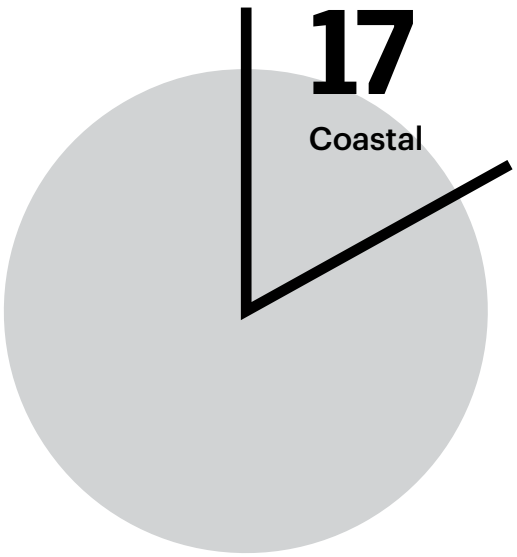
Operating profit

R3m

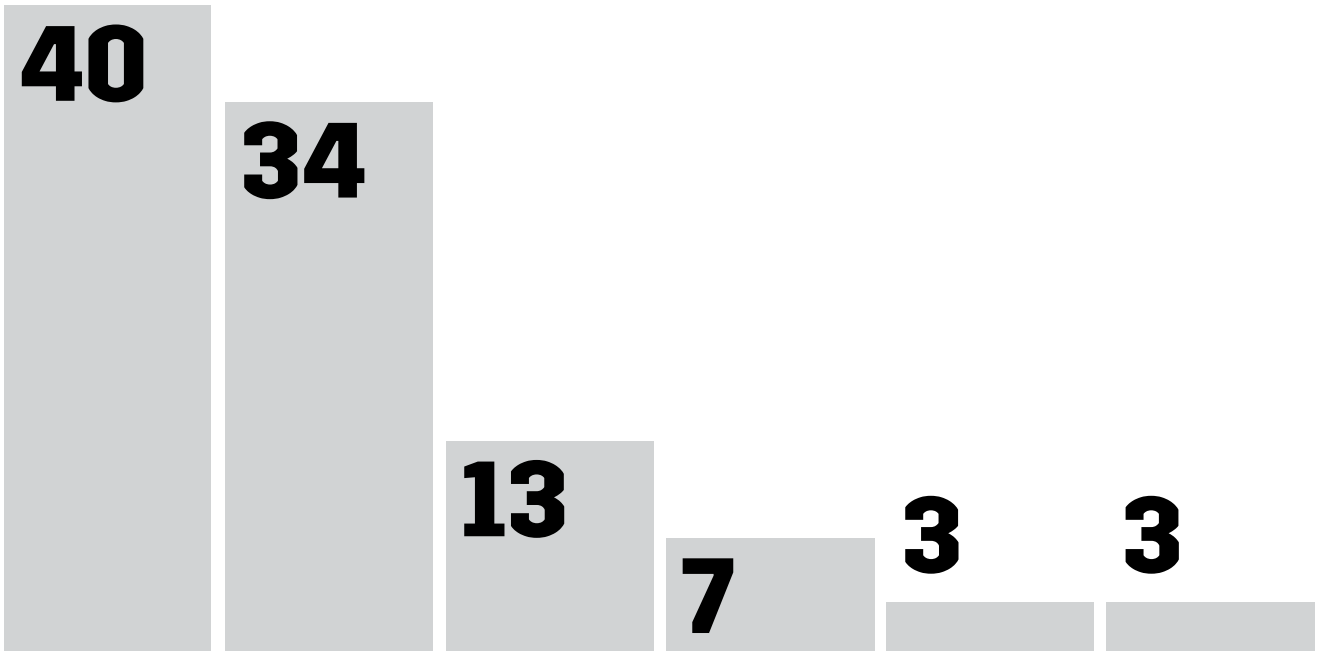
LTIFR

0,00

Percentage of group revenue (%)



Turnover by sector (%)



STRATEGIC FOCUS

- **Continue to integrate regional support services to improve efficiencies across the disciplines.**
- **Transition Western Cape civils contracts and personnel to the Western Cape Region.**
- **Minimise holding cost exposure, while maintaining capacity for future work (and growth).**
- **Develop people/capacity by investing in top talent and talent acquisition process.**
- **Unlock additional margin in existing and new markets by focusing on tender opportunities.**

CAPABILITIES

Building

- Industrial and commercial buildings
- Distribution centres
- Data centres
- Hospital and health facilities
- Schools and education facilities
- Shopping centres
- Social housing and residential
- Turnkey and alternate procurement, including design and build
- Student accommodation
- Leisure facilities (hotels and entertainment venues)

Civils

- Water sector: wastewater treatment works, water treatment works, reservoirs and dams
- Township/mixed-use development infrastructure
- Road construction
- Industrial civils and earthworks in live operational environments including pulp/paper, sugar and petrochemical sector

COVID-19 IMPACT

COVID-19 continued to have a direct impact in terms of additional costs for compliance with regulations (temperature testing, sanitiser, screening) and the inefficiencies/delays associated with these activities, as well as quarantining COVID-19 positive employees and subcontractors. Further direct impacts were experienced in respect of logistics and material supply, and extraordinary cost escalation.

CIVIL UNREST

The July 2021 civil unrest resulted in the total loss of production on all sites for one week. The damage and theft on some sites caused further delays, as reinstatement and repairs were required prior to recommencing with the original scope.

The unrest also created a significant loss of confidence in the private sector market. The short-term impact was little to no tender activity, while the expected longer-term impact is still to be felt as some prospective clients divest from KwaZulu-Natal. Public sector prospects have also been impacted as little to no work has been done to bring tenders to market or adjudicate them.

PERFORMANCE AND OUTLOOK

The Coastal Region delivered a modest result, amidst challenging market conditions compounded by the ongoing effects of COVID-19 and the civil unrest in July 2021. The construction industry continued to offer limited work opportunities, with high levels of competition driving low margin work. Further challenges to the region's performance included excessive cost escalations that not only created unexpected commercial risks on existing contracts, but uncertainty on new contracts throughout the value chain. Skills shortages compounded by loss of talent to overseas markets remain threats to the long-term sustainability of delivering high quality work.

The Building Discipline delivered a sub-par performance against the backdrop of thin margins compounded by the disruption in the supply chain that affected both performance and profitability. Further challenges to the discipline included a constrained order book, the delay in tender awards experienced post the July 2021 civil unrest and the excessive holding costs due to no major anchor project being secured. Project highlights included the completion of the premier MSC Passenger Terminal and the Midway Shopping centre.

The Civils Discipline delivered a satisfactory result, considering prevailing market conditions and the uncertainty of timing on new contracts.

The Civils Discipline order book remains healthy. It maintains a consistently clean debtors schedule and its contracting profits across all civils contracts remained consistent with expected tender margins.

Opportunities in the market include the rebuilding of infrastructure destroyed by the rioting and looting during the July 2021 civil unrests, as well as several project prospects in the road, water infrastructure and commercial building sectors.

NOTABLE PROJECTS

The Nelson Mandela Bay Municipality (NMBM) appointed the Stefanutti Stocks PCI Africa consortium to construct the **Coegakop Biofiltration Plant**, the second (and larger) biofiltration plant of its kind in South Africa. The plant (that is being built within an extremely tight construction footprint) is one of a series of critical drought intervention projects that form part of a NMBM future water security initiative. A high standard of work, that incorporates local Emerging Micro Enterprise (EME) businesses and local labour, is being delivered on the contract.

The **Salta Estate Development** for the Devmco Group is an extremely fast track contract encompassing bulk earthworks and services and roads infrastructure for a 170ha mixed-use development. The residential and commercial sectors are being developed concurrently.

The **Mpophomeni Wastewater Treatment Works** for Umgeni Water entails the upgrade of the existing works to 6Ml/day and includes the Mechanical Electrical and Instrumentation scope, as well as the construction of a 7km pipeline. The upgrade is critical for current and future housing developments within the surrounding communities, as well as to prevent the contamination of the nearby water courses. All structures have passed water tightness tests on first attempt, bearing testament to the world-class quality being produced.

The premier **MSC Durban Passenger Cruise Terminal** is a unique landmark building that will serve as a new port of entry to and departure from Durban, South Africa and was constructed within a live harbour environment. Proactive negotiation with the client prevented the project from being abandoned after the COVID-19 lockdowns and as a result the project was successfully completed.

The construction contract for the terminal building, the parking area and road widening of **Mahatma Gandhi Road** was awarded to the group. The unique concrete and steel, parabolically-shaped 5 000m^2 terminal building with its eye-catching geometrically shaped roof and multi-coloured cladding, came with a multitude of design and construction challenges. The project also included the quayside modification works including new upgraded bollards suitable for mooring a cruise vessel.

The **Midway Shopping Mall** is a large-scale Building Discipline contract that also incorporated the services of the Stefanutti Stocks Roads & Earthworks Discipline. Despite significant damage incurred during the riots, the building was still completed on time, allowing for the centre to trade as planned.

Project name	**Duration**	**Project value** (excl. VAT)	**Location**
Midway Shopping Mall	18 months	R515m	KwaZulu-Natal
Mpophomeni Wastewater Treatment Works	36 months	R318m	KwaZulu-Natal
Salta Estate Development	16 months	R251m	KwaZulu-Natal
MSC Durban Passenger Cruise Terminal	18 months	R181m	KwaZulu-Natal
Coegakop Biofiltration Plant (70% Stefanutti Stocks, 30% PCI Africa)	30 months	R176m	Eastern Cape

SUSTAINABILITY MATTERS

Skills development and training

The Coastal Region spent approximately R1,3 million on training, of which 17% was managerial spend. 60% of the region's employees that were selected for training are from previously disadvantaged groups, and 21,5% are female employees.

Despite many barriers (social distancing, financial pressure and the increasing trend towards skills development being offered online) facing the skills development and training initiatives, the Coastal Region was still able to prioritise this important aspect of the business.

- **Training:** At the beginning of the year essential training was offered to employees in larger group settings. This progressed to specialised training later in the year, which had been placed on hold previously. Online training options and virtual platforms are utilised on an increasing scale, as they offer the ability to reach a wider audience. The region targeted training in specialised areas such as Government Certificate of Competency (GCC), Negotiation Skills, Contractual Training, Formwork, Environmental Training, Construction Computer Software (CCS) courses, Commercial, safety, health, environment and quality (SHEQ), Labour Law Training and Leadership Courses.
- **Bursaries:** The region awarded three full-time bursaries to three previously disadvantaged individuals. A focused effort is being made to bring in more female bursars and 33% of the bursary recipients are previously disadvantaged females.
- **Part-time bursaries:** In line with its focus on developing its employees, the region awarded 17 employees part-time bursaries, 95% of whom are previously disadvantaged, and 35% of whom are female.
- **Mentorships:** Mentorships that assist in growing internal leadership and motivating employees who show promise of being future leaders, remain a key pillar on the region's skills development and training agenda. 11 employees were formally mentored, 91% of whom are previously disadvantaged, and 25% being female.
- **In-service training:** The region took on two in-service trainees and two interns with 50% of the in-service trainees being female.

Initiatives

Emphasis was placed on projects participation in various occupational health and safety programmes, and as a result reporting of unsafe acts and conditions has improved significantly.

- After reviewing the leading indicators (unsafe acts and conditions) reported from sites, a focus on specific monthly safety initiatives, that include awareness posters, has improved the recordable case rate. The awareness posters encourage safe behaviour and are communicated in toolbox talks and displayed across sites and offices.
- Supervisors and staff/labour participated in planned task observation training, allowing adherence to procedures to be monitored and any deviations to be corrected.
- Emphasis has been placed on COVID-19 training and awareness, including vaccination awareness.

AWARDS, ACCREDITATIONS AND ACHIEVEMENTS

Awards

- Midway Crossing Shopping Centre received a highly commended award in the 2021 Master Builders KwaZulu-Natal OHS competition.
- MSC Durban Passenger Cruise Terminal Building received a Highly Commended award in the 2021 Master Builders KwaZulu-Natal OHS competition.

Accreditations

- Group certification was maintained for the relevant ISO management systems: ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.

Achievements

- The Coastal Region maintained a LTIFR of 0,00
- The Coastal Region reached the milestone of 7 642 631 LTI-free hours work during the year.
- Several sites achieved the MBA 5-star OHS rating, including:
  - Midway Crossing Shopping Centre
  - MSC Durban Passenger Cruise Terminal Building.
- The MSC Durban Passenger Cruise Terminal and the Malvern Park Shopping Centre Bulk Earthworks projects were completed with zero recordable case injuries.
- An effective COVID-19 management programme resulted in reduced workplace infections.
- All employees who tested positive for COVID-19 during the year, recovered fully.

OPERATIONAL REVIEWS
WESTERN CAPE

MANAGING DIRECTOR:
MAURO DONATO

Order book

R658m

Contract revenue

R1,1bn

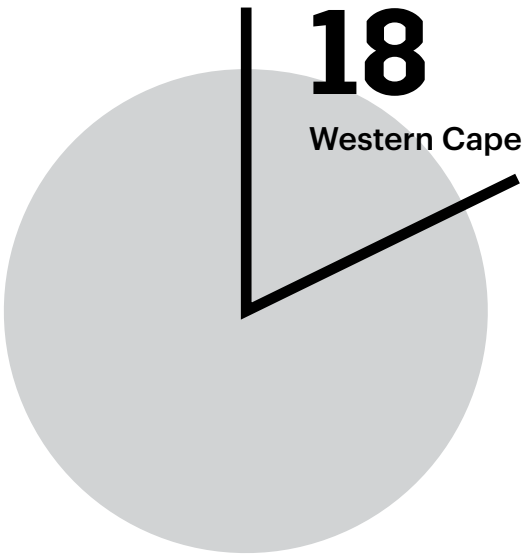
Operating profit

R54m

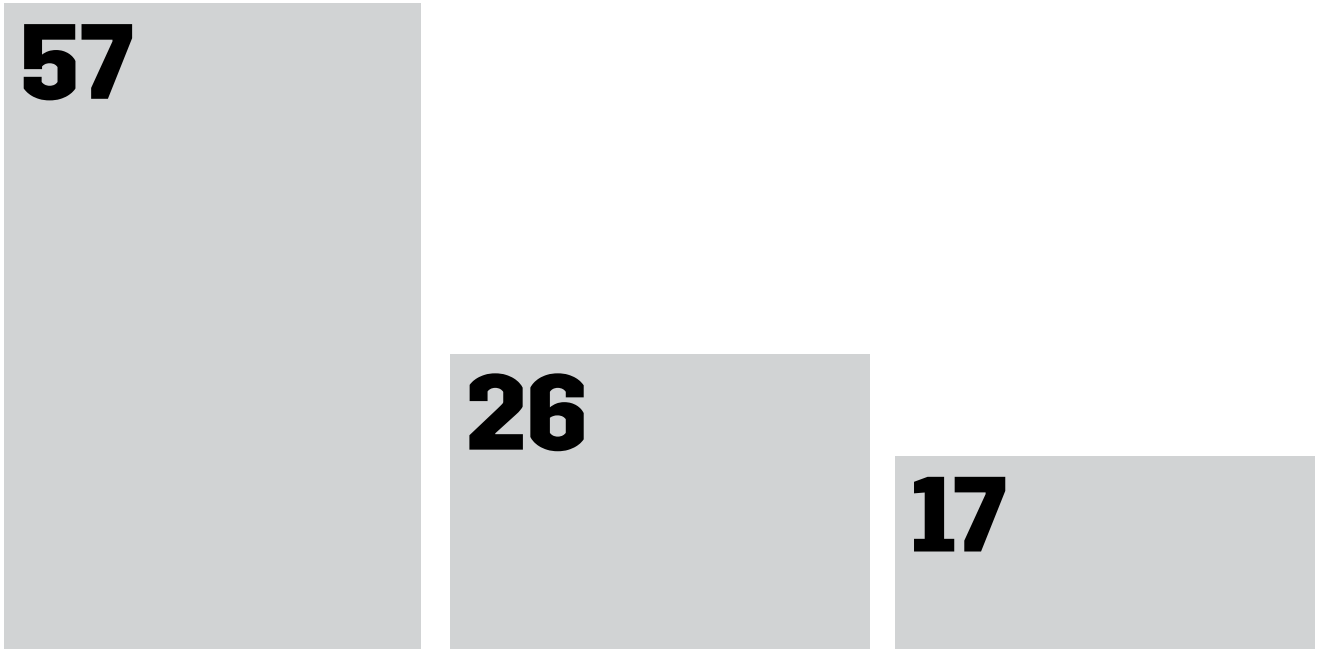
LTIFR

0,00

Percentage of group revenue (%)



Turnover by sector (%)



Building: factories and warehouses

Building: other

Building: office and commercial

STRATEGIC FOCUS

- **Focus on customer relationships**
- **Drive innovation through the integration of 3D, 4D and 5D technologies**
- **Expand capabilities by recruiting people with diverse skill sets**

CAPABILITIES

Building

Full traditional building capabilities supported by an increased full-service offering including MEP, design and build, project management and building information modelling (BIM).

- Data centres
- Industrial buildings
- Distribution centres
- Shopping centres
- Commercial buildings
- High-rise buildings
- Hotels
- Healthcare facilities
- Property development facilitation
- Walk-up construction (school, student residence, magistrate court, police station)
- Construction of buildings for the energy generation sector including:
  - Conventional buildings
  - Substations
  - Access control buildings
  - Workshops
  - Administration offices
  - Masonry
- Airports, terminals and buildings

Civils

Full traditional civil capabilities supported by an increased full-service offering including MEP, design and build, project management and building information modelling (BIM).

- Dam and irrigation schemes
- Pipeline and pump stations
- Effluent and water treatment works
- Energy infrastructure: renewable energy

COVID-19 IMPACT

COVID-19 did not have a material effect on the Western Cape Region's performance although some challenges were observed during the pandemic waves. The biggest mitigation against the threat COVID-19 posed to the business was the award of data centre construction contracts (a sector that was in fact boosted by the pandemic) which made up 55% of the region's order book.

PERFORMANCE AND OUTLOOK

The Western Cape Region delivered a profitable result amidst a constrained and highly competitive traditional building environment. Its focus on a full-service offering within sectors that require specialised MEP services, has been highly successful and a majority of its revenue was secured from factories and warehouses, energy generation and data centre construction projects. In order to leverage this strong position and continue to remain highly-competitive in this market the region continues to grow its overall offering by recruiting staff with aligned skills. This focus includes achieving 3D, 4D and 5D technology integration and maintaining its 100% delivery of successful projects within schedule.

The Western Cape Region positioned itself as an expert offering niche, high-demand construction capabilities in a space where there is currently less competition. The region aims to capitalise on the ever-increasing demand for its expertise and is cautiously optimistic that project awards within the industrial, energy and data centre sectors will follow. The region has recently ventured into the civils sector, and this will further strengthen its multidisciplinary offering to regional clients.

NOTABLE PROJECTS

The **Newlands Cricket Ground** project comprises 30 000m^2 office space with educational facilities, a gym, indoor sports facilities and 25 000m^2 of parking. Challenges within this contract included difficult ground conditions, high rainfall and constrained site logistics. The project commenced before COVID-19, and the pandemic only served to bring the team even closer together to deliver a world-class facility on time, with a zero lost time incident rate.

A 10MW data centre expansion project – **CPT 061 Atlantic Hills** – for a major international client was executed with precision and met the client's very tight deadlines and expectations. Planning and coordinating the delivery of client supplied equipment and ensuring follow-on trades were not delayed, were key to the project's successful delivery. BIM software was utilised on the project and in addition to coordinating all services on a live 3D platform model, the complete model was handed over to the client at project completion.

Notable challenges on this project included the management of local community volatility as well as the closure of one of our electrical subcontractors. The region was able to self-execute the electrical work, while also successfully managing the local community's expectations. This fast-track prestigious project was completed on time, within budget and with a zero lost time incident rate.

CPT 062 Brackengate, another 10MW data centre expansion for a major international client, was awarded to the region following its completion of Phases 1 & 2 of the project. The expansion contract also utilised BIM software and was successfully executed and delivered on time, within budget and with a zero lost time incident rate.

Drakenstein Paarl Shopping Centre, with Shoprite Checkers as the anchor tenant, was delivered on time, within budget and with a zero lost time incident rate. Successful delivery was critical in terms of future work opportunities.

Project name	Duration	Project value (excl. VAT)	Location
Newlands Cricket Ground	60 months	R550m	Western Cape
CPT 061 Atlantic Hills	8 months	R400m	Western Cape
CPT 062 Brackengate	8 months	R390m	Western Cape
Drakenstein Paarl Shopping Centre	12 months	R150m	Western Cape

SUSTAINABILITY MATTERS

Skills development and training

The Western Cape Region spent R2,5 million, of which R2,4 million was spent on previously disadvantaged employees.

- **Bursaries:** In line with its focus on maintaining its talent pipeline, the region spent R0,7 million on bursaries and scholarships. Bursars included 13 full time and two part time with 100% being black, of which 31% are female.
- **Mentorships:** There were four active mentorships in 2021, one of which was completed in August 2021 and the mentee was promoted to Senior Contracts Manager in September 2021. The mentees are black, of which 50% are female.
- **In-service training:** The region maintains a good relationship with the Cape Peninsula University of Technology (CPUT) and two third year students completed their six month in-service training. One of these students received a bursary for 2022. The in-service students are black, one of whom is female.
- **Go for Gold:** The region continues to support this initiative that also feeds into its student pipeline. Two of the three students who spent 2021 with the organisation to complete their Stage 2 development have received bursaries for 2022.

Initiatives

The region completed engagements with 94% of its employees in the last financial period but aims to improve and expand on these sessions, in order to drive engagement within the business. The region has developed and is in the process of rolling out an in-house training programme that covers the engagement process and promotes constructive feedback and conflict management. Greater awareness of the importance of these engagements and the individual responsibilities within the process is being created within the business.

The region launched its revised employee onboarding process in late 2021. The onboarding process originally entailed a first day presentation and employment pack and has now been altered to commence once the new employee has a signed offer letter and continues for about six months thereafter. Surveys with new employees are being conducted to determine if any further improvements can be made to the process.

The region plans to implement disability awareness and work-environment assessments to ensure reasonable accommodation of persons with disabilities and plans to implement diversity and inclusion awareness workshops for all employees.

The use of various communication channels that reinforce ethical behaviour and create a speak-up culture, will support and improve ethics awareness throughout the region.

Other initiatives include:

- Training of staff across all sites in hazard identification and ensuring this remains a key focus area.
- Employment of a dedicated environmental officer.
- Improved quality control system through digitalisation.
- Improved communication, services coordination, and limiting the amount of re-work by working on live 3D models.

AWARDS, ACCREDITATIONS AND ACHIEVEMENTS

Awards

- All Western Cape Region projects have achieved an MBA 5-star rating.
- Newlands Crickets Grounds placed first in the R250 – R450m category in the Master Builders Regional Health & Safety awards.

Accreditations

- Group certification was maintained for the relevant ISO management systems: ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.
- Certification as an approved waste removal contractor

Achievements

- Maintained a LTIFR of 0,00.
- Reached the milestone of 5 598 668 LTI-free hours work over 33 months.
- Implementation of environmental plans on all projects.
- Implementation of individual recycling plans on all projects.
- Segregation of waste on all sites.

OPERATIONAL REVIEWS
AFRICA

MANAGING DIRECTOR:
SHAUN WHITE

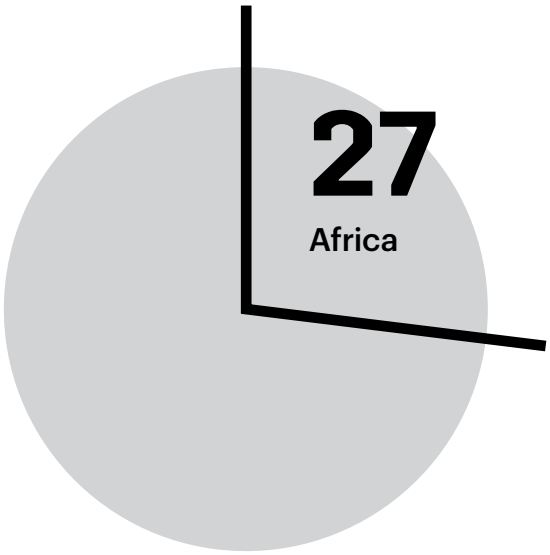
Order book
R1,1bn

Contract revenue
R1,6bn

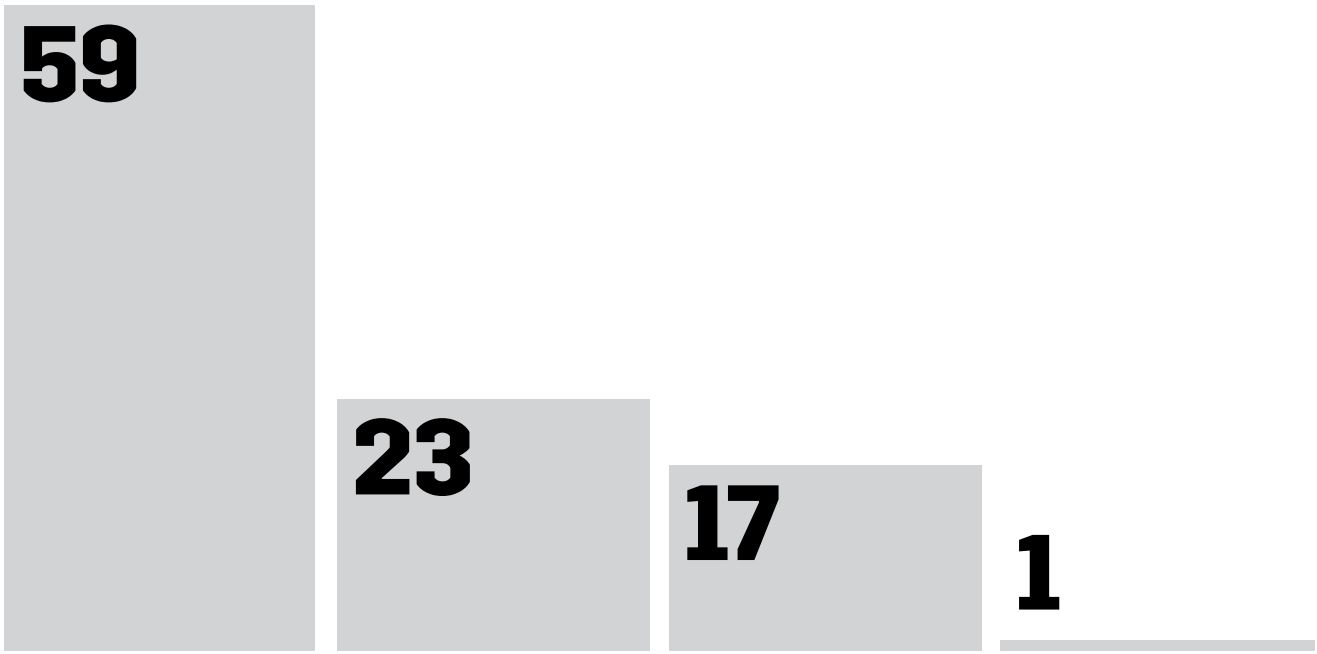
Operating profit
R102m

LTIFR
0,04

Percentage of group revenue (%)



Turnover by sector (%)



STRATEGIC FOCUS

- **Diversify and secure quality order book**
- **Remain focused in current territories**
- **Target the mining sector**
- **Focus on cash generation**
- **Build capacity**

CAPABILITIES

The countries that fall within the Africa Region operate as general contractors, offering:

- Civil works (including water treatment works, reservoirs, bridges and dam construction)
- Construction of
  - Airports and commercial buildings
  - Light (such as factory shells) and heavy industrial (sugar mill infrastructure) buildings
- Agricultural land development
- Bulk earthworks
- Road construction and rehabilitation contracts
- In co-operation with the group's disciplines the region can offer clients the full spectrum of the group's capabilities

COVID-19 IMPACT

The effect of the pandemic continued to be experienced, albeit to a lesser degree, as a better understanding of managing it was gained. The main impact was felt within the globally imported materials supply chain, where sporadic lockdowns resulted in shortages of certain materials. The rising commodity prices put pressure on margins within fixed price contracts or when specific material prices escalated exponentially when compared to the indices. Cross-border movement and the acquisition of work permits has become more stringent and creates pressure on resources, especially within specialised subcontract work.

CIVIL UNREST

The unrest in the north of Mozambique had a significant effect on the country and the construction industry, with a significant number of projects cancelled or put on hold. This resulted in a considerable shortfall in the country's order book.

PERFORMANCE AND OUTLOOK

Notwithstanding the difficult trading conditions, continued influx of Chinese contractors into the region and limited public and private sector work, the Africa Region achieved an operating profit of R102 million (R26 million more than budgeted operating profit of R76 million). Furthermore, the region's cash flow improved from the original forecast, due to successful collection of old outstanding debtors and better than budgeted for results. A low overhead structure was maintained, with no holding or retrenchment cost in Eswatini, Botswana, and Zambia.

Eswatini performed exceptionally well and continues to deliver high-quality projects.

Botswana delivered a solid performance, despite order book pressure with all projects achieving more than the tendered margins. The management team continues to focus on growing the business by expanding the business's services offering and making inroads into the mining sector.

Zambia produced excellent results for the year, mostly supported by the premier Radisson Blu Hotel project in Livingstone which is anticipated to be finished three months ahead of programme.

Mozambique has experienced another very tough year with the civil unrest creating instability and affecting investor confidence. Projects being cancelled or delayed have had a great impact on the order book, as have under recovery of overheads. Prevailing conditions necessitated a major restructuring and right sizing of the business to be able to trade its way through this short-term uncertainty. Once work stability is restored, the operation will be poised to make the most of the abundant opportunities.

The amount of work coming to market across the Africa Region (both the public and private sector) has been limited and slow. However, a more selective and strategic approach has seen the region starting the year having secured a strong order book with several tendered for projects anticipated to be awarded in the coming months. General contracting opportunities and the mining sector show promising signs of growth and a positive political change has been observed across some regions. Further factors influencing positive regional growth include increased commodity prices, a change in government in Zambia and Malawi offering investment opportunities as well as international funding support.

NOTABLE PROJECTS

Zambia's **Mosi-oa-Tunya Hotel Livingstone**, a premier Radisson Blu Hotel with a contract value of R1,1 billion, entails the construction of a 200-room, riverfront hotel, and facilities. The project is currently 78% complete and will be completed three months ahead of programme.

The second phase of Botswana's anchor project the **Bank of Botswana** is due for completion in March 2023. During this second phase the existing operational precinct will be refurbished, and employees moved to the newly built offices, completed in Phase 1. Phase 1 encompassed the demolition of existing structures in the bank's current operational precinct, and a new build of an office block, parking garage and vault which was completed in October 2021.

The construction of the **VBC Energy Towers** in Maputo for VBC, Limitada saw the Mozambique operation undertaking the full spectrum of the project, from earthworks through to finishing. The building comprises two high-rise (17 floors) office towers and a parking lot catering for 210 vehicles. The specialised glass facade is made from twisted glass – a first of its kind in Mozambique – and this required a different, more challenging and complex installation approach to conventional level glass. The Ministry of Energy and Ministry of Justice will use the towers for office accommodation.

Work on the Engineers Camp for the **Manzini Golf Course Interchange** commenced in May 2020, and work on the interchange began in August 2020. The project entails the construction of 4,4km of new roads, two bridges and seven box culverts, all to enable traffic flow between Manzini, Manzini central business district bypass and Mabalane (MR3 to the airport). The project is due for completion in the third quarter of 2022.

The **Lower Usuthu Smallholder Irrigation Project II: Contracts 1 & 2** Contract 1: 2 826ha of the Matata Block (off-takes 1, 2 and 3, due for completion at the end of May 2022) and Contract 2: 2 924ha of the Matata Block (off-takes 4 and 5, the Taking Over Certificate was achieved on 24 March 2022) are being undertaken for Eswatini Water and Agricultural Development Enterprise Ltd (ESWADE). These agricultural projects cover the construction of secondary distribution systems, pump stations and roads for irrigation pipelines in the Lowveld of Eswatini, specifically in the Lebombo Region in and around the towns of Matata and Nsoko. The Eswatini operations' scope of work on the two projects spans mainlines (earthworks, civil works, and mechanical pipeline installations), pumpstations (earthworks, civils and mechanical, electrical and instrumentation installations), roads and stormwater drainage (stormwater culverts and some roads).

Project name	Duration	Project value (excl. VAT)	Location
Mosi-oa-Tunya Hotel Livingstone	24 months	R1 038m	Zambia
Bank of Botswana	34 months	R875m	Botswana
VBC Towers	14 months	R361m	Mozambique
Manzini Golf Course Interchange	26 months	R353m	Eswatini
LUSIP Contract 1	24 months	R296m	Eswatini
LUSIP Contract 2	23 months	R246m	Eswatini

SUSTAINABILITY MATTERS

Skills development and training

Eswatini

SHEQ training: R0,5 million was spent on SHEQ training for 316 employees.

Bursaries: In 2021, four of the seven (five male and two female) bursars, who are also all employed by Stefanutti Stocks Eswatini, completed their degrees. This includes two male engineers who obtained their BTech, one female Plant Administration employee who completed her BCom, and one male IT Technician who acquired his BEng.

Initiatives

The region has applied and utilised many of the processes within its Green Building projects portfolio, across other construction projects in Africa. This has resulted in a substantial decrease in its operations' carbon footprint.

The continual progression of the group's internal SHEQ systems is evident as the region's safety, health and environmental (SHE) performance continues to excel. The specific health and safety challenges in the year under review included hazards such as biological agents (COVID-19), moving machinery, excavations/earthworks, falling objects and lifting/slewing. A broad spectrum of initiatives was successfully implemented, including safety awareness campaigns, training, coaching, mentoring, VFL and LE processes.

AWARDS, ACCREDITATIONS AND ACHIEVEMENTS

Awards

In December 2021, the Eswatini operation was the recipient of "The Biodiversity Offset in Construction 2021". This was the first award of its kind in the country and was handed out at the Temvelo Awards hosted by the Ministry of Tourism and Environmental Affairs.

Accreditations

— Group certification was maintained for the relevant ISO management systems: ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.

Achievements

The Africa Region has achieved:

— LTIFR of 0,00
— 24 120 976 LTI-free man hours worked
— RCR of 0,26 below the group benchmark of 0,3

OPERATIONAL REVIEWS
MECHANICAL ELECTRICAL PIPING

MANAGING DIRECTOR:
RUSSELL CRAWFORD

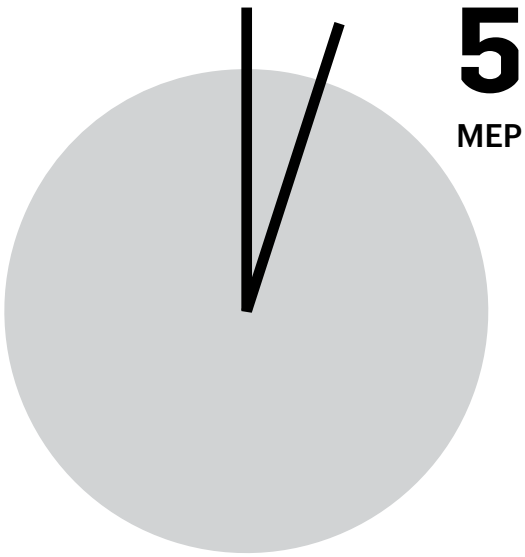
Order book
R93m

Contract revenue
R307m

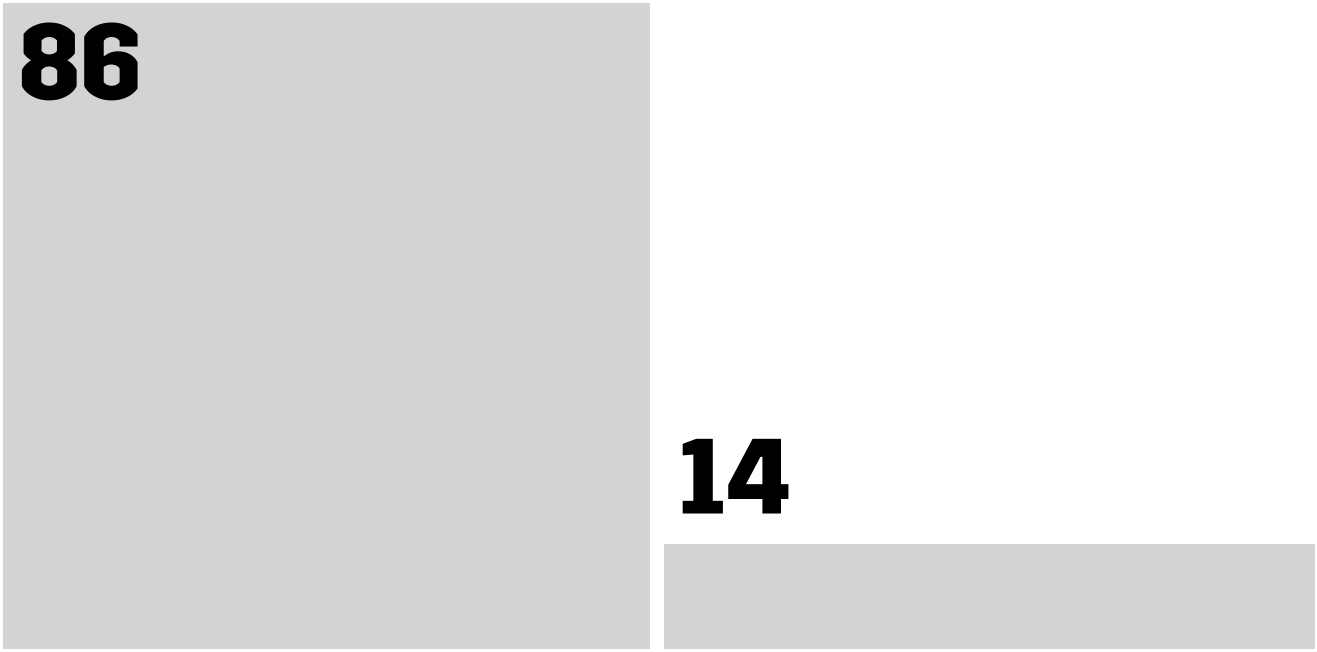
Operating loss
R78m

LTIFR
0,17

Percentage of group revenue (%)



Turnover by sector (%)



STRATEGIC FOCUS

- **Secure an order book of projects that leverage all key capabilities**
- **Deliver projects on time**
- **Keep projects cash positive**
- **Champion the Stefanutti Stocks Way**
- **Detect problems early to enable management to intervene and correct**

CAPABILITIES

- Control systems
- Field instrumentation
- Materials Handling systems
- Mechanical equipment
- Switchgear and motor control centres
- Petrochemical and gas pipelines
- Process piping systems
- Design and build high-rate water clarifier plants®
- Structural steel fabrication and erection
- Pipe spool fabrication
- Tank and tank farm construction
- Petrochemical shutdown maintenance work
- Commissioning support and assistance
- Scaffolding, painting and insulation

COVID-19 IMPACT

The contracts reported as cancelled due to the pandemic eventually returned to market and are expected to be awarded during the first half of 2022. Petrochemical projects and planned shutdowns that were postponed because of COVID-19 (and at the time the slump in the market) remained postponed for longer than anticipated (12 to 18 months). This resulted in a reduction in MEP's turnover for the year. At February 2022, MEP's order book was R93 million (Feb 2021: R136 million).

PERFORMANCE AND OUTLOOK

MEP's operations continued to be negatively affected by the pandemic. Despite the oil and resource price recovering, the cancelled or postponed contracts did not progress during the financial year. Low turnover in all disciplines resulted in under recovery of overhead costs and in a bid to further reduce costs, MEP relocated from its Barbara Road premises to the head office.

MEP reported an operating loss of R78 million (Feb 2021: operating loss of R64 million).

Going forward, Oil & Gas and Mining sector prospects look promising, with many projects – that had been cancelled or delayed – returning to market. MEP's disciplines have re-bid on these projects, as well as on new market opportunities. Significant projects have been secured post year-end.

NOTABLE PROJECTS

Sasol's NH3 Tank project was reviewed during 2021 and is anticipated to be re-awarded and resume in the second quarter of 2022. The Mechanical Discipline will erect the 29m diameter, double shell modified carbon steel tank along with the associated piping works linking the tank into Sasol's process plants.

Transnet's SAPREF R Tanks, a joint operation between Stefanutti Stocks Oil & Gas and VJ Tanks from Oman was practically completed by year-end. The Durban-based project encompassed installation of two 36m diameter, 20m-high storage tanks with aluminium dome roofs and internal floating decks, welding, painting, final nozzles, and hydrotesting. The final handover of this world-class project took place in early March 2022.

Stefanutti Stocks completed pre-shutdown preparation (entailing dressing each vessel with piping and mechanical items) of three new and two existing columns for **Sasol's Clean Fuels Column Replacement**. The equipment and piping systems were re-rated during the project, and the installation of the vessels and integration of all piping and mechanical items into the existing plant took place during the September 2021 shutdown. This complicated brownfield project required close collaboration between all stakeholders – the constructor, the engineering contractor, and the end-user and client Sasol.

Sasol's Corrosion Mitigation Project included prefabrication of numerous structures and piping systems, that were then installed into the existing plant during a short shutdown period. The structures were assembled and loaded with the mechanical items pre-shutdown and a heavy crane was mobilised to ensure this major section of plant was safely and efficiently lifted into position. The challenges that arose due to the brownfields nature of work were timeously resolved, and the successful project was completed on programme.

Stefanutti Stocks has continued to execute significant **electrical & instrumentation and maintenance work for numerous Sasol plants**. The Stefanutti Stocks Electrical and Instrumentation team is on standby 24/7 and rapidly responds to call-outs including for the repair or replacement of faulty equipment. It also undertakes small plant modifications.

Project name	Duration	Project value (excl. VAT)	Location
SAPREF R Tanks	36 months	R85 million	KwaZulu-Natal
E&I and Maintenance	12 months	R80 million	Mpumalanga
Clean Fuels Vessel Replacement	15 months	R70 million	Mpumalanga
Corrosion Mitigation	8 months	R27 million	Mpumalanga

SUSTAINABILITY MATTERS

Skills development and training

Skills development and training across all three MEP Disciplines was heavily impacted by the lack of contract awards. However, the region was still able to sponsor a special welding course for six community members located near an active project during the year.

AWARDS, ACCREDITATIONS AND ACHIEVEMENTS

Awards

There were no notable awards.

Accreditations

- MEP participated in the group's successful ISO 45001:2018 and ISO 14001:2015 certification audits.
- The Oil & Gas Discipline renewed its SANS accreditations for:
  - Pressure Vessels (SANS 247:2012)
  - Fabrication Workshop (SANS ISO 3834 Part 2)
  - Site Fabrication (SANS ISO 3834 Part 2)

Achievements

- The Oil & Gas Discipline maintained a LTIFR of 0,00.
- The Mechanical Discipline maintained a LTIFR of 1,06 (this will revert to 0,00 in April 2022).
- The E&I Discipline achieved a LTIFR of 0,00.
- MEP continues to implement an effective COVID-19 management programme, aligned with regulatory and group requirements.

BOARD OF DIRECTORS

ZANELE MATLALA (58)

INDEPENDENT NON-EXECUTIVE CHAIRMAN

QUALIFICATIONS: BCom, BCompt (Hons), CA(SA), Advanced Management Programme (Insead)

APPOINTED: February 2012

LENGTH OF SERVICE: ten years

STEFANUTTI STOCKS BOARD COMMITTEE MEMBERSHIPS: Board Chairman, NOMCO Chairman, REMCO member

EXTERNAL BOARD COMMITTEE MEMBERSHIPS: Executive director Merafe Resources Limited (CEO), RAC Limited, Dipula Income Fund, Royal Bafokeng Platinum Limited

SKILLS AND EXPERIENCE: CEO of Merafe Resources Limited (June 2012). CFO of Merafe Resources Limited (October 2010 to May 2012). Extensive financial services experience as CFO and Group Financial Director of Kagiso Trust Investments and Executive Manager: Private Sector Investments of the Development Bank of Southern Africa. Various positions at the Industrial Development Corporation, including heading the Wholesale Venture Capital Funds.

HOWARD CRAIG (62)

INDEPENDENT NON-EXECUTIVE

QUALIFICATIONS: BSc (Civil Engineering), GDE

APPOINTED: April 2015

LENGTH OF SERVICE: seven years

STEFANUTTI STOCKS BOARD COMMITTEE MEMBERSHIPS: REMCO Chairman, NOMCO member, S&E member

EXTERNAL BOARD COMMITTEE MEMBERSHIPS: Director and Chairman, member of ARCO and Governance Committees of the PPP Group (Mauritius)

SKILLS AND EXPERIENCE: Technical and Managing Director at Fraser Alexander Tailings (1990 to 2000). Held various senior positions at Sasol (2000 to 2009). Chief Executive of Rand Refinery (2009 to 2014). Serves on the boards of various private companies. Promotes various infrastructural and industrial projects across Africa.

BHARTI HARIE (51)

INDEPENDENT NON-EXECUTIVE

QUALIFICATIONS: BA, LLM

APPOINTED: April 2018

LENGTH OF SERVICE: four years

STEFANUTTI STOCKS BOARD COMMITTEE MEMBERSHIPS: ARCO Chairman, NOMCO member, REMCO member

EXTERNAL BOARD COMMITTEE MEMBERSHIPS: St Davids Marist Inanda, Bell Equipment Sales South Africa (Pty) Ltd, Bell Equipment Company South Africa (Pty) Ltd, EOH Holdings Limited and Lenmed Investments Limited

SKILLS AND EXPERIENCE: Previously spent 14 years at the Industrial Development Corporation of South Africa as head of the Corporate Funding and International Finance departments. Previous directorships at Bell Equipment Limited, Ascendis Health Limited, Mineworkers Investment Company, Ethekwini Heart Hospital and Charities Aid Foundation.

JOHN POLUTA (50)

INDEPENDENT NON-EXECUTIVE

QUALIFICATIONS: BCom, BAcc, CA(SA)

APPOINTED: July 2017

LENGTH OF SERVICE: four years

STEFANUTTI STOCKS BOARD COMMITTEE MEMBERSHIPS: ARCO member

EXTERNAL BOARD COMMITTEE MEMBERSHIPS: Executive director Mowana Investments (Pty) Ltd

SKILLS AND EXPERIENCE: Executive director of Mowana Investments. Co-founder of Mowana Investments (2005).

BUSISIWE SILWANYANA (49)

INDEPENDENT NON-EXECUTIVE

QUALIFICATIONS: BCom (Hons), CA(SA), MBA

APPOINTED: April 2018

LENGTH OF SERVICE: four years

STEFANUTTI STOCKS BOARD COMMITTEE MEMBERSHIPS: S&E Chairman, ARCO member

EXTERNAL BOARD COMMITTEE MEMBERSHIPS: YeboYethu (RF) Limited, Finbond Mutual Bank, AVI Limited

SKILLS AND EXPERIENCE: Executive Director of Acendore LSB (Pty) Ltd. Spent 15 years in banking across both Corporate and Investment Banking and Business Banking divisions. Initially spent time at ABSA Corporate & Investment Banking. Subsequently joined Standard Bank Group's Corporate & Investment Banking, spending about 10 years across the Johannesburg and United Kingdom offices with responsibilities in Structured Finance, serving as an executive. Over a four-year tenure at Standard Bank Group's Business Banking, held a number of senior positions, was an executive heading the Leading business, the Mid-corporate, Medium-enterprises and Franchising segments. Then joined Royal Philips NV Africa in Johannesburg, spent three years heading Philips Capital business covering Africa. Previously served as a member of the SAICA Education Committee and as director on the board of SAICA's Thuthuka Education Upliftment Bursary Fund.

RUSSELL CRAWFORD (58)*

CHIEF EXECUTIVE OFFICER

QUALIFICATION: National Higher Diploma Civil Engineering

APPOINTED: August 2019

LENGTH OF SERVICE ON THE BOARD: two years

STEFANUTTI STOCKS BOARD COMMITTEE MEMBERSHIPS: S&E member and attends meetings of all other board committees by invitation

SKILLS AND EXPERIENCE: Over 32 years' experience in the civil engineering construction industry. Joined the group in 1990 as a site agent. Appointed Managing Director of the Roads, Pipelines and Mining Services Business Unit of Stefanutti Stocks and joined the EXCO in May 2016. Appointed as Business Unit Managing Director for Construction & Mining (2018 to 11 August 2019). Managing Director of Stefanutti Stocks Mechanical, Electrical and Piping.

YOLANDA DU PLESSIS (49)*

CHIEF FINANCIAL OFFICER

QUALIFICATIONS: BCompt (Hons), CA(SA), Post Graduate Diploma: International Tax

APPOINTED: May 2022

LENGTH OF SERVICE ON THE BOARD: one year

STEFANUTTI STOCKS BOARD COMMITTEE MEMBERSHIPS: Attends meetings of all board committees by invitation

SKILLS AND EXPERIENCE: Qualified as chartered accountant in 2006. More than 20 years' experience in statutory reporting, audit, corporate governance and sustainability matters as well as tax. Joined Stocks Building Africa Proprietary Limited in 2007 and was appointed in 2008 as Group Financial Manager.

* Member of Executive Committee.

EXECUTIVE COMMITTEE

DEREK DU PLESSIS (64)

MANAGING DIRECTOR: COASTAL REGION

QUALIFICATIONS: BCom Bus Admin

APPOINTED: September 2018

SKILLS AND EXPERIENCE: Over 41 years' experience in the civil engineering construction industry. Joined the group in 2003 as General Manager in Eswatini (Swaziland). Appointed as director in Eswatini 2006. Appointed Managing Director of the Eswatini group in 2009. Appointed as SADC Managing Director in January 2014 and as the Construction & Mining Managing Director on 1 September 2018 and joined the EXCO on the same date.

SHAUN WHITE (49)

MANAGING DIRECTOR: AFRICA REGION

QUALIFICATION: National Higher Diploma Civil Engineering

APPOINTED: March 2020

SKILLS AND EXPERIENCE: 29 years' experience in the civil engineering construction industry. Started career with Murray & Roberts (10 years) before working in Ireland (6 years). Joined the group in 2006 as Contracts Manager. Appointed director in Eswatini 2012. Appointed Managing Director of the Eswatini group in 2016. Appointed as SADC Managing Director in September 2018 and as the Africa Managing Director on 1 March 2020.

ERIC WISSE (54)

MANAGING DIRECTOR: INLAND REGION

QUALIFICATIONS: M.Eng Civil Engineering, Pr.Eng

APPOINTED: January 2022

SKILLS AND EXPERIENCE: Eric has over 30 years' experience in the civil engineering construction industry during which he has worked on a broad range of large civil construction projects in South Africa and neighbouring countries. He joined the Stefanutti Stocks group in 2020 as Divisional Managing Director for the Roads & Earthworks Discipline. In January 2022, Eric was appointed as Managing Director of the Stefanutti Stocks Inland Region (R&E and Civils Disciplines) and joined the EXCO at the same time.

MAURO DONATO (56)

MANAGING DIRECTOR: WESTERN CAPE REGION

QUALIFICATION: BTech Civil Engineering

APPOINTED: January 2022

SKILLS AND EXPERIENCE: Mauro has over 30 years' experience in the construction industry. He joined the Stefanutti Stocks group in 2001 as Contracts Manager in the Western Cape and became a Contracts Director in 2004. He has worked on a number of high-profile projects across the province and was promoted to General Manager of Stefanutti Stocks Western Cape in 2012, and appointed as Managing Director in 2016. Mauro was appointed to the EXCO in January 2022.

MIKE SIKHAKHANE (56)

GROUP HUMAN RESOURCES EXECUTIVE

QUALIFICATIONS: BSocSc (Hons), Programme for Management Development

APPOINTED: January 2014

STEFANUTTI STOCKS BOARD COMMITTEE MEMBERSHIPS: S&E member and attends meetings of REMCO by invitation

SKILLS AND EXPERIENCE: More than 30 years' human resources experience. Five and a half years with the PG Group as Group Human Resources Director. 11 years in various divisions of Nampak as Divisional/Cluster Human Resources Director. Appointed Group Human Resources Executive in January 2014 and joined the EXCO during that year.

CORPORATE GOVERNANCE REPORT

CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS AS AT 13 JUNE 2022

MEMBERS: ZJ Matlala (Chairman), HJ Craig, B Harie, BP Silwanyana, JM Poluta, RW Crawford (CEO), Y du Plessis (CFO)

ANNUAL MEETINGS: 4 scheduled meetings

The board's duties are summarised below and in the board charter, as set out on page 51.

EXECUTIVE COMMITTEE

MEMBERS:
RW Crawford
Y du Plessis
M Sikhakhane
D du Plessis
SE White
E Wisse
M Donato

ANNUAL MEETINGS:
11

REGULAR INVITEES:
A Cocciante

DUTIES:
Assists the CEO with:

Recommending policies and strategies and monitoring the implementation thereof

Managing all executive management business

Being responsible for all strategic matters not expressly reserved for the board, including operational matters such as the coordination, management and monitoring of resources

Reviewing risks affecting the achievement of the group's objectives

REMUNERATION AND NOMINATIONS COMMITTEES

REMCO

MEMBERS:
HJ Craig (Chairman)
B Harie
ZJ Matlala

ANNUAL MEETINGS:
3

REGULAR INVITEES:
CEO, CFO, Human Resources Executive

DUTIES:
Developing and overseeing the group's remuneration philosophy and policy

Establishing principles of remuneration

Determining the remuneration of executive directors and executives

Considering, reviewing and approving the group's policy on executive remuneration and communicating to stakeholders

NOMCO

MEMBERS:
ZJ Matlala (Chairman)
HJ Craig
B Harie

ANNUAL MEETINGS:
3 (combined with REMCO)

REGULAR INVITEES:
CEO, CFO, Human Resources Executive

DUTIES:
Assessing the composition of the board and any deficiencies

Identifying and recommending nominees to the board

Reviewing directors' independence annually

Approving the Board Diversity Policy

Establishing directors standing for re-election

Reviewing and approving the role of the Chairman

Ensuring adequate succession plans are in place for the CEO, CFO and non-executive directors

AUDIT, GOVERNANCE AND RISK COMMITTEE

MEMBERS:
B Harie (Chairman)
JM Poluta
BP Silwanyana

ANNUAL MEETINGS:
4

REGULAR INVITEES:
Board Chairman, CEO, CFO, Group Risk Officer, internal auditors, external auditors

DUTIES:
Performing statutory responsibilities in terms of the Companies Act

Advising and submitting recommendations on the group's financial reporting, internal financial controls, external and internal audit functions, statutory and regulatory compliance

Monitoring adequacy of financial controls and reporting

Reviewing audit plans and ensuring adherence by external and internal auditors

Reviewing the independence of the external auditors

Assessing the reliability and quality of the audit

Ensuring financial reporting complies with IFRS and the Companies Act

Nominating auditors for appointment at the AGM

Monitoring the company's appetite for risk and concomitant controls required

Monitoring the governance of information and technology

SOCIAL AND ETHICS COMMITTEE

MEMBERS:
BP Silwanyana (Chairman)
HJ Craig
RW Crawford
M Sikhakhane

ANNUAL MEETINGS:
3

REGULAR INVITEES:
CFO, Group Risk Officer

DUTIES:
Monitoring and ensuring the company's compliance with section 72 of the Companies Act, read in conjunction with regulation 43

Monitoring the group's activities in terms of relevant legislation, other legal requirements or any industry or sector codes of best practice concerning: social and economic development, good corporate governance, labour and employment, consumer relationships, the environment as well as health and safety

REGIONAL MANAGEMENT COMMITTEES

OPERATIONAL COMMITTEES

The Stefanutti Stocks board of directors and executive management are responsible for ensuring that the group applies and adheres to the principles of good corporate governance.

The group's performance is ultimately the board's responsibility, but it is essential to delegate authority to the board committees. The board recognises that delegating authority does not absolve it or its directors in any way from the duty to execute their obligations and responsibilities towards the group.

APPLICATION OF KING IV

The King IV Report on Corporate Governance for South Africa, 2016 (King IV) sets out four governance outcomes, namely: ethical culture, good performance, effective control and legitimacy. Stefanutti Stocks endorses and supports these outcomes. The group continually assesses and reviews its application of the King IV principles, which is discussed in the sections that follow.

LEADERSHIP

Principle 1: The governing body should lead ethically and effectively.

The board understands that the group's strategy, risk, performance, and ultimately its sustainability, are inseparable from one another. The group and its businesses subscribe to good corporate governance principles to operate within acceptable risk parameters, create stakeholder value and maintain sustainable growth.

Reviewed on an annual basis, the formally adopted board charter articulates the board's responsibilities and terms of reference. The charter ensures that the directors maintain effective control over the strategic, financial and compliance matters of the group. In turn, the board is accountable to shareholders.

Exercising good judgment, strong leadership and acting with integrity, positions the group better for long-term sustainability. The group also has a code of business ethics and conduct which applies to all board members and employees.

In accordance with King IV, performance evaluations of the board and committees are conducted every two years. The Chairman has individual discussions with each board member in addition to the formal evaluations that take place.

Due to the high priority focus by the board on funding, solvency and liquidity, no formal performance assessment was conducted for the financial year ended 28 February 2022. An effectiveness evaluation of the board and committees will be considered during the financial year ending 28 February 2023.

To ensure that board members can make objective, informed decisions and discharge their responsibilities effectively, all directors are provided with all necessary information, including a detailed board pack. The company's MOI makes allowance for decisions to be taken between board meetings by way of written resolution, as and when necessary.

The board's agendas and meeting structures are focused on strategy, performance monitoring, governance and other related matters. The board attends bi-annual budget meetings, where the forecasted performance and direction of the group is discussed. They help guide the development of the company's strategy by reviewing all key group policies, which are approved either at a sub-committee or board level. The board approves the budgets, and performance against these budgets is monitored at each board meeting. Where necessary, remedial action is taken.

Conflicts of interest

At each board meeting, all directors are required to notify and disclose their conflicts of interest to the company as a standard agenda item. Post 28 February 2022 to date, there have been no material changes to the directors' interests except for non-executive director, JM Poluta, who acquired 850 000 shares. Information regarding directors' interests is set out in the annual financial statements.

ORGANISATIONAL ETHICS

Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

Code of business ethics and conduct

Contained in the group's code of business ethics and conduct are the standards of integrity, ethics and professional behaviour by which the group must abide. The code also describes the manner in which its stakeholders must be treated, including customers, business partners, suppliers, government and communities.

The management, implementation and execution of codes of conduct and ethics policies are delegated and managed by ARCO. These are underpinned by the group's values as disclosed on page 5. The entire group subscribes to the code, which is continually reviewed to ensure that it meets operational requirements and forms a vital element of the group's employment policies and procedures. A summary of the code of business ethics and conduct is available on the group's intranet as well as on the group's website.

In terms of the code, all employees are required to act with openness, honesty and integrity in their dealings with stakeholders. Furthermore, to uphold and protect the good reputation of the company, employees are required to interact with each other by practising the basic human rights of fairness, dignity, privacy and respect.

The group follows a zero-tolerance approach to any unfair or unethical business practices in the conduct of its business. The group's whistleblowing facility is administered by an external party, which guarantees the anonymity of the complainant.

Unethical behaviour can also be detected via the group's internal and external audit functions. These reports are reviewed by the Group Risk Officer and Group Internal Audit Manager and summarised reports are submitted to the ARCO for consideration.

As far as the group is aware, there have been no significant breaches of laws and/or regulations, nor have there been any material fines paid during the year. Regarding negative impacts on the general public, no grievances were received through the group's formal reporting process during the year.

Share dealings

Directors must obtain clearance from the CEO or, in his absence, from the Chairman before they may trade in the company's securities. Likewise, before the Chairman may trade in the company's securities, clearance must be obtained from the CEO or the designated director.

Directors are prohibited from trading in shares during closed periods and are obliged to advise their portfolio or investment managers not to trade in the company's securities, unless they have received specific written instructions to do so. Directors also cannot deal in the company's shares when they have unpublished price-sensitive information relating to those securities, or where clearance to deal has not been confirmed.

Supplier contracts

Subcontractors and suppliers are provided with the group's code of business ethics and conduct as part of the supplier onboarding process through the group's Vendor Management System (VMS), during the initial phases of any project.

RESPONSIBLE CORPORATE CITIZENSHIP

Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The S&E Committee's primary function is to ensure that the group operates sustainably and ethically. The committee is established in terms of the requirements of section 72 of the Companies Act, read with Regulation 43 of the Companies Regulations, 2011.

To fulfil its mandate, the committee has instituted appropriate policies and programmes that contribute to social and economic development, ethical behaviour of staff towards fellow employees and other stakeholders, fair labour practices, environmental responsibility and good customer relations. The board is ultimately responsible for these matters, regardless of any delegated authority.

Refer to pages 58 to 59 for more information on the S&E Committee and visit the group's website to view the sustainability report.

STRATEGY AND PERFORMANCE

Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

To assist the directors in making objective and well-informed decisions, executive management ensures that all necessary information and facts are provided. The board meeting agendas and structure focus on strategy, performance monitoring, governance and related matters.

The board meets throughout the year to discuss the short, medium and long term strategy of the group. These meetings deal with focus areas such as risks, opportunities, transformation, health and safety, training and sustainable development and other significant matters connected to the triple context in which the organisation operates.

At each meeting, key policies and financial budgets that support the group's strategy are approved and monitored against agreed performance measures and targets.

The group constantly evaluates its material issues, which are categorised according to the material effects they may have on strategic operations. To help guide and define the group's material issues, stakeholder engagement takes place through various channels, both formal and informal.

Separate reports containing detailed information on the company's key risks, strategy, business model, performance and sustainability can be found throughout this integrated annual report.

REPORTING

Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.

The board is responsible for protecting the integrity of the integrated annual report and all other related reports issued by the group. The board assesses and confirms management's grounds for establishing materiality during the approval process of the integrated annual report, which determines the material information to be disclosed.

The group's direction and approach to reporting is set by ARCO and includes the entire integrated annual report and annual financial statements.

The S&E Committee proactively manages and oversees the reporting of non-financial matters. REMCO and NOMCO oversee the remuneration and implementation reports.

The committees ensure that reporting framework requirements are met to align with the relevant legal and statutory requirements as well as the six capitals model, which consists of human capital, social and relationship capital, natural capital, financial capital, manufactured capital and intellectual capital. Refer to page 6 for more information on the capitals.

The assurance of the group's reporting is undertaken in conjunction with the external auditors whose primary focus is on financial aspects. There is limited external assurance on the non-financial aspects of reports.

Available on the company's website, the group's reporting suite includes the integrated annual report with a summary extract of the annual financial statements as well as the comprehensive annual financial statements, sustainability report and investor presentations.

All members of the Executive Committee (EXCO) take part in the bi-annual investor presentations where the group's performance and strategy are presented and discussed with analysts, institutional investors and the media. Also invited are the board's non-executive directors who are encouraged to attend the group's financial and business-specific presentations.

The company interacts with the media on an ad hoc basis, and publishes all related presentations, webcasts, corporate actions, performance reports as well as any other relevant information on its website.

PRIMARY ROLE AND RESPONSIBILITIES OF THE BOARD

Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.

Board charter

The board charter is aligned to King IV and codifies the board's composition, appointment, tenure, rotation, authorities, responsibilities and processes. The board charter also clearly defines the directors' fiduciary duties and roles.

In addition to the board's responsibilities set out in the Companies Act and King IV, the charter details further duties of the board, which include:

- Monitoring key risk areas, performance indicators and management;
- Reviewing the performance of the CEO;
- Reviewing the group's financial results and procedures, policies and codes of conduct;
- Implementing the group's plans and strategies;
- Assessing the company secretary with regard to qualifications, competence, experience and independence;
- Approving financial and non-financial objectives, including economic, social and environmental performance; and
- Ensuring ethical behaviour and compliance with laws and regulations.

The non-executive directors have unfettered access to the group's management once they have notified either the CFO or CEO regarding whom they wish to contact and the subject matter of the engagement. If necessary, the board charter also makes provision for the external auditors to be accessible to board members.

The board is of the opinion that it has discharged all material matters as set out in the company's board charter during the year.

Professional advice

The board charter allows for all directors to seek independent professional and legal advice on any matters relating to the group, at the group's expense and sets out the protocol to be followed in this regard.

COMPOSITION

Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

At financial year-end, the board comprised seven directors (2021: seven directors), five of whom are independent non-executive directors. The board Chairman is an independent non-executive and there are two executive directors, namely the CEO and CFO.

The board's size and composition ensure that the quorum for the board as well as the composition of various sub-committees, such as ARCO and REMCO, are achieved. The current board size enables the forming of a quorum at each meeting consisting of a majority of members in office, provided that at least one is an executive.

The composition of the board is reviewed by NOMCO and the board on an annual basis, as well as in the event of a resignation or retirement. Any shortfalls in skills and experience are identified and addressed during the review process. To ensure it has adequate capacity, the board continually monitors its size.

Incorporated into the company's board charter is a board diversity policy, which supports the principles and aims of diversity at board level, specifically regarding gender, race, culture, age, field of knowledge, skills and experience. When the board makes appointments or assesses its composition, these diversity indicators are considered.

Each individual board member is able to exercise independent judgement in board deliberations and decision-making, and provides the company with a wide range of relevant knowledge, expertise, business acumen, and commercial and technical experience.

For a brief curriculum vitae for each of the directors refer to pages 44 to 45.

Board Chairman

Zanele Matlala is an independent non-executive director and the group's board Chairman, having served as a non-executive director since February 2012. Refer to the Chairman's report on page 14.

The Chairman and CEO have distinct roles which are clearly separate from one another. The Chairman is an independent non-executive director whereas the CEO is an executive director. To fulfil the King IV role and functions, the Chairman is responsible for the effective leadership of the board and is appointed on an annual basis.

As part of its succession plans for the board as a whole, the board also reviews the succession plan for the Chairman. In setting the ethical tone for the board and the group, the Chairman provides overall leadership to the board without limiting the principle of collective responsibility for board decisions, while at the same time being aware of the individual duties of board members.

The Chairman of the board is a REMCO member, the chairman of the Nominations Committee (NOMCO) and is a permanent invitee to ARCO meetings. Although the Chairman does not attend the S&E meetings, the Chairman receives the relevant committee information for every meeting for information purposes. It is standard practice that the performance of the board Chairman is reviewed annually.

Independence

The independence of directors is assessed on an annual basis and takes into consideration the JSE Listings Requirements, the Companies Act as well as King IV.

Meeting attendance

Board member	Board	ARCO	REMCO	S&E
Chairman	ZJ Matlala	DG Quinn[2] B Harie[2]	HJ Craig	BP Silwanyana
Number of meetings	14	4	6	3
ZJ Matlala	14/14	4/4	6/6	n/a
DG Quinn[2]	9/10	2/2	4/4	n/a
RW Crawford (CEO)	12/14	4/4^	3/3^	3/3
Y du Plessis (CFO)[1]	7/7	3/3^	n/a^	3/3^
AV Cocciante (Corporate Finance Executive)[1]	7/7	2/2	3/3	2/2
HJ Craig	14/14	4/4	6/6	3/3
B Harie[2]	13/14	4/4	6/6	n/a
JM Poluta[3]	13/14†	4/4	n/a	n/a
BP Silwanyana	13/14	4/4	n/a	3/3

n/a Not applicable ^ By invitation † Permanent invitee 1 AV Cocciante resigned as CFO on 31 May 2021. Y du Plessis was appointed as Acting CFO on 1 June 2021 and permanently appointed on 20 May 2022. 2 DG Quinn retired at the AGM on 6 August 2021. B Harie was appointed as ARCO Chairman on 6 August 2021. 3 JM Poluta became a full director on 6 August 2021 (was previously alternate director to B Silwanyana).

During the year, the independence of directors was confirmed by NOMCO in accordance with the King IV independence requirements, which considers inter alia that the director has not been employed by the company or the group of which it currently forms part in any executive capacity, or appointed as the designated auditor or partner in the group's external audit firm, or senior legal adviser for the preceding three financial years, or has any material personal wealth interest in the group.

The independence of non-executive directors, who have been on the board for more than nine years, is reviewed by the board as standard practice. The assessment covers their performance as directors and factors that may influence or impact their independence.

Given that she has served on the board since 2012, the independence of the board Chairman was specifically considered by the NOMCO and board. Notwithstanding her length of service, the NOMCO and board are satisfied that the board Chairman is independent.

All directors are required to declare any conflict of interest at the beginning of each board or committee meeting.

The position of a Lead Independent Director (LID) was considered by the board, which is of the view that the board charter and specifically the role of the board Chairman, caters for all the expected functions of a LID. Accordingly, the board has not appointed a LID.

Rotation and retirement

Every year, one-third of the board is subject to retirement and re-election by rotation, with the exception of the executive directors. This is in terms of the company's MOI, and the retirement roster, which is reviewed by NOMCO and the board.

Unless resolved otherwise by the board on the recommendation of the NOMCO, non-executive directors are required to retire at age 70. For executive directors, the retirement age is 65 years.

Succession planning

On an annual basis, NOMCO reviews the formal succession plans for the CEO. The CEO reviews the succession plan for senior management and provides feedback to NOMCO where necessary. The board receives NOMCO's findings and recommendations for further consideration and action. The succession plans of the group are regularly reviewed by NOMCO, which provides guidance to the board on such matters.

The group has plans in place for emergency cover situations.

New appointments

NOMCO regularly assesses the need for new appointments to the board, and directors are appointed through a formal process. Before being shortlisted for nomination, all proposed new directors must first undergo the appropriate background checks, screening and due diligence processes. Thereafter, NOMCO recommends candidates to the board, which formally approves them.

When appointing a new board member, a formal panel interview with the candidate must include a confirmation that they have adequate time and capacity available to fulfil the duties required of a member of the board.

Directors appointed subsequent to the last AGM are confirmed at the upcoming AGM.

Non-executive directors have letters of appointment to confirm their terms of engagement, including matters such as fees, term of office, expected time commitment, share dealing and board performance assessment.

John Poluta, previously an alternate non-executive director to Busisiwe Silwanyana, was appointed as a non-executive director at the 2021 annual general meeting. John has been on the board as an alternate non-executive director since 2017.

Yolanda du Plessis was appointed as an executive director with effect from 1 June 2021.

Continuous development and training

To assist new directors in gaining a full understanding of the complexities of the group's businesses, all newly appointed directors undergo NOMCO-approved group-specific induction programmes. New directors can then make more informed contributions to board deliberations as soon as possible.

The directors' induction process is coordinated by the company secretary. Site visits and presentations on specific technical topics supplement board development.

Training for directors continues to be addressed and enhanced. As and when necessary, development training programmes are provided to directors and are structured around their duties, responsibilities, powers and potential liabilities.

When required, mentorship guidance is given, however, there is currently no formal board mentorship programme within the group, as it is not deemed necessary at this stage.

Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.

The board members are ultimately responsible for the performance and affairs of the group. They understand that any delegation of their duties is not an abdication of the board members' responsibilities.

The board has constituted various committees to assist it with carrying out its duties and responsibilities and to effectively establish its decision-making process. The committees provide accurate, relevant and timely information to the board. Every committee member has access to all company-related information, records and documentation.

The detailed terms of reference have been formulated and guided by the Companies Act and King IV which have in turn been approved by the board. The ARCO and S&E have separate terms of reference while the REMCO and NOMCO have combined terms of reference. The terms of reference of all three committees are aligned to King IV.

The following committees have been formally constituted by the board:

— ARCO
— REMCO
— NOMCO
— S&E

The membership, duties, purpose, and reporting procedures for each board committee, and the formalised terms of reference, define the extent of their decision-making powers, delegated authorities and tenure. There is no fixed tenure for the committees and they remain established for as long as the relevant legislation applies.

The responsibilities of each committee are set out in their terms of reference, which have been adopted and approved by the board. The terms of reference are reviewed annually and amended if required. Committee performance and effectiveness is evaluated every second year by the board. Any delegation to an individual governing member is recorded in the board minutes comprising responsibilities and mandates.

As prescribed by King IV, all committees comprise at least three members as a minimum, and their composition is reviewed annually or as circumstances require. The board has satisfied itself that the members are suitably skilled, independent and qualified to fulfil their duties in the various committees.

Committee chairpersons provide verbal reports on committee activities to the board and the minutes of committee meetings are made available to the board and the auditors. There is transparency and full disclosure from the committees to the board and any issues are discussed openly and frankly. The chairpersons of the committees or a nominated committee member also attend the company's AGM to answer all questions and concerns posed by stakeholders pertaining to the relevant matters handled by their respective committees. Shareholders are also given access to the minutes of the AGM.

Due to the fact that committee cross-memberships exist, meetings are coordinated via an annual programme that is distributed at the beginning of each year. Duplication among committees is minimised as far as possible. Executive management are permanent invitees to all board and committee meetings and, where necessary, senior management is involved.

The responsibilities of the Chairman and CEO, and those of the executive and non-executive directors, are strictly separated to ensure that no director can exercise unfettered powers of decision-making.

Subsidiaries

To ensure the group's overall subscription to the principles of ethical leadership and good corporate governance is adhered to, the oversight of subsidiaries is managed by a process of delegated authority between the holding and operating companies.

All the subsidiaries within the group are recognised as separate and independent juristic persons, to whom its directors owe fiduciary duties.

The delineation of the rights and role of the holding company have been established and communicated.

Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

Due to the high priority focus by the board on funding, solvency and liquidity, no formal performance assessment was conducted for the financial year ended 28 February 2022. A self-evaluation of the board and committees will be undertaken during the 2023 financial year.

Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

CEO

The board has delegated authority to the CEO to run the business of the group, as well as oversee the management of operations and finances of the group. This formal delegation of authority to the CEO is reviewed by the board on an annual basis.

The CEO reports back to the directors at board meetings regarding the adequacy of key management functions. While the CEO is a member of the S&E, he is not a member of REMCO, NOMCO or ARCO but attends meetings as a permanent invitee.

The CEO is assisted by the EXCO in formulating the company's strategy and vision, which are then put forward to and ultimately endorsed by the board together with the group's annual business plans and budgets which ensures the group's long-term profitability and sustainability.

The board conducts an annual performance evaluation of the CEO and reviews his role and function.

The board reviewed the delegated authority and was satisfied that it provides sufficient flexibility to management to run the business while at the same time reserving certain matters for the board.

The board is also satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities within the group.

Company secretary

William Somerville, aged 65, holds an FCIS, ACMA and a Diploma in Corporate Law and was appointed in May 2009 as company secretary. He is a qualified chartered secretary with extensive experience in the company secretarial and corporate governance arenas.

In line with the JSE Listings Requirements, the board undertook the annual performance appraisal of the company secretary via a detailed questionnaire circulated to all board members. The board was satisfied with the quality of assistance received, as well as the knowledge, competence and experience of the incumbent.

The company secretary is responsible for the following:

- Ensuring corporate governance processes at holding company level, regular company secretariat services are adhered to and attends all board and committee meetings as secretary.
- Assisting the board and its committees in preparing annual plans, agendas, minutes, and terms of reference and he guides the board and the individual directors on how they should fulfil their obligations and responsibilities towards the company, in the best interests of the group.
- Reporting to the board Chairman on governance matters and to the CFO on general company secretarial matters.
- Ensuring compliance with the MOI.

The company secretary is not a director or employee of the company or any of its subsidiaries and accordingly maintains an arm's length relationship with the board and its directors.

The board has primary responsibility for the appointment and removal of the company secretary, as detailed in the board charter.

Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.

ARCO assists the board with monitoring the group's risk management by way of delegation, while the day-to-day operational risk management is performed within each of the regions. Managing risk is an integral part of creating sustainable stakeholder value and protecting stakeholder interests. Being "risk aware" allows the group to capitalise on prospective opportunities flowing from selected risks.

It is the board's ultimate responsibility to manage the governance of risk, which includes establishing the risk appetite and tolerance levels, as well as the approval of the risk strategy, policy and framework. The risk appetite has been set and accounted for in the group risk register. The risk model and risk management process remain aligned to the group's strategic plan and the group risk register has been reviewed and updated.

There is no independent external assurance of the risk management function.

For more information on risk management, refer to page 11 of this integrated annual report.

Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

ARCO assists the board in carrying out its oversight responsibilities and approves the policy that defines and gives effect to how the board directs the use of technology and information. The group's Information Communication Technology (ICT) management is aligned with its performance, risk management and sustainability objectives.

The group information architecture facilitates and supports the achievement of strategic and operational objectives. ICT governance is an ongoing standard ARCO meeting agenda item. The ICT department's day-to-day activities are managed by the General Manager ICT Services, who heads the ICT Steering Committee and reports to EXCO and the ARCO at each meeting.

The ICT Steering Committee holds quarterly meetings to discuss ICT governance matters and ensures that the group ICT policies guide the regional operations' ICT principles and are aligned to the overall group strategy. The ICT Steering Committee members are kept up to date on a monthly basis on potential risks and opportunities pertaining to technology and communications and is managed through a detailed ICT sub-risk register which supports the group's risk register. A comprehensive disaster recovery plan is in place and risks for sourcing technology are addressed when engaging with third parties.

The committee develops strategies to exploit opportunities and mitigate risks. The areas identified are documented on the group's ICT projects register and reviewed monthly. To address the relevant risks, these strategies, policies and procedures are constantly assessed.

An external service provider performs an annual ICT audit by addressing various areas with each audit. The results of this annual audit guide ICT management and ICT risk assessments. Problem areas identified in previous years are addressed and re-evaluated.

The group has service level agreements in place with service providers, which are measured against specific terms and conditions. Security of information is continuously monitored. The group has appointed a dedicated team to monitor its systems for potential cyber-attacks, and has implemented additional security monitoring software, and migrated the majority of its network servers to a cloud solution with improved security features.

While the integration of all ICT technologies is still in progress, the group is working towards standardising processes and procedures within the operations.

Third-party service providers mainly relate to cloud services. To ensure that the group is adequately protected, the group only deals with well-established service providers of good standing who have reputable track records.

A balance is struck, when assessing ICT requirements, between keeping current systems and replacing longstanding systems with new, cloud-based ones. The result is a shift from a capital cost model to a service-based operational expense model. While decreasing the capital requirement for equipment, the ICT function benefits from new technologies for backup, disaster recovery and storage.

The group donates hardware that is usable but redundant to various organisations in need. To dispose of hardware scrap on a group-wide scale, the businesses use a green recycling process that reduces the environmental impact.

In accordance with the Protection of Personal Information Act, the group's social media and ethics policy addresses the ethical and responsible use of technology and information, where applicable.

While safeguarding confidentiality and integrity, the group's information architecture ensures that information is accessible. The leveraging of information to sustain and enhance the group's intellectual capital is an ongoing process.

Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

The group's compliance with legislative and regulatory requirements is monitored by the ARCO and includes the Companies Act, the JSE Listings Requirements, the King IV recommendations and other applicable legislation.

The code of business conduct and ethics includes a compliance policy, which is communicated to all new employees as part of company inductions. The policy is accessible via the group-wide intranet. Laws that are applicable to the group, as well as their possible effects on the company, have been tabled at the ARCO.

During the year, the board and the relevant committees evaluated the three King IV guidance papers, namely "Corporate failures and lessons learnt", "Responsibilities of governing bodies in responding to climate change", and "Effective stakeholder engagement within the context of remuneration".

The board and committees also considered the draft Companies Amendment Bill, 2021. The JSE consultation paper "Cutting red tape" was noted by the ARCO.

Eskom — Kusile Power Project

As previously highlighted to shareholders in various announcements and updates since late 2018, the group continues to pursue a number of contractual claims and compensation events on the Kusile power project. Due to the complexity of the claims, the processes remain ongoing. No further details of the claims have been disclosed on the basis that it may prejudice the group's position in defending the claims brought against it and in pursuing those claims brought against Eskom by the group.

Please refer to note 26 of the Consolidated Group Financial Statements for further information regarding claims as well as the Performance Review on page 16.

Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

For details pertaining to the group's remuneration, refer to the three-part remuneration report including the remuneration policy and implementation thereof, commencing on page 65 of this integrated annual report.

Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

Internal control

Assisted by the ARCO, the board is ultimately responsible for the group's internal control systems. It is accepted that risk management and implemented internal control standards and systems can drastically reduce the risk of error or loss and give sufficient assurance that concerns are speedily determined and managed but cannot provide complete assurance and protection against material loss.

To ensure that all group employees have a clear and unequivocal understanding of their roles and obligations, the importance of risk management and internal control systems is communicated to them by the group.

In compliance with applicable laws, regulations and reporting standards, adequate assurance of the integrity and reliability of the annual financial statements is provided by the internal control systems.

The internal control systems safeguard and maintain accountability of the group's assets and detect and minimise significant fraud, potential liability, loss, material misstatement and other irregularities.

The group's combined assurance model is in place to ensure that all risks identified are subjected to the required level of management control and the necessary internal and external assurance. To avoid duplication across the two disciplines, the ARCO reviews the risk areas included in the scope of the external audit plan as well as the internal audit plan.

Line management provides regular assurance to executive management that the internal control systems are performing satisfactorily and effectively in entities for which they are responsible.

The aim of the system therefore is to manage rather than to eradicate opportunity and failure risk. Subsequently, intrinsic shortcomings of the effectiveness of any system of internal control remain present, including the risk of human error and the circumvention or overriding of controls.

The assessment and implementation of these internal controls are applied throughout the group by executive management, line management, quality and safety assurance reviews and internal audit. Internal audit followed a risk-based internal audit plan conducting various process reviews.

While there were no material non-compliances with group procedures during the year, they were discussed with management and the existing controls were reinforced with the relevant staff. Management applies new controls and enhancements to existing controls as and when necessary.

To ensure its independence, the internal audit function reports directly to the ARCO.

A key focus area of the internal audit function is the assessment and testing of internal controls within the group. There were no reports of any significant breakdowns in the effectiveness of the group's control framework during the year.

Refer to the ARCO report on page 61 of this integrated annual report and also page 3 dealing with the responsibility statement by the CEO and CFO on financial controls as required by the JSE Listings Requirements.

Internal audit

The ARCO reviews and approves the internal audit plan to ensure that all recognised areas of risk are covered, and duplications are eliminated. During the year, there were no material amendments to the internal audit function's role, duties and reporting line of the Group Internal Audit Manager and the internal audit charter is unchanged. Please refer to the ARCO report on page 61 of this integrated annual report.

Assurance

Whereas the group's consolidated and separate financial statements have been externally assured, this integrated annual report as well as any non-financial information are not independently assured. The ARCO has considered the need for external assurance on these non-financial reports and has concluded that it is not required.

The group reviews all internal and external assurances already in place and coordinates this with its risk management procedures. The group's combined assurance model is illustrated in the infographic on page 57.

Combined assurance model

First line of defence

The first line of defence covers overall management oversight including strategic implementation, performance measurement, risk management, and other control and governance processes. This is mainly executed by the board, EXCO and the numerous regional managers.

Second line of defence

The group's second line of defence is provided by regional management and comprises detailed risk assessments and management at a regional and site level, and a formal, robust and effective operational management framework within which the company's policies and minimum standards are set. This line of defence also includes legal compliance, health, safety and quality assurance.

Third line of defence

The independent and objective assurance of the overall adequacy and effectiveness of the risk, governance and internal controls within the company as established by the first and second lines of defence provides the group's third line of defence. The responsibility for this line of defence rests mainly with the Audit Committee, supported by internal audit, external audit, and certain specialised areas of assurance such as ISO auditors for quality, environment as well as health and safety audits.

The board assesses the effectiveness of the group's combined assurance, using objectivity and professional scepticism, while applying an enquiring mind, to form their own opinion on the integrity of information and reports, and the degree to which an effective control environment has been achieved.

The board has satisfied itself that the combined assurance model is effective and sufficiently robust to enable them to place reliance on the combined assurance underlying the statements that it makes concerning the integrity of the organisation's external reports.

Integrity statement

The board responsibility statement can be found on page 2.

Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

The group's stakeholders include its employees and trade unions, shareholders, investors and financiers, clients, suppliers, joint operation and joint venture partners, local and national government structures, industry bodies, the media and the communities in which the group operates.

Please refer to page 8 for further information on stakeholder engagement.

Combined assurance model

1ST LINE OF DEFENCE

- Board
- EXCO
- Senior management

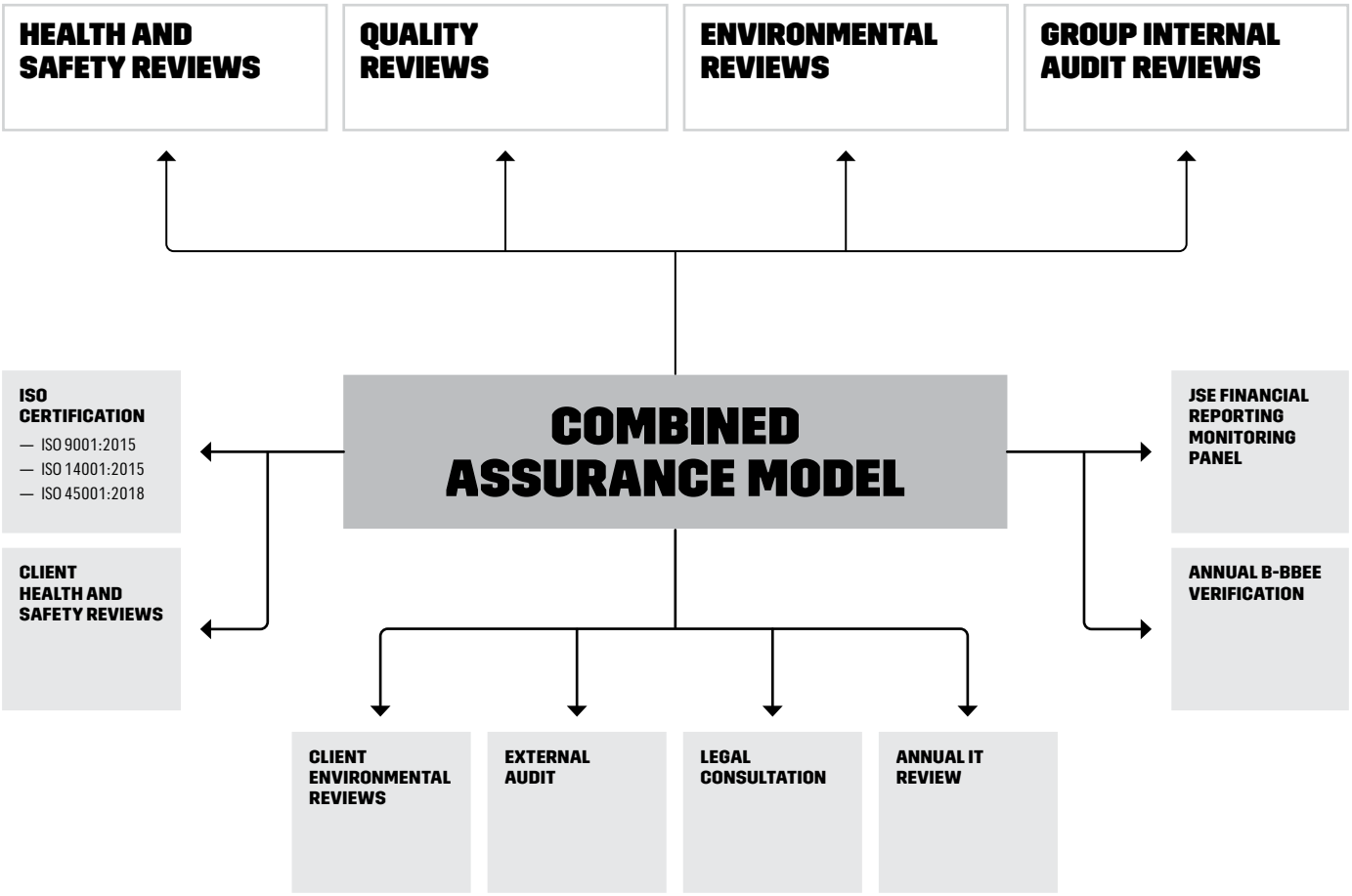
2ND LINE OF DEFENCE

- Line management
- Legal compliance, health, safety and quality reviews

3RD LINE OF DEFENCE

- External accreditation
- Internal audit
- External audit

Assurance providers



Key

Internal assurance provider External assurance provider

SOCIAL AND ETHICS COMMITTEE REPORT

INTRODUCTION

The S&E Committee's (the committee) primary function is to ensure that the group operates sustainably, and in particular, that it actively pursues transformation. To this end, the committee has been established in terms of the requirements of section 72(4) of the Companies Act, read with Regulation 43 of the Companies Regulations, 2011.

TERMS OF REFERENCE

The board has approved the committee's terms of reference, which are guided by the Companies Act and King IV principles. After the annual review process, minor amendments were made to the terms of reference. For the year under review, the committee confirms that it has executed its duties in accordance with its terms of reference.

COMPOSITION

Independent Non-executive Director, Busisiwe Silwanyana chairs the committee, which further comprises the CEO, Russell Crawford, Independent Non-executive Director, Howard Craig and the Human Resources Executive, Mike Sikhakhane. The CFO, Group Risk Officer, Financial Manager and Senior Accountant attend meetings as permanent invitees.

The composition of the committee complies with the Companies Act, however, it does not comply with the King IV recommendation of having a majority membership of independent non-executive directors, as the company believes that the current composition is appropriate. The committee composition is considered on an annual basis. Refer to pages 44 to 47 for the abridged biographies of the committee members. Ms Silwanyana is also a member of the ARCO, which improves communication and ensures cooperation between the two committees.

MEETINGS

The committee met three times during the year. Refer to the corporate governance report on page 52 for details on meeting attendance.

STATUTORY AND OTHER DUTIES

In order to execute its duties and fulfil its responsibilities, the committee:

- Considers, approves and reviews the group's corporate social investment programme and proposed beneficiaries;
- Monitors the group's activities, having regard to any relevant legislation, other legal requirements or any industry or sectoral codes of best practice with regard to:
  - Social and economic development
  - The environment, health and workplace and public safety
  - Consumer relationships
  - Labour and employment
- Monitors the group's B-BBEE targets and progress on ownership, preferential procurement, enterprise development, employment equity (EE) and skills development and training;
- Promotes the principles of transformation on an enterprise-wide basis across all facets of the group's activities and reviews policies, plans and processes in this regard;
- Receives reports on a confidential basis from the whistle-blowing line;
- Reviews integrated annual reporting to stakeholders on aspects of transformation; and
- Reviews and monitors sustainability.

Committee focus areas

2022	2023
— Driving a health and safety culture in respect of COVID-19 at the workplace — Ongoing focus on EE and B-BBEE in order to maintain the group's B-BBEE Level 1 Contributor status — Resetting EE targets, based on the restructuring of the group — Monitoring labour relations and ongoing community relations adjacent to working sites	— Ongoing focus on EE and B-BBEE in order to maintain the group's B-BBEE Level 1 Contributor status — Implementation of approved and revised EE plans and monitoring amendments of EE — Focus on environmental, social and governance (ESG) incorporating current policies and strategies into a new ESG plan — Continued engagement with key stakeholders to ensure successful implementation of the Restructuring Plan

In support of the ARCO, the committee assesses all non-financial information disclosures made in the integrated annual report and provides additional assistance on all matters relating to ethics, which are reported on through the internal audit process.

The committee is satisfied that the necessary attention is given by the group to its social, ethics, transformation and sustainability responsibilities. A number of policies and programmes have been established to progress the advancement of socio-economic development (SED), ensure the ethical behaviour of employees towards fellow colleagues and other stakeholders, promote fair labour practices, oversee environmental responsibility and reinforce good customer relations.

Due to the fact that some of the committee's responsibilities and deliberations overlap with other committees, detailed policy and performance information appear in other sections of the integrated annual report and supplementary reports.

While some sustainability highlights are included in this integrated annual report, the execution of the S&E Committee responsibilities is discussed in further detail in the group's sustainability report, which can be found on the group's website.

On behalf of the S&E Committee

Busisiwe Silwanyana
Chairman

13 June 2022

SUSTAINABILITY HIGHLIGHTS

The full sustainability report can be found on the group's website **www.stefstocks.com**.

01

INVOLVED WITH OUR PEOPLE

Stefanutti Stocks recognises that its employees are key to its success and remains focused on implementing its strategic driver — **"Energised and Engaged Employees"**.

As at 28 February 2022, the total staff complement for the group was **5 611** (2021: 8 693) employees, (excluding temporary employment service employees), with **3 080** (2021: 3 956) local employees and **2 531** (2021: 4 737) based beyond South African borders. A further **1 309** (2021: 269) were local temporary employment service employees.

02

DEVELOPING OUR PEOPLE

The group's businesses continued to focus on developing the various skills of the employees despite the negative impact and challenges of COVID-19, the ongoing restructuring programme and the establishment of the regionally based delivery model. The Stefanutti Stocks Academy (which is accredited with the Mining Qualifications Authority (MQA) and Construction Education and Training Authority (CETA)) continued with the internal training of employees, with a focus on the following key areas:

- Developing and registering essential courses and programmes as needed by the regional operations.
- Updating and optimising its existing programmes to ensure that they remain relevant in the ever-changing construction industry.
- Further investigating the possibility and viability of incorporating skills such as bricklaying into the existing internal offering.

The Academy will continue to focus on these areas. The group invested **R8 million** (2021: R7 million) in skills development and training. The above value excludes employees' salaries while receiving training.

03

TRANSFORMED AND DIVERSE ORGANISATION

In South Africa, the group supports the B-BBEE Act and the Codes of Good Practice for B-BBEE and remains committed to the principles and implementation of B-BBEE within the group and its operations. It sees B-BBEE as an effective means to rectify the economic and social disparities in South Africa.

The group's current scorecard, dated August 2021, is based on the Revised Construction Codes of Good Practice. Stefanutti Stocks retained its **Level 1 Contributor** status.

04

HEALTH AND SAFETY

The objectives and targets for 2022 were centred around maintaining COVID-19 prevention practices and the mitigation of minor and major incidents on our projects. Employee health and safety remains a top priority. Headed by the CEO, a task team, which was established to lead the group's COVID-19 response, remains operational. The organisation continues to track all COVID-19 cases.

COVID-19 vaccine awareness campaigns were appropriated from government websites and made conspicuous on all projects. Toolbox talks and Leadership Engagement (LE) took place, to educate employees on all matters surrounding vaccination.

In the spirit of the Founder's Mentality principles, the group continues to adopt the slogan **"I will not walk past"**. This behaviour-based approach encourages empowered employees to take ownership of and responsibility for health and safety at the workplace.

The group's lost time injury frequency rate (LTIFR) at February 2022 was **0,03** (2021: 0,03) and the recordable case rate (RCR) was **0,28** (2021: 0,35).

05

ENVIRONMENT

The group continues to monitor the six key areas that are most significant to operations — carbon emissions, energy, materials, waste, water, and credible information. These key areas inform the group's approach to environmental risk and guide the implementation of preventive measures and established programmes.

The group maintained its ISO 14001:2015 certification with an accredited international service provider. This certification means that 14 operating disciplines are included within one certification, with the assurance of invariable environmental standards across such disciplines.

A notable achievement is the Bank of Botswana Redevelopment project, where Stefanutti Stocks partnered with key stakeholders such as Gaborone City Council and the Department of Waste Management regarding the waste disposal. All construction waste/rubble generated is completely diverted from landfill, for optimal use in backfilling purposes in the surrounding area. Rubble/construction waste is reused by placing it in the borrow-pit land allocated by the City Council. This land will be repurposed after it has been backfilled with the construction rubble as per the approved permit.

AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT

The Audit, Governance and Risk Committee (ARCO or the committee), appointed in respect of the 2022 financial year of Stefanutti Stocks Holdings Limited, provides this report in compliance with section 94(7)(f) of the Companies Act, the principles of King IV and other regulatory requirements.

THE ARCO

In addition to the specific Companies Act statutory responsibilities bestowed upon it, the committee advises and submits recommendations to the board on the group's financial reporting, internal financial controls, legislative and regulatory compliance as well as the external and internal audit functions.

Terms of reference

Guided by the Companies Act and King IV, the board has adopted and approved the committee's formal terms of reference. No changes were made to the terms of reference after the annual review process. In accordance with these terms of reference, the committee confirms that it has executed its duties during the past financial year. Refer to pages 48 to 57 of this report for a discussion on how the 16 principles of King IV have been applied.

Composition

The board nominated the members of the committee in respect of the 2022 financial year and shareholders appointed its members at the AGM, which was held on 6 August 2021. Shareholders will be requested to approve the appointment of the committee members for the 2023 financial year at the AGM that is scheduled for 5 August 2022.

Dermot Quinn, an independent non-executive director, previously chaired the committee. He retired at the 2021 annual general meeting and did not seek re-election and consequently stepped down as ARCO chairman. The board appointed Bharti Harie, an independent non-executive director and ARCO member, as chairman in place of Dermot Quinn. The committee comprises a further two independent non-executive directors, namely Busisiwe Silwanyana and John Poluta.

The board Chairman, CEO, CFO, Group Risk Officer, senior accountant, external and internal auditors attend the meeting as invitees. The company secretary acts as secretary to the committee.

The board has satisfied itself that the committee members are suitably skilled, have the correct expertise and experience, are independent and are qualified to fulfil their duties. Abridged biographies of the members are published on pages 44 to 45.

Meetings

During the year, the committee held four meetings. Attendance at these meetings is set out in the corporate governance report on page 52 of this integrated annual report. The committee also met in private with the external auditors.

Execution of duties

During the year the committee:

- Identified specific focus areas, as set out on page 64;
- Evaluated the independence of the external auditors with regard to tenure, individual partner rotation as well as their performance, and recommended their reappointment, to the board;
- Reviewed the quality of the external audit function with regard to audit quality indicators as indicated in reports by external regulators;
- Reviewed the quality of the internal audit function with reference to the findings from their independent internal review processes;
- Noted the JSE requirements regarding mandatory audit firm rotation (MAFR) and partner rotation;
- Confirmed the accreditation of the external auditors and the audit partner with the JSE with regard to tenure as well as individual partner rotation;
- Considered and evaluated the key audit matters as set out in the external auditor's report which remain largely the same as the previous year and the committee is satisfied that the matters have been correctly disclosed in the integrated annual report and consolidated annual financial statements;
- Reviewed the areas identified by the external auditors as being of significant risk and their approach to auditing these;
- Reviewed the external audit findings and reports;
- Approved any non-audit services performed by the external auditors and the policy in this regard;
- Reviewed the draft audited financial statements and integrated annual report, the preliminary announcement and interim statements;
- Included the review of the company's Funding Plan and various Restructuring Plans (with their underlying assumptions), as part of its standard agenda item for each meeting. This is more fully discussed on pages 81 to 82;
- Reviewed the company's ongoing solvency, liquidity and going concern status;
- Reviewed, together with the external auditors, the conformity of the audited financial statements and related schedules with International Financial Reporting Standards (IFRS) and the company's accounting policies;
- Reviewed the audit plan, strategy and audit fees payable for FYE 2022 to the external auditors;

- Reviewed internal audit policies, plans, budgets, reports and findings and noted the independence of the internal audit function;
- Approved the audit fee for FYE 2022;
- Monitored compliance with the code of business conduct and ethics of the company in liaison with the S&E Committee;
- Monitored compliance with applicable laws and regulations;
- Monitored reports from the company's ethics hotline;
- Oversaw the process of sustainability reporting and considered the findings and recommendations of the S&E Committee;
- Assessed key risk areas facing the group, IT risks, the risk register and recommended risk mitigation measures;
- Considered the tax risk report and significant tax matters;
- Oversaw insurance arrangements;
- Considered internal reports on major contracts;
- Oversaw IT governance, including participation in a comprehensive presentation of the various IT processes and systems implemented within operations to manage the entire process from tender to commissioning stage;
- Advised and updated the board on issues ranging from accounting standards to published financial information;
- Nominated the external auditors and the designated audit partner for reappointment by shareholders at the AGM, as required by the Companies Act and the JSE Listings Requirements;
- Evaluated the finance function and expertise and experience of the CFO;
- Ensured that access to all financial information, and appropriate financial reporting procedures exist, for all entities included in the consolidated financial statements;
- Approved materiality for the group consolidated financial statements in terms of IFRS Practice Statement 2 — Making Materiality Judgements;
- Updated the board on the latest changes to the JSE Listing Requirements, Proactive Monitoring results, COVID-19 effective communication with investors and categorisation on disposal of assets;
- Ensured ongoing company compliance with the JSE checklist;
- Considered the continuing impact of COVID-19 on the company's business, operations and going concern status. The committee also considered the vaccination policy and the levels of vaccination uptake within the company. Based on reports and assurances provided by management, the ARCO was satisfied with the overall approach being followed to mitigate this risk, and comply with laid down regulations;
- Monitored the ongoing interaction between the Lender Group, Chief Restructuring Officer (CRO) and the Restructuring Implementation Team (RIT).

INTERNAL FINANCIAL CONTROLS

The committee's areas of focus were to:

- Evaluate the effectiveness of the group's system of internal financial controls including receiving assurance from management, internal audit and external audit;
- Review matters presented in the external auditor's reports; and
- Assess the various policies and procedures in place for the prevention and detection of fraud.

Based on the processes and assurances obtained, the committee believes that the significant internal financial controls are effective.

As required by the JSE Listings Requirements, refer to the responsibility statement by the CEO and CFO on page 3 of this integrated annual report.

REGULATORY COMPLIANCE

The group's compliance with applicable laws and regulations is monitored by a combination of management controls, internal audit, external audit, the sponsors and the company secretary. Given the company's size and structure, there is no dedicated in-house compliance function. However, compliance is a standard agenda item covered by the Group Risk Officer at ARCO meetings. Compliance with the MOI is overseen by the company secretary. For a more detailed discussion on regulatory compliance refer to the corporate governance report, commencing on page 55 of this integrated annual report.

Refer also to page 3 of this report for the statement of compliance with the Companies Act and the MOI.

OVERSIGHT OF RISK MANAGEMENT

The committee oversees the risk management process and has confirmed the independence of the internal audit function. The Group Risk Officer and the Internal Audit Manager report directly to the committee and address all risk identification, measurement and management through these channels.

A risk management framework, risk policy and risk register were presented for consideration to the committee during the year. The committee has confirmed that the following focus areas below have been attended to:

- Financial reporting risks;
- Funding risks with the Lender Group;
- SSBR contract risks;
- Internal financial controls;
- Fraud risks;
- IT risks; and
- Reviewed technology risks, in particular how they are managed.

Please refer to page 11 of this integrated annual report for a full discussion on risk management.

INDEPENDENCE OF EXTERNAL AUDITORS

The committee assesses the external auditors' independence and effectiveness on an annual basis, as required in terms of Section 22.15(h) of the JSE Listings Requirements, as part of its responsibilities.

The committee reviews the group's non-audit services policy on an annual basis. This policy allows the committee to consider whether the external auditors' independence is materially impaired by any non-audit services rendered. While the external auditors rendered certain non-audit services during the reporting period, their fees were deemed immaterial. Amongst other things, the non-audit service rendered includes a factual findings report regarding B-BBEE verification, auditing of circulars issued during the year and certain other agreed-upon procedures.

The committee is satisfied with the external auditors' independence, based on enquiries made by the committee and assurances given by the auditors. The committee has thus recommended to the board and to the shareholders, the reappointment of Mazars as the independent registered audit firm and Shaun Vorster as the individual registered auditor. Shaun took over as the lead audit partner in place of Susan Truter who stepped down from the audit due to partner rotation requirements. The ARCO thanks Susan for her valuable contribution over her years of service as the individual registered auditor.

Mazars has been the auditor of the group for 16 years. Significant changes in management over the tenure of the external audit firm that mitigate the risk of familiarity include the appointment of a new Chief Executive Officer in August 2019, a new Chief Financial Officer in May 2022 and various other board and executive committee appointments. Refer to pages 44 to 47.

INTERNAL AUDIT

Internal audit's purpose and scope, responsibilities and duties, independence and ethics are set out in the internal audit charter. The internal audit function monitors the group's exposure to risk, and assesses the reliability and effectiveness of risk management processes and controls.

The Internal Audit Manager reports to the Group Risk Officer on an administrative basis. In order to perform his duties and meet his responsibilities, the Internal Audit Manager has unfettered access to the CEO, board Chairman, and the chairman of the ARCO, and reports to the committee on a functional basis.

As prescribed by the Institute of Internal Auditors, the policies and procedures that guide the internal audit function are aligned to the International Professional Practice Framework (IPPF). The amended IPPF includes the core principles within the mandatory section, which also incorporates the definition of internal auditing, the code of ethics as well as the standards for an internal audit function. Reviewed in their entirety, these core principles articulate internal audit effectiveness. Therefore, the internal audit function must:

- Demonstrate integrity;
- Demonstrate competence and due professional care;
- Be objective and free from undue influence (independent);
- Align with the strategies, objectives and risks of the organisation;
- Be appropriately positioned and adequately resourced;
- Demonstrate quality and continuous improvement;
- Communicate effectively;
- Provide risk-based assurance;
- Be insightful, proactive and future-focused; and
- Promote organisational improvement.

In addition, the internal audit function is tasked with monitoring and assessing the group's corporate governance, in particular the various delegation of authority frameworks applicable across the group.

The group's numerous levels of management are responsible for designing, implementing and evaluating the risk management plans and must ensure their sustainability in all aspects of the business.

The committee directs the risk-based internal audit plan, which is based on the key risks identified by executive management and confirmed by the committee. At the beginning of the year under review, the internal audit plan was presented to the committee for annual review and approval.

The following processes were dealt with in the approved internal audit plan:

- Tender and estimating;
- Purchases and payables;
- Subcontractor payments;
- Payroll salaries and wages;
- Financial discipline;
- IT general computer controls, system development life cycle, cyber-attack defences, change management and backup and disaster recovery; and
- Contract (site) reports and reviews.

All findings were communicated to management who reinforced the existing control or implemented new controls and processes to minimise the risk identified to an acceptable level, comparing the advantages gained with the cost of the control.

The group's internal audit function also appraises the group's risk management, corporate governance processes and internal controls and submits its assessment of these to the committee annually.

As required by the International Standards of Internal Auditing, an external assessment of the internal audit function will be conducted during the following financial year.

The internal audit function provides annual confirmation to the ARCO that it conforms to recognised industry code of ethics.

COMMITTEE FOCUS AREAS

The focus areas for the year under review were as follows:

- Ongoing monitoring of the Restructuring Plan and the Funding Plan covering:
  - Going concern;
  - Solvency and liquidity;
  - Funding requirements and repayments;
  - Asset disposals;
  - Debtors recoverability;
  - Material contracts;
  - Working capital requirements and movement;
- COVID-19 and the impact on the group; and
- Receiving feedback from the CRO and RIT.

Outside of COVID-19, the focus areas for the coming year are similar to the previous focus areas. The committee will also monitor the change in the re-organisation of its operations into regions together with its performance and focus on loss-making contracts.

CFO

The annual evaluation of the finance function and the CFO was undertaken during the year as required in terms of the JSE Listings Requirements. The committee is satisfied that the CFO, Yolanda du Plessis, has the appropriate qualifications, expertise, skills and experience to meet the responsibilities as CFO.

The committee has also satisfied itself that the resources within the finance function are appropriate to provide the CFO with the necessary support to properly fulfil her function. When making its evaluation, the committee considered the matters raised from the external auditors.

ANNUAL FINANCIAL STATEMENTS AND INTEGRATED ANNUAL REPORT

The committee has reviewed the separate and consolidated annual financial statements of Stefanutti Stocks Holdings Limited for the year ended 28 February 2022, and is of the view that in all material respects they comply with the relevant provisions of the Companies Act, IFRS, the JSE Listings Requirements, the SAICA Financial reporting Guides (as issued by the Accounting Practices Committee), as well as Financial Reporting Pronouncements (as issued by the Financial Reporting Standards Council) and fairly present the consolidated and separate financial position as at 28 February 2022, and its financial performance, the statement of changes in equity and cash flows for the financial year ended. These are available on the company's website.

The committee has also satisfied itself as to the integrity of the remainder of the integrated annual report, including the sustainability report, and accordingly has recommended the integrated annual report for the year ended 28 February 2022 for approval to the Stefanutti Stocks board. The board has approved the report, which will be open for presentation at the forthcoming AGM.

On behalf of the ARCO

Bharti Harie
Chairman

13 June 2022

REMUNERATION REPORT

INTRODUCTION

This remuneration report sets out the information applicable to the group's remuneration strategy and remuneration policy for the executive directors, members of the executive committee (EXCO) and non-executive directors. However, where relevant, it also deals with general remuneration matters. The Remuneration Committee (REMCO/the committee) assists the board in determining remuneration policies for the group and has set the remuneration policy for financial year-end 2022 (FYE 2022).

At the 2021 annual general meeting (AGM), no matters were raised by shareholders in terms of the remuneration policy and the remuneration implementation report.

This report consists of four sections:

- **Section A:** a background statement to provide context to the remuneration policy;
- **Section B:** an overview of the main provisions of the remuneration policy;
- **Section C:** the implementation of the remuneration policy; and
- **Section D:** other.

SECTION A: BACKGROUND STATEMENT

The structure of this report has been compiled to align with the recommended principles and practices of King IV. The overall principle of the Stefanutti Stocks remuneration policy is:

- To drive the behaviour of the group's employees so that it is aligned to the overall group strategy in the short, medium and long term, within the group's risk framework;
- To align the strategic interests of the company and its senior executives, with those of its shareholders; and
- To reflect remuneration that is fair, responsible and transparent.

The purpose of the policy is to continually attract, retain, motivate and reward employees at all levels.

Stefanutti Stocks's 2021 AGM was held on 6 August 2021, and ordinary resolutions 9 and 10 to approve the company's remuneration policy, and remuneration implementation report were tabled then. Refer to the table below: Voting results of annual general meeting — August 2021.

The board has approved the information provided by the committee in this report and accepted its recommendations.

1. REMCO

The committee is responsible for the development and oversight of the group's remuneration philosophy and policy. The composition, mandate, role and responsibilities of the committee are set out in written terms of reference, which have been approved by the board. The committee believes the remuneration policy has achieved the stated objectives of optimising strategic performance within both the macro- and micro-environments facing the company and its management.

A. Composition

At year-end the committee consisted of:

- **HJ Craig (Chairman)**
  Independent non-executive director
- **ZJ Matlala**
  Independent non-executive director
- **B Harie**
  Independent non-executive director

All of the committee's members are independent non-executive directors. In addition, the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Human Resources Executive attend meetings by invitation.

The company secretary attends all meetings as the secretary of the committee.

The committee has access to independent advisors to ensure that it receives expert advice on remuneration matters, both in general and on industry-specific matters. The CEO, CFO and the Human Resources Executive also make recommendations to the committee. However, they are excluded from deliberations in respect of their own remuneration.

B. Role and responsibilities

The written terms of reference of the committee are reviewed annually, with any proposed changes submitted to the board for approval. During the year, all remuneration policies were reviewed by the committee to ensure that the policies remained appropriate for the business and aligned with the principles of both King IV and the Companies Act. There were no changes to the terms of reference for FYE 2022.

Voting result of annual general meeting — August 2021

	Remuneration policy		Remuneration implementation report	
Votes for:	87 761 802	99,93%	87 761 802	99,93%
Votes against:	61 000	0,07%	61 000	0,07%
Total shares voted:	87 822 802	100,00%	87 822 802	100,00%
Votes abstained:	71 633		71 633	

The REMCO's role and responsibilities include:

- Ensuring that the chairman of the committee reports to the board on the committee's recommendations and decisions;
- Ensuring that an adequate succession plan is in place for all senior management positions;
- Recommending to the board the annual Total Fixed Package (TFP), short- and long-term incentives, and other benefits to be paid to the executive directors;
- Reviewing and approving the annual TFP, including short- and long-term incentives paid to the EXCO members;
- Reviewing and approving short- and long- term incentive pay structures for other qualifying staff;
- Reviewing and approving the overall annual TFP increases within the various levels of company and operational directors and monthly paid employees;
- Reviewing the remuneration of the executive directors and executive management to ensure that this is both fair and reasonable relative to the overall employee remuneration in the group;
- Reviewing and approving the executive directors' service contracts;
- Reviewing and recommending the board diversity policy, which covers both race and gender, to the board;
- Ensuring the principle of equal pay for equal work is applied in the workplace; and
- Approval of the independent external advisors to the committee.

C. Nominations Committee

The company has a combined Remuneration and Nominations Committee. The REMCO is chaired by an independent non-executive director (Howard Craig) while NOMCO matters are chaired by the board Chairman (Zanele Matlala).

The NOMCO's role and responsibilities include:

- Reviewing and approving the induction and training policy and processes for new board members;
- Ensuring the committee comprises at least two independent non-executive directors, and all committee members have the appropriate skills and experience;
- Assessing the composition and competencies of the board and identifying any deficiencies in this regard;
- Identifying and recommending nominees to the board. Prior to nomination, appropriate background checks and due diligence processes are performed on all proposed new directors;
- Reviewing directors' independence annually, establishing those directors eligible for re-election at the AGM and assessing the performance and attendance of these directors in order to make a recommendation to shareholders on their re-election;
- Recognising the board diversity policy (which deals with race and gender at board level) whenever the board's composition is renewed (at least annually) and also whenever a new appointment to the board is under consideration;
- Identifying and recommending non-executive directors with greater than nine years' service to the board for the appropriate review and approval;
- Reviewing and approving the role of the Chairman and recommending to the board, the extension of the Chairman's contract for a further year;
- Considering the necessity to appoint a Lead Independent Director; and
- Ensuring that an adequate succession plan is in place for all non-executive directors.

Responsibility for senior management appointments and remuneration has been assigned to the CEO. The CEO provides feedback to the committee and the board in this regard.

The committee continues to evaluate and benchmark the company's remuneration practices against relevant industry peers, external market conditions, availability of internal and external resources, risk factors and achievement of strategy.

The retirement age for non-executive directors is 70 years, unless otherwise approved by the board.

D. Meetings

The committee met six times during the year. The following key decisions were taken during the year:

- The review and recommendation of the company's remuneration policy and implementation report, and submission thereof to shareholders for a non-binding advisory vote at the 2021 AGM;
- The review of the executive directors' incentive scheme (EDIS), comprising:
  - Short-term incentives (STI)
    - i. No short-term incentive payments were made to executive directors in terms of both financial performance and personal objectives for FYE 2022.
  - Long-term incentives (LTI)
    - i. No long-term incentive awards were earned by the executive directors relating to performance for FYE 2022;
- Noted that the LTI measure for total shareholder return (TSR) of the company for FYE 2022 achieved a ranking of 2 out of 5 (FYE 2021: 2 out of 5) within the specified peer group;
- The approval of the STI payments for company, operational and other directors, made under the directors' profit share incentive scheme (DPSIS);
- No LTI payments were made to company, operational and other directors under the Forfeitable Share Plan (FSP);
- The recommendation to the board for retention payments and issue of shares to the CEO and CFO in terms of the Key Man Attraction and Retention Scheme;
- No salary increases were awarded for FYE 2022;
- The average annual increase for hourly paid employees in FYE 2022, determined under the various industry bargaining councils, was 4,8%;
- The EXCO did not receive an annual increase in FYE 2022;
- AV Cocciante resigned as CFO and executive director on 31 May 2021. Y du Plessis was appointed as Acting CFO and executive director on 1 June 2021. Her permanent appointment as CFO was subsequently confirmed on 20 May 2022;

— The setting of personal key performance areas (KPAs) for the CEO and CFO, including thresholds and sliding scales for performance measurement;
— The review of the succession policies and plans for the executive directors and the EXCO;
— The review and recommendation to the board of the non-executive directors' fees for submission to shareholders at the next AGM;
— The drafting of a service contract for the CFO and ensuring that she attended the necessary director's induction training;
— Noting that the group's internal board gender diversity policy of 30% female board members had at the date of this report been met;
— The review and approval of the role and function of the board Chairman; and
— An initial review of the EDIS, with particular focus on the appropriateness of the TSR measure against a peer group with diminishing relevance to Stefanutti Stocks as well as an analysis of the market's response to the current uncertain economic environment and the appropriateness of the EDIS under these circumstances.

Attendance at these meetings is shown in the table set out on page 52.

2. Areas of focus for FYE 2023

The key areas of focus for the committee for the ensuing year will be:

— The approval of the annual work plan for the committee;
— The review and approval of the succession plan for the board Chairman;
— The succession plans for the executive directors;
— The remuneration, including short- and long-term incentives, payable to the executive directors;
— The review of the current EDIS and appropriateness of current metrics;
— The review of the DPSIS to reflect the group's changed organisational structure;
— Review of salary scales, with particular focus on strategies to achieve industry benchmarks;
— Review of the FSP to include attraction and retention of key staff;
— The consideration of the fees to be paid to non-executive directors;
— The succession plans for the board members;
— The approval of the independent external advisors to the committee; and
— The continued interaction with major shareholders regarding the company's remuneration policy and principles, where required.

SECTION B: REMUNERATION POLICY OVERVIEW

1. Strategy and philosophy

The company's philosophy is to employ dynamic and competent individuals who subscribe to the group's culture and values. Compensation packages are designed to reward superior performance with superior rewards, whilst poor performance earns no additional rewards.

Stefanutti Stocks strives to provide a safe working environment, and one which encourages the development and personal growth of employees within the framework of the company's objectives.

The key components of the remuneration policy for the executive directors and members of EXCO are as follows:

— The group adopts a prudent risk and reward philosophy, applied within the scope of the group's risk profile.
— Paying a market competitive Total Fixed Pay (TFP) which includes a base salary, medical insurance, retirement fund contributions and certain other market-related benefits;
— Paying a Total Remuneration (TR) which is targeted to be within the upper quartile of relevant industry benchmarks. However, in light of prevailing market conditions, the company is currently paying at the median of this benchmark and in some instances, below the lower quartile;
— Paying an appropriate mix between TFP and short- and long-term incentives;
— Paying an annual cash STI designed to achieve strategic performance goals in the short term;
— Making appropriate long-term incentive awards to executives and all other directors in terms of the FSP, which was approved at a general meeting in August 2009;
— STIs and LTIs incorporate threshold, target and stretch targets, under financial performance criteria, and also reward individuals for their personal contributions under KPAs;
— All elements are included in the remuneration policy including pre-vesting forfeiture (malus);
— The long-term share incentive participation is designed to align the executive directors' performance with shareholder expectations and ensure sustainable future company performance; and
— External advisors are utilised to assist in benchmarking the respective processes.

2. Components of remuneration of executive directors and EXCO

A. Guaranteed remuneration

When structuring guaranteed packages, the group applies a TFP approach.

Base salary reflects the market value of the individual's skills, experience and performance, and is paid monthly in cash.

Benefits such as pension, medical aid and car allowance are included in the TFP. It is obligatory that all permanent salaried employees of Stefanutti Stocks belong to the Stefanutti Stocks Pension Fund. Membership of a funeral policy plan, which is independent of the pension scheme, is also mandatory for all South African group employees.

The Stefanutti Stocks Pension Fund is a defined contribution fund and provides retirement funding plans and health risk cover benefits for its members.

It is also compulsory for all new salaried employees to join the group's prescribed medical aid scheme, unless the employee can prove that he/she is a dependant on another medical aid.

Hourly-paid employees' remuneration, bonuses and other benefits are determined at industry bargaining council level. The company offers these employees membership to the Stefanutti Stocks Provident Fund, which provides retirement funding and health risk cover benefits. Membership of an approved funeral policy plan is also compulsory for limited duration contract (LDC) employees.

B. Variable remuneration

Executive Directors Incentive Scheme (EDIS)

Executive directors' variable remuneration falls under the EDIS.

The incentive opportunity available to executive directors, payable in cash (STI) and forfeitable shares (LTI), is as shown in the table below: Incentive opportunity available to executive directors.

Incentive opportunity available to executive directors	On-target incentive	Stretch-target incentive
STI	100% of TFP	250% of TFP
LTI	100% of TFP	200% of TFP

i. Short-term Incentive Plan (STI)

The STI is designed to align the short-term interests of the executives with group strategy, using both financial performance measures and personal objectives.

The intention is to motivate executives to drive performance and strive to exceed short-term goals.

Minimum threshold targets are required to be met before respective bonus awards are earned.

All targets are reviewed and set at the beginning of each financial year, with awards due under the scheme being reviewed and approved at financial year-end, by the committee and the board.

The company uses both personal performance measures as well as financial performance measures when determining overall remuneration.

The financial and personal performance awards earned under the STI plan are cash-based annual awards.

Financial performance measures

Financial performance measures account for 50% (FYE 2021: 50%) of the possible STI payable to executive directors.

The two financial performance measures are:

1. Operating profit margin (OP); and
2. Return on equity (ROE)

Operating profit margin (OP):

- An annual expected OP is established at the commencement of each financial year, with maximum and minimum thresholds applied. The expected OP is internally reviewed and set on an annual basis, and is based on relevant industry and peer comparatives.
- This OP is based upon normalised operating profit excluding all extraordinary and non-trading items, and was set at 3,0% for FYE 2022 (FYE 2021: 3,0%).
- On achievement of the targeted OP of 3,0%, an award of 100% (multiplied by 50%) of the TFP is made.
- If the OP achieved is below a minimum threshold of 1,0%, no award of the STI is made.
- If the OP achieved is at or above a maximum stretch target of 5,0%, an award of a maximum of 200% (multiplied by 50%) of the TFP is made.
- A linear sliding scale apportionment is applied between minimum, threshold and stretch targets.

ROE:

- An annual targeted ROE is also established at the commencement of each financial year, targeted to meet the company's weighted average cost of capital (WACC), also with maximum and minimum thresholds applied to this.
- On achievement of the ROE meeting WACC, the full amount calculated under the OP metric above remains unchanged.
- If this ROE/WACC metric falls below the minimum threshold of WACC minus 6%, a diluting factor of 50% is applied to the amount calculated under the OP metric.
- If this ROE/WACC metric is at or above the stretch target of WACC plus 6%, an escalating factor of 150% is applied to the amount calculated under the OP metric.
- A linear sliding scale apportionment is applied between minimum, threshold and stretch targets.

Personal performance measures

Personal performance measures account for 50% (FYE 2021: 50%) of the possible STI payable to executive directors.

At the commencement of each financial year, personal objectives are set out under KPAs by the board, for executive directors.

Should the OP fall below the minimum threshold, currently 1%, no amounts are payable in terms of STI personal performance awards.

Personal performance measures are designed so that executive directors provide sufficient focus on, and are rewarded for, the successful implementation of the Restructuring Plan.

The personal key performance areas for the CEO and CFO for FYE 2022 are as provided in the tables below: CEO — Key performance areas and CFO — Key performance areas.

CEO — Key performance areas

KPAs	Target	Weighting	Measurement
Must win projects % of must win projects already secured as a % of revenue (including carry over)	50% of revenue	20%	50% of revenue must consist of must win projects to achieve full recognition. Over 45%, 15% recognition Over 40%, 10% recognition Over 35%, 5% recognition Below 35%, nil
Project execution % of projects executed at better than tender/re-pitch gross profit YTD based on revenue	60%	30%	Over 60%, full recognition Over 55%, 25% recognition Over 50%, 20% recognition Over 45%, 15% recognition Over 40%, 10% recognition Over 35%, 5% recognition Below 35%, nil
Capital employed Net capital employed-positive/negative	Positive	20%	Positive net capital employed, full recognition. Negative net capital employed, nil.
Order book FYE 2022 % Secured order book at:			On achieving approved revenue, full recognition. Should approved revenue not be achieved, but part milestones achieved, then recognition in terms of KPA weighting.
1 December 2020	50%	2,5%	
1 March 2021	65%	2,5%	
1 June 2021	80%	2,5%	
1 August 2021	100%	2,5%	
B-BBEE Scorecard	Maintain Level 1 status	15%	Level 1 — Full recognition Level 2 or worse, nil
SHE LTIFR	<0,1	5%	LTIFR < 0,1, full recognition LTIFR >= 0,1, nil

CFO — Key performance areas

KPAs	Target	Weighting	Measurement
External audit	No major negative findings	20%	Zero findings, full recognition >Zero findings, nil
Internal audit	No major negative findings	5%	Zero findings, full recognition >Zero findings, nil
Information technology audit	No major negative findings	5%	Zero findings, full recognition One or more findings, nil
	Disaster recovery plan in place	5%	In place, full recognition Not in place, nil
Restructuring Plan	Meeting the loan repayments as stipulated in the Restructuring Plan or as amended from time to time	65%	Full repayments as planned/amended, full recognition Partial repayments only, sliding scale based on actual repayment: full repayment ratio

Notwithstanding the results generated out of the above performance measures, the maximum STI payable to executive directors is limited to 250% of TFP (FYE 2021: 250% of TFP).

LTI performance measures for FYE 2022

Metric	Weighting	Performance criteria — target	Vesting
1. HEPS%	25%	Growth in (HEPS) equals CPI plus 20% of CPI.	100% of TFP vests upon achievement of target; 50% vests upon achievement of threshold (CPI plus 10% of CPI); and 200% vests upon achievement of stretch target (CPI plus 40% of CPI).
2. TSR	25%	A total shareholder return placement in ranking number two or three out of the specified peer group.	100% of TFP vests upon achievement of target; 50% vests upon achievement of threshold, (position 4); and 200% of TFP vests upon achievement of stretch target (position 1).
3. ROCI	20%	Return on capital invested equals WACC plus 2%.	100% of TFP vests upon achievement of target; 50% vesting upon achievement of threshold (WACC plus 0%); and 200% vests upon achievement of stretch target (WACC plus 4%).
4. FCF	30%	A 20% year-on-year improvement in free cash flow.	100% of TFP vests upon achievement of target; 80% vests upon achievement of threshold set at 10% year-on-year improvement; 200% vests upon a 30% year-on-year improvement, i.e. stretch target.

ii. Long-term Incentive Plan (LTI)

The LTI plan is designed to align the interests of the executives with those of the shareholders using financial performance measures.

The overall intention is to:

- generate a long-term sustainable financial performance for the group;
- promote long-term commitment of the executives to the business; and
- provide a wealth-creation mechanism for the executives and value creation for shareholders.

The LTI has been formulated using four metrics, the applicable targets of which are set by the board at the commencement of each financial year:

Metrics

1. HEPS growth (HEPS%)
2. Total shareholder return (TSR)
3. Return on capital invested (ROCI)
4. Free cash flow (FCF)

The maximum allocation for achievement of each stretch target above is 200% of TFP, multiplied by the relevant weighting factor, whilst measurables falling below threshold result in no award being generated for that measurable. The maximum LTI award that can be earned by executive directors for any year is therefore 200% of TFP.

Payment for the achievement of LTIs is made by way of forfeitable shares, which vest on the third anniversary of the award, but only to the extent that:

(a) the annual performance measures above have been met over a consecutive three-year performance period, and

(b) the performance measures are then averaged over the three-year period to determine the final measure and award.

Cliff vesting occurs at the end of the three-year period.

The forfeitable shares to be awarded to executives on vesting are acquired in the market, or from shares held in the treasury account, or from the share trust account.

The REMCO has the authority to cash settle LTI awards in exceptional circumstances.

The LTI award of forfeitable shares is calculated on an annual basis to mitigate unanticipated outcomes arising out of cyclical factors and share price volatility.

No LTI awards were earned by the CEO and CFO for FYE 2022, based upon the reported FYE 2021 results (FYE 2021: Nil).

The LTI measure for TSR of the company for FYE 2022 achieved a ranking of 2 out of 5 (FYE 2021: 2 out of 5) within the specified peer group.

iii. Awards made at REMCO's discretion

When evaluating executives' performance in terms of variable remuneration, REMCO also considers any extraordinary internal and external factors that may have contributed to thresholds not being met.

Forfeitable Share Plan (FSP)

The FSP was introduced in 2009 to replace the previous Stefanutti & Bressan Share Option Scheme and was approved by shareholders at a general meeting held on 25 August 2009.

The committee considers annual allocations of forfeitable shares and in terms of the FSP, any company shares required to meet the FSP, and approved by the board, are purchased in the market, at the ruling price and are therefore non-dilutory to shareholders.

The maximum number of shares issued under the FSP, in any one year, to which an executive, a company or operational director is entitled, will not exceed 1% of the current issued share capital. The aggregate number of shares granted under the FSP at any one time will not exceed 10% of the current issued share capital. Shares issued under the FSP will vest with the relevant executive, company or operational director, on the anniversary of the third year after the award date, provided the director still remains employed within the group.

Executive directors' awards

The committee determines the value of forfeitable shares to be awarded to the directors, taking into account the financial performance of the group. This will be a percentage of audited financial year-end profit after tax. No awards were made during the year under review (2021: Nil).

Company and operational directors

The committee determines the value of forfeitable shares to be awarded to the directors, taking into account the financial performance of the group. This will be a percentage of audited financial year-end profit after tax.

No awards were made during the year (FYE 2021: Nil).

3. Key Man Attraction and Retention Scheme

The committee approved the implementation of a Key Man Attraction and Retention Scheme in 2013. The primary purpose of this scheme is to enable the company to compete for new, and retain existing, key employees on an equal footing with its competitors. This remuneration is additional to the standard TFP, short and long-term incentive plans.

This scheme recognises that there are occasions when additional incentives, in the form of forfeitable shares or retention bonuses, may need to be provided, such as:

- In making an employment offer to an individual when it is necessary to offer compensation for relinquishing an existing long-term or short-term incentive; or
- To prevent the solicitation of key members of staff by third-party organisations; or
- The potential recruitment cost of replacement is considered in such cases.

No retention payments were allocated to the CEO and CFO in FYE 2022 (FYE 2021: CEO — R2 150 000, CFO — R1 837 000 were allocated to the CEO and CFO respectively in recognition of the key role played by the executive directors in adopting and implementing the group's Restructuring Plan).

In recognition of the critical participation of the executive directors going forward in the successful implementation of the group's Restructuring Plan, 1 670 000 shares were allocated to RW Crawford (CEO) and AV Cocciante (CFO) under the FSP (FYE 2021: CEO — 1 670 000, CFO — 1 670 000). It is envisaged that similar allocations will also be made in FYE 2023. These shares vest on the anniversary of the first year after the award date, provided the director still remains employed within the group. In view of the cash flow constraints facing the group, and with the support of RW Crawford and AV Cocciante, these shares have not yet been acquired by the group. A cash retention payment of R678 was awarded to the HR Executive in FYE 2022, which he utilised to purchase shares in the company.

4. Non-executive directors' fees

Recommendations are made to the committee by the executive directors and HR Executive, for onward review by the board and submission to shareholders.

Non-executive directors are compensated by way of attendance fees. The fees are set with reference to the company's industry peer group, companies of a similar size and complexity, and take account of industry practices and independent fee surveys provided to the committee by external service providers.

The fees of the Chairman, and if applicable, the Lead Independent Director, take their expanded roles into account, and are an all-inclusive fee. No distinction is made between fees payable to independent non-executive directors and other non-executive directors.

Non-executive directors qualify for reimbursement of reasonable expenses incurred in performing their duties for and on behalf of the company. Should the board require a non-executive director to undertake a specific project on behalf of the company, this will be subject to pre-authorisation and executed at a pre-approved total fee.

The non-executive director hourly fee to be approved at the AGM, is paid in respect of attendance at non-scheduled directors' meetings but is capped at the respective fee for one meeting only.

Non-executive directors do not have service contracts. Instead, letters of appointment serve to confirm their terms of engagement, and include matters such as fees, term of office, expected time commitment, share dealing and board performance assessment. The Chairman has a letter of appointment, which is specific to her responsibilities and functions.

All non-executive directors are appointed for a term of three years and are obliged to retire at the end of that period. They may offer themselves for re-election at the next AGM.

Upon recommendation from NOMCO, the board will, on an annual basis, consider the continued services of any non-executive director who has reached or exceeded a period of service of nine years with the company. It will further consider the continued services of any non-executive director who has exceeded the normal retirement age of 70 years.

The fees paid to non-executive directors for the financial year ending 28 February 2022 and 28 February 2021 are reflected in note 25 of the consolidated annual financial statements.

Proposed non-executive directors' fees

		Current fee per meeting R	Proposed fee per meeting R
1.1 Board	Chairman	**959 200/annum**	1 007 160/annum
1.2 Board	Member	**50 900**	53 445
1.3 Audit, Governance and Risk Committee	Chairman	**95 000**	99 750
1.4 Audit, Governance and Risk Committee	Member	**50 900**	53 445
1.5 Remuneration and Nominations Committee	Chairman	**50 900**	53 445
1.6 Remuneration and Nominations Committee	Member	**29 100**	30 555
1.7 Social and Ethics Committee	Chairman	**42 700**	44 835
1.8 Social and Ethics Committee	Member	**22 900**	24 045
1.9 Any other committee to be formed	Chairman	**38 000**	39 900
1.10 Any other committee to be formed	Member	**20 400**	21 420
1.11 Directors' hourly rate (note 4)		**1 975**	2 074
1.12 Specific project fees (note 5)		**1 975**	2 074

The proposed fee is payable from the AGM for financial year ended 28 February 2022 to the AGM for the financial year ended 28 February 2024 and is set out in the table above. An increase in the fee of 5% has been proposed (2021 AGM: no increase).

Non-executive directors are not required to be shareholders and they do not qualify to participate in any incentive scheme that is operated by the group.

5. Directors' service contracts

Executive directors are employed on standard contracts of employment within the group. These contracts are not fixed-term contracts and do not provide for termination payment. Normal retirement age is set at 65 years.

Executive directors are subject to notice periods of one month. The employment contracts include pay in lieu of notice, and outstanding leave pay provisions which may be invoked at the discretion of the committee. A longer notice period as may be appropriate under certain circumstances, may be agreed by the committee, in which case the notice period would be regularly reviewed and reduced as necessary.

The executive directors' contracts of employment do not include provisions entitling the individual to special termination benefits or balloon payments on termination of employment or on a change of control.

Any STI and/or LTI entitlements awarded to an executive director under the EDIS scheme will be determined based on the scheme rules.

Employees terminating employment due to resignation or dismissal on grounds of misconduct, poor performance or dishonest or fraudulent conduct or due to absconding (fault termination), will forfeit all unvested STI and/or LTI awards. Employees terminating employment due to death, retirement, retrenchment, ill health, disability or injury, will be classified as good leavers and a proportional vesting of the outstanding STI and/or LTI awards will vest on the date of termination of employment.

No provision is made for post vesting forfeiture of remuneration (i.e. claw-back).

6. Voting on remuneration

At the AGM of shareholders scheduled for 5 August 2022, the remuneration policy and the implementation report contained in this report will be put to shareholders for a non-binding vote. Shareholders will also be asked to pass a special resolution, to take effect from 5 August 2022, approving any proposed changes in non-executive directors' fees. Details of these fees are also set out in the Notice of AGM commencing on page 87.

If either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the voting rights entitled to be exercised by shareholders at the AGM, then the committee will ensure that the following measures are taken:

- An engagement process to ascertain the reasons for the dissenting votes, and
- Appropriately addressing legitimate and credible objections and concerns raised which may require amending the remuneration policy or clarifying or adjusting remuneration governance and/or processes.

A summarised version of the remuneration policy can be viewed on **www.stefanuttistocks.com**

SECTION C: REMUNERATION IMPLEMENTATION REPORT

1. Compensation structure

Executive directors' remuneration comprises:

Guaranteed remuneration

— a TFP approach

Variable remuneration

Under the EDIS:

— STI — one-year performance period

— LTI — three-year average performance period

The tables showing the breakdown of the annual remuneration of executive directors for the years ended 28 February 2022 and 28 February 2021 are set out in note 25 to the consolidated annual financial statements.

A. Guaranteed remuneration

Increases are effective from 1 March each year.

Salary increases of 5% were granted with effect 1 March 2022.

The total employee and company contributions of RW Crawford, AV Cocciante and Y du Plessis to the company pension fund, were R572, R122 and R209 respectively.

B. Variable remuneration

STI

i. Financial performance

No STI payments under the EDIS were made to executive directors for FYE 2022 (FYE 2021: Nil), however, the committee considered it appropriate that a discretionary bonus be paid to the executives for the FYE 2021 and FYE 2022.

Financial performance measures account for 50% of possible STIs payable to executive directors.

OP

No amounts were earned by the CEO and CFO, under the OP metric awards, based upon the FYE 2022 reported results reflecting a normalised operating margin of 0,9% (FYE 2021: Nil).

ROE

No amounts were earned by the CEO and CFO under the ROE metric, based upon a (92,2%) ROE for FYE 2022 (FYE 2021: Nil)

ii. Personal performance

Personal performance measures account for 50% of possible STIs payable to executive directors.

Achievement of personal performance objectives set for the CEO and CFO, were 97,5% (FYE 2021: 30%) and 100% (FYE 2021: 35%) respectively.

However, no payments were made to the executive directors, as the OP metric (0,9%) fell below the minimum threshold (1,0%).

The total STI earned by the executive directors for FYE 2022 was nil (FYE 2021: Nil)

iii. Calculation of executives' STIs

See the table below: Calculation of executives' STIs.

LTI

i. Structure

The LTI structure provides for annual awards under the FSP, which are subject to meeting financial performance targets measured over a three-year period.

Calculation of executives' STIs

	R'000 FYE Feb 2022 TFP	Financial performance scorecard	R'000 Financial STI	Financial weighting %	Personal weighting %	R'000 FYE Feb 2022 final STI	% of TFP	Max STI % of TFP
RW Crawford (CEO)	4 300	Nil	Nil	50	50	Nil	—	250
Y du Plessis (CFO)^ (appointed 1 June 2021)*	1 721	Nil	Nil	50	50	Nil	—	250
AV Cocciante (CFO)^ (resigned 31 May 2021)	786	Nil	Nil	50	50	Nil	—	250

Remuneration disclosure of executive directors

R'000	Basic salary	Other benefits	Post-employment benefits	Discretionary bonus 2022	Discretionary bonus 2021	Acting allowance	**Total 2022**	Total 2021
RW Crawford (CEO)	3 798	234	361	2 714	1 200	—	**8 307**	6 273
Y du Plessis (CFO)^ (appointed 1 June 2021)*	1 006	58	153	1 163	—	563	**2 943**	—
AV Cocciante (CFO)^ (resigned 31 May 2021)	786	—	77	—	720	—	**863**	5 455

* Y du Plessis was appointed as Acting CFO and executive director on 1 June 2021. Her permanent appointment as CFO was subsequently confirmed on 20 May 2022.

^ Pro-rata.

ii. Performance criteria

The performance criteria are:

(i) HEPS%, 25% weighting

(ii) TSR, 25% weighting

(iii) ROCI, 20% weighting

(iv) FCF, 30% weighting

iii. Peer group

The peer group for the TSR is:

- Aveng Limited
- Group 5 Limited
- Murray & Roberts Holdings Limited
- Raubex Group Limited
- Wilson Bayly Holmes Ovcon Limited

iv. Awards

For the three years ending February 2022, no forfeitable shares vested with the executive directors under the FSP (FYE 2021: Nil).

2. Changes to EDIS

No changes were made to EDIS.

3. Policy compliance

Remuneration paid for FYE 2022 is in compliance with the company's remuneration policy.

SECTION D: OTHER

1. Interest of directors in contracts

Directors are required to notify the company of their interests in contracts and this is a standard agenda item at each board meeting. There have been no material changes post 28 February 2022 to date.

Information regarding related party transactions is set out in note 25 of the consolidated annual financial statements.

2. Prescribed officers

Directors and prescribed officers as defined in terms of the Companies Act, have been assessed and identified as executive directors and certain EXCO members who are not executive directors respectively.

3. Directors' shareholding

The beneficial holdings at 28 February 2022 and 28 February 2021, held by the directors of the company in the issued shares of the company are set out in note 25 of the consolidated annual financial statements.

4. Directors' trading in company securities

As standard group policy, directors are required to obtain clearance prior to trading in the company's securities. Such clearance must be obtained from the Chairman or the CEO. The Chairman consults the CEO or a designated director prior to her trading in the company's securities. Directors are required to inform their portfolio/investment managers not to trade in the securities of the company unless they have specific written instructions from that director to do so. Directors may not trade in their securities during closed periods.

Directors are further prohibited from dealing in the company's securities at any time when they are in possession of unpublished price-sensitive information in relation to the company, or where clearance to trade is not given.

Statement by the board regarding compliance with the remuneration policy

The board supports REMCO's position that the group's remuneration policy for the remuneration of executive directors and other senior executives has been considered and set taking proper account of remuneration and employment conditions throughout the group. Furthermore, the board believes that this policy, as detailed herein, drives group strategy and value creation for all stakeholders.

On behalf of the REMCO

Howard Craig
Chairman

13 June 2022

SHAREHOLDERS' DIARY

Financial year-end
28 FEBRUARY 2022

Reporting period
1 MARCH 2021 TO 28 FEBRUARY 2022

Reporting period of previous report
1 MARCH 2020 TO 28 FEBRUARY 2021

Announcement of annual results
26 MAY 2022

Integrated annual report posted
27 JUNE 2022

Annual general meeting
5 AUGUST 2022

Announcement of interim results
NOVEMBER 2022

STAKEHOLDER FEEDBACK

The company welcomes written comments and feedback from its stakeholders on this integrated annual report and on other general matters and these should be addressed to: **annual.report@stefstocks.com**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY

	2022 R'000	Restated* 2021 R'000
Continuing operations		
Contract revenue	**5 968 484**	4 691 759
Other income	**23 599**	86 811
Operating expenses	**(6 032 318)**	(4 678 506)
Net expected credit losses	**149 985**	(45 173)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**109 750**	54 891
Depreciation and amortisation	**(54 275)**	(73 741)
Fair value adjustments	**(26 903)**	(28 145)
Impairment of assets	**(127 478)**	(7 858)
Operating loss before investment income	**(98 906)**	(54 853)
Investment income	**19 001**	28 430
Share of profit/(loss) of equity-accounted investees	**8 958**	(1 323)
Operating loss before finance costs	**(70 947)**	(27 746)
Finance costs	**(112 882)**	(115 289)
Loss before taxation	**(183 829)**	(143 035)
Taxation	**(79 913)**	(93 387)
Loss for the year	**(263 742)**	(236 422)
Loss after tax for the period from discontinued operations	**(151 466)**	(53 760)
Loss for the year	**(415 208)**	(290 182)
Other comprehensive income	**(27 379)**	(68 916)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) — continuing operations	**(34 292)**	(17 862)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) — discontinued operations	**8 002**	(43 731)
Revaluation of land and buildings (may not be reclassified to profit/(loss)) — continuing operations	**(676)**	—
Impairment losses recognised on revalued assets (may not be reclassified to profit/(loss)) — continuing operations	**(413)**	(27 549)
Reclassification of foreign currency translation reserve on disposal of foreign subsidiary	**—**	20 226
Total comprehensive income	**(442 587)**	(359 098)

* The information has been restated for the changes between continuing and discontinued operations.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY CONTINUED

	2022 R'000	Restated* 2021 R'000
Loss attributable to:		
Equity holders of the company	**(415 208)**	(287 027)
Loss for the period from continuing operations	**(263 742)**	(236 422)
Loss for the period from discontinued operations	**(151 466)**	(50 605)
Non-controlling interest	**—**	(3 155)
Loss for the period from continuing operations	**—**	—
Loss for the period from discontinued operations	**—**	(3 155)
	(415 208)	(290 182)
Total comprehensive income attributable to:		
Equity holders of the company	**(442 587)**	(352 941)
Loss for the period from continuing operations	**(299 123)**	(269 106)
Loss for the period from discontinued operations	**(143 464)**	(83 835)
Non-controlling interest	**—**	(6 157)
Loss for the period from continuing operations	**—**	—
Loss for the period from discontinued operations	**—**	(6 157)
	(442 587)	(359 098)
Earnings and diluted earnings per share (cents)		
Continuing operations	**(157,70)**	(141,36)
Discontinued operations	**(90,57)**	(30,26)
Total operations	**(248,27)**	(171,62)

* The information has been restated for the changes between continuing and discontinued operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY

	2022 R'000	2021 R'000
ASSETS		
Non-current assets	**983 198**	1 211 650
Property, plant and equipment	**466 337**	608 411
Equity-accounted investees	**27 405**	25 703
Goodwill	**272 376**	345 664
Deferred tax assets	**217 080**	231 872
Current assets	**2 912 826**	3 148 139
Inventories	**51 579**	59 594
Contracts in progress	**738 384**	610 758
Trade and other receivables	**1 621 822**	1 614 844
Taxation	**72 818**	89 171
Bank balances	**428 223**	773 772
Non-current assets held for sale and disposal groups	**700 938**	1 053 068
Total assets	**4 596 962**	5 412 857
EQUITY AND LIABILITIES		
Capital and reserves	**(90 019)**	352 568
Share capital and premium	**1 007 718**	1 007 718
Other reserves	**126 819**	154 198
Accumulated loss	**(1 224 556)**	(809 348)
Non-current liabilities	**133 639**	269 703
Financial liabilities	**133 639**	182 821
Excess billings over work done	**—**	46 506
Provisions	**—**	40 376
Current liabilities	**4 375 114**	4 505 859
Financial liabilities	**1 298 485**	1 353 367
Trade and other payables	**1 457 071**	1 297 983
Excess billings over work done	**909 550**	1 205 771
Provisions	**598 216**	551 512
Taxation	**92 896**	79 092
Bank overdraft	**18 896**	18 134
Liabilities directly associated with disposal groups	**178 228**	284 727
Total equity and liabilities	**4 596 962**	5 412 857

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY

		Other reserves							
	Share capital and premium R'000	Foreign currency translation reserve R'000	Revaluation surplus reserve R'000	Legal reserve R'000	Reserves of disposal groups R'000	Accumulated loss R'000	Attributable to equity holders of the company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 29 February 2020	1 007 718	114 732	112 939	764	—	(506 249)	729 904	(18 238)	711 666
Total comprehensive income	—	(5 135)	(27 549)	—	(33 230)	(287 027)	(352 941)	(6 157)	(359 098)
Loss for the year	—	—	—	—	—	(287 027)	(287 027)	(3 155)	(290 182)
Other comprehensive income	—	(5 135)	(27 549)	—	(33 230)	—	(65 914)	(3 002)	(68 916)
Realisation of revaluation reserve on sale of land and buildings	—	—	(8 323)	—	—	8 323	—	—	—
Discontinued operations	—	(82 107)	(55 939)	—	138 046	—	—	—	—
Disposal of non-controlling interest	—	—	—	—	—	(24 395)	(24 395)	24 395	—
Balance at 28 February 2021 restated*	1 007 718	27 490	21 128	764	104 816	(809 348)	352 568	—	352 568
Total comprehensive income	—	(34 292)	(1 089)	—	8 002	(415 208)	(442 587)	—	(442 587)
Loss for the year	—	—	—	—	—	(415 208)	(415 208)	—	(415 208)
Other comprehensive income	—	(34 292)	(1 089)	—	8 002	—	(27 379)	—	(27 379)
Balance at 28 February 2022	**1 007 718**	**(6 802)**	**20 039**	**764**	**112 818**	**(1 224 556)**	**(90 019)**	**—**	**(90 019)**

* The information has been restated for the changes between continuing and discontinued operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY

	2022 R'000	2021 R'000
Cash flows from operating activities	**(403 527)**	(363 445)
Cash consumed by operations	**(253 074)**	(209 145)
Investment income	**19 380**	31 718
Finance costs	**(115 920)**	(117 711)
Dividends received	**896**	1 565
Taxation paid	**(54 809)**	(69 872)
Cash flows from investing activities	**156 312**	256 100
Expenditure for expansion	**(1 201)**	(4 252)
Expenditure for maintaining	**(17 187)**	(18 653)
Proceeds on disposal of property, plant and equipment	**175 988**	153 937
(Advances to)/repayment of associate	**(1 288)**	4 448
Disposal of joint operation	**—**	126 805
Disposal of subsidiaries	**—**	(2 998)
Net cash outflow due to business combinations	**—**	(3 187)
Cash flows from financing activities	**(174 150)**	230 161
Repayment of long-term financing	**(163 905)**	(213 585)
Repayment of short-term financing	**(10 245)**	(71 268)
Proceeds from long-term financing	**—**	5 000
Proceeds from short-term financing	**—**	510 014
Net movement in cash and cash equivalents	**(421 365)**	122 816
Cash at the beginning of the year	**755 638**	740 513
Cash at the beginning of the year — discontinued operations	**91 628**	—
Less: Cash at the end of the year — discontinued operations	**(24 499)**	(91 628)
Effect of exchange rate changes on cash and cash equivalents	**7 925**	(16 063)
Cash and cash equivalents at year-end	**409 327**	755 638

NOTES TO THE SUMMARY OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY

These consolidated annual financial statements are an extract from the full audited consolidated financial statements, which can be found on the website (www.stefstocks.com).

INDEPENDENT AUDITOR'S REPORT

The unmodified independent auditor's report, which includes an emphasis of matter, can be found on page 11 of the consolidated annual financial statements as well as on the company's website **www.stefanuttistocks.com**. S Vorster is the individual audit partner responsible for the audit.

RESTRUCTURING PLAN UPDATE

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Reviewed Condensed Consolidated Results of Stefanutti Stocks for the 12 months ended 28 February 2022 issued on 26 May 2022.

As previously reported, the Restructuring Plan has been approved by both the company's board of directors and the Lenders and envisages, inter alia:

- the sale of non-core assets;
- the sale of underutilised plant and equipment;
- the sale of certain operations;
- internal restructuring initiatives required to restore optimal operational and financial performance;
- the securing of additional short-term funding of R430 million, of which R270 million related to the negative effects of the national lockdown in March/April 2020;
- a favourable outcome from the processes relating to the contractual claims and compensation events on the Kusile power project;
- the restructuring of the short-term funding received to date from the Lenders into a loan; and
- evaluation of an optimal business model going forward and associated capital structure analysis including the potential of raising new equity.

In accordance with the Restructuring Plan, the Lenders had provided the requisite funding and converted the short-term funding agreement into a short-term loan on 1 July 2020. The group, on 21 February 2022, reached an agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 28 February 2023.

The loan bears interest at prime plus 5,4%, including arranging and facility fees, and is secured by special and general notarial bonds over movable assets, continuous covering mortgage bonds over immovable assets and various cessions. The short-term and funding loans do not contain any financial covenants but rather impose certain information and general undertakings.

Following the receipt of the initial purchase consideration of R92 million relating to the disposal of Al Tayer Stocks LLC, a capital repayment of R45 million was made on 15 November 2021.

The slower than anticipated sale of certain operations, the non-implementation of the Materials Handling and Tailings Management sub-divisions transaction and further delays in resolving contractual claims and compensation events on certain projects, resulted in capital loan repayments envisaged to commence from April 2022 not materialising. The group is currently in negotiations with the Lenders to extend the capital repayments of the loan to January and February 2023, with the residual loan balance remaining at approximately R420 million.

The Lenders have agreed to provide continued guarantee support for current and future projects being undertaken by the group. Management has made considerable progress in reconfiguring the group's organisational structure to improve operational performance and decrease overhead costs, including the reduction of the group's overall headcount. This is an ongoing process which continues as the various aspects of the Restructuring Plan are being implemented.

The purpose of the Restructuring Plan is to put in place an optimal capital structure and access to liquidity to position the group for long-term growth.

The Restructuring Plan is anticipated to be implemented over the financial year ending February 2023 and, to the extent required, shareholder approval will be sought for certain aspects of the Restructuring Plan. The group will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

GOING CONCERN

The directors consider it appropriate that the group's results for the year be prepared on the going-concern basis, taking into consideration:

- the current order book;
- imminent project awards;
- continuing operations executing the group's order book profitably;
- the availability of short- and mid-term projects;
- reaching a favourable outcome on contractual claims and compensation events on certain projects;
- having converted the short-term funding agreement with the Lenders to a loan terminating on 28 February 2023;
- the assumption of a successful completion of current negotiations with the Lenders relating to the extension of capital repayments of the loan to January and February 2023;
- continued support from the Lenders; and
- successfully implementing the Restructuring Plan.

The funding provided by the Lenders has assisted with the group's liquidity, even though total liabilities continue to exceed total assets at 28 February 2022. The group believes it remains commercially solvent based on the cashflow projections included in the Restructuring Plan. However, uncertainties surrounding the contingent liabilities as noted in note 26 of the group's Consolidated Annual Financial Statements for the year ended 28 February 2022, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term.

1. BASIS OF PREPARATION

The consolidated annual financial statements for the group have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The report is compliant with the relevant provisions of the Companies Act.

The accounting policies as well as the methods of computation used in the preparation of the results for the year ended 28 February 2022 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 28 February 2021.

2. HEADLINE EARNINGS PER SHARE

	Total operations	
Cents per share	**28 February 2022**	28 February 2021
EPS — Basic and diluted	**(248,27)**	(171,62)
HEPS — Basic and diluted	**(97,07)**	(155,13)

	Weighted average shares	
	HEPS and EPS 28 February 2022	HEPS and EPS 28 February 2021
Shares used for EPS, HEPS and NAV		
Basic and diluted	**167 243 684**	167 243 684

2. HEADLINE EARNINGS PER SHARE CONTINUED

TOTAL OPERATIONS

	Gross amount 2022 R'000	**Net amount 2022 R'000**	Gross amount 2021 R'000	Net amount 2021 R'000
Loss after taxation attributable to equity holders of the company		**(415 208)**		(287 027)
Adjusted for:				
Profit on disposal of plant and equipment	**(11 577)**	**(8 324)**	(26 288)	(18 246)
Gain on disposal of non-current assets held for sale	**(28 014)**	**(20 170)**	(8 148)	(5 867)
Fair value adjustments	**164 096**	**157 505**	32 029	30 214
Net loss on disposal of subsidiary		**—**		1 693
Reversal of gain previously recognised on sale of subsidiary		**507**		—
Profit on sale of joint operation		**—**		(53 887)
Impairment of goodwill		**106 111**		—
Impairment of equity-accounted investees		**342**		58 533
Impairment of property, plant and equipment	**21 367**	**16 887**		15 137
		(162 350)		(259 450)

3. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

3.1 Discontinued operations

In line with the Restructuring Plan, the group has initiated a disposal programme to sell certain operations which have accordingly been classified as discontinued operations. These disposals, including certain foreign operations, are expected to be concluded within the next 12 months.

Shareholders are referred to the announcement released on 23 August 2021 advising that not all conditions precedent relating to the sale of the Materials Handling and Tailings Management disciplines had been fulfilled or waived and consequently the disposal could not be implemented. These disciplines have been retained and therefore, reclassified as part of continuing operations.

The Contract Mining Discipline has been wound down from October 2021 and has subsequently been classified as a discontinued operation.

The disposal of Al Tayer Stocks LLC remains conditional, even though the initial purchase consideration of R92 million was received. The carrying value of R168 million is classified as part of non-current assets held for sale, after recognising a fair value adjustment of R76 million. Al Tayer Stocks LLC is included within discontinued operations as it represents a geographical area in which the group operated.

A fair value adjustment of R62 million was recognised relating to the foreign operation held for sale.

The financial performance, reportable assets and reportable liabilities are presented within the Africa, Coastal and Inland Regions, as well as Al Tayer Stocks LLC which is disclosed as a reconciling segment. Financial information relating to the discontinued operations and disposal groups can be found in the notes.

3. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

Statement of profit or loss and other comprehensive income

	28 February 2022 R'000			28 February 2021 R'000		
	Discontinued operation	**Disposal groups**	**Total**	Discontinued operation	Disposal groups	Total
Contract revenue	**74 748**	**271 861**	**346 609**	694 894	520 703	1 215 596
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**7 258**	**6 385**	**13 643**	17 894	15 235	33 129
Depreciation	**(10 058)**	**—**	**(10 058)**	(57 978)	(3 324)	(61 302)
Fair value adjustments	**(517)**	**(137 441)**	**(137 958)**	—	(3 884)	(3 884)
Impairment of assets	**—**	**—**	**—**	(7 279)	—	(7 279)
Operating (loss)/profit before investment income	**(3 317)**	**(131 056)**	**(134 373)**	(47 363)	8 027	(39 336)
Investment income	**154**	**567**	**721**	598	3 354	3 952
Share of profit of equity-accounted investees	**—**	**—**	**—**	—	5 707	5 707
Operating (loss)/profit before finance costs	**(3 163)**	**(130 489)**	**(133 652)**	(46 765)	17 088	(29 677)
Finance costs	**(2 772)**	**(217)**	**(2 989)**	(19 054)	(2 367)	(21 421)
(Loss)/profit before taxation	**(5 935)**	**(130 706)**	**(136 641)**	(65 819)	14 721	(51 098)
Taxation	**—**	**(14 825)**	**(14 825)**	—	(2 662)	(2 662)
(Loss)/profit for the year	**(5 935)**	**(145 531)**	**(151 466)**	(65 819)	12 059	(53 760)
Other comprehensive income	**—**	**8 002**	**8 002**	—	(36 232)	(36 232)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))	**—**	**8 002**	**8 002**	—	(43 731)	(43 731)
Reclassification of foreign currency translation reserve on disposal of foreign subsidiary	**—**	**—**	**—**	—	7 499	7 499
Total comprehensive income	**(5 935)**	**(137 529)**	**(143 464)**	(65 819)	(24 173)	(89 992)
(Loss)/profit attributable to:	**(5 935)**	**(145 531)**	**(151 466)**	(65 819)	12 059	(53 760)
Equity holders of the company	**(5 935)**	**(145 531)**	**(151 466)**	(65 819)	15 214	(50 605)
Non-controlling interest	**—**	**—**	**—**	—	(3 155)	(3 155)
Total comprehensive income attributable to:	**(5 935)**	**(137 529)**	**(143 464)**	(65 819)	(24 173)	(89 992)
Equity holders of the company	**(5 935)**	**(137 529)**	**(143 464)**	(65 819)	(18 016)	(83 835)
Non-controlling interest	**—**	**—**	**—**	—	(6 157)	(6 157)
Earnings and diluted earnings per share (cents)			**(90,57)**			(30,26)
Headline and diluted headline earnings per share (cents)			**(18,79)**			(33,27)
The (loss)/profit is arrived after taking into account the following:						
Employee benefits			**255 752**			489 837
Net expected credit losses			**222**			(1 996)
Loss/(profit) on disposal of plant and equipment			**1**			(17 768)
Gain on disposal of non-current assets held for sale			**(24 692)**			(6 054)

Discontinued operation relates to the Contract Mining sub-discipline which was wound down in October 2021. Although not included within disposal groups as it is not a non-current asset held for sale but an abandoned operation in the current year, the results are disclosed as part of discontinued operations. Disposal groups relate to the foreign entity and the Al Tayer Stocks LLC equity-accounted investee which are held for sale.

3. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

Statement of financial position

	28 February 2022 R'000			28 February 2021 R'000		
	Within SA	**Outside SA**	**Total**	Within SA*	Outside SA	Total
Non-current assets	**2**	**445 883**	**445 885**	43 587	513 238	556 825
Property, plant and equipment	**2**	**277 658**	**277 660**	10 764	233 946	244 710
Goodwill	**—**	**—**	**—**	32 823	—	32 823
Deferred tax assets	**—**	**—**	**—**	—	11 603	11 603
Equity-accounted investee – Al Tayer Stocks LLC^	**—**	**168 225**	**168 225**	—	267 689	267 689
Current assets	**2 081**	**201 362**	**203 443**	56 802	251 533	308 335
Inventories	**37**	**97 856**	**97 893**	430	86 385	86 815
Contracts in progress	**—**	**17 713**	**17 713**	625	4 950	5 575
Trade and other receivables	**550**	**50 179**	**50 729**	46 431	77 483	123 914
Taxation	**—**	**1 172**	**1 172**	—	403	403
Bank balances	**1 494**	**34 442**	**35 936**	9 316	82 312	91 628
Subtotal	**2 083**	**647 245**	**649 328**	100 389	764 771	865 160
Less: Fair value adjustment — Disposal group	**—**	**(61 840)**	**(61 840)**	—	—	—
Total assets	**2 083**	**585 405**	**587 488**	100 389	764 771	865 160
Non-current liabilities	**—**	**—**	**—**	—	386	386
Financial liabilities	**—**	**—**	**—**	—	386	386
Current liabilities	**4 340**	**173 888**	**178 228**	43 066	209 455	252 521
Financial liabilities	**—**	**461**	**461**	408	306	714
Trade and other payables	**4 198**	**114 473**	**118 671**	39 944	147 873	187 817
Excess billings over work done	**—**	**35 604**	**35 604**	—	53 409	53 409
Provisions	**142**	**11 913**	**12 055**	2 714	7 867	10 581
Bank balances	**—**	**11 437**	**11 437**	—	—	—
Total liabilities	**4 340**	**173 888**	**178 228**	43 066	209 841	252 907

* Included is the Materials Handling and Tailings Management Disciplines which have been reclassified to continuing operations in the current year.
^ The movement of the Equity-accounted investee Al Tayer Stocks LLC can be reconciled as follows.

	2022 R'000	2021 R'000
Equity-accounted investee — Al Tayer Stocks LLC	**168 225**	267 689
Opening balance	**267 689**	—
Transfer from equity-accounted investees	**—**	267 689
Foreign exchange movement	**(23 863)**	—
Fair value adjustment	**(75 601)**	—

3.2 Non-current assets held for sale

The following items of property, plant and equipment were reclassified as held for sale as the group is actively marketing these assets and is expected to dispose of these within a year. Current market conditions, impacted by COVID-19, resulted in the delay of these disposals. The group remains committed to the sale processes as envisaged in the Restructuring Plan:

Property, plant and equipment

Non-current assets held for sale

	Regions	**2022 R'000**	2021 R'000
Land and buildings	Inland and MEP	**31 293**	47 435
Transport and motor vehicles	Inland and Coastal	**167**	138
Plant and equipment	Inland, Coastal and Western Cape	**74 790**	140 335
		106 250	187 908

CONTINGENT LIABILITIES

As previously reported, with respect to two contract mining project terminations:

— one project has been amicably settled with the client; and
— the other is proceeding to arbitration. The group is confident that the termination was lawful and therefore no provision has been made. The arbitration is expected to be completed within the next financial year.

The arbitration matter relating to the cancellation of a petrochemical contract had to be postponed due to a fundamental change in the client's defence. A date for the arbitration is yet to be set. At this stage the financial impact thereof cannot be quantified.

With respect to the mechanical project termination, the arbitration process is expected to be completed by February 2023. The group is confident that the termination was lawful and therefore no provision has been made. The arbitration is expected to be completed within the next financial year.

ESKOM — KUSILE POWER PROJECTS

As previously highlighted to shareholders in various announcements and updates since late 2018, the group continues to pursue a number of contractual claims and compensation events on the Kusile power project. Due to the complexity of the claims, the processes remain ongoing. No further details of the claims have been disclosed on the basis that it may prejudice the group's position in defending the claims brought against it and in pursuing those claims brought against Eskom by the group.

SUBSEQUENT EVENTS

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), the parties to the civil claim being the City of Cape Town and WBHO Construction, Aveng Africa and Stefanutti Stocks (the Contractors) remain confident of their respective legal positions. However, the parties have mutually agreed that it is in the best interests of all to amicably settle the matter rather than prolong an extended and costly arbitration and court process. This will allow for future positive engagements between the City of Cape Town and the Contractors.

The settlement includes an annual payment of R10,5 million by each Contractor over the next three years, and a commitment to Corporate Social Investment projects in the Cape Town district by WBHO Construction and Stefanutti Stocks.

Subsequent to year-end, the group received a non-binding offer of USD13,5 million to purchase a foreign entity. The foreign entity is classified as held for sale, and the fair value of its assets and liabilities is based on an orderly transaction between market participants at the reporting date under current market conditions.

The recent flooding in KwaZulu-Natal impacted one project in the Coastal Region. An insurance claim will be submitted for damages incurred of approximately R20 million.

Other than the matters noted herein, there were no other material reportable events which occurred between the reporting date and the date of this announcement.

NOTICE OF ANNUAL GENERAL MEETING

Stefanutti Stocks Holdings Limited

(Incorporated in the Republic of South Africa)
Registration number: 1996/003767/06
Share code: SSK ISIN: ZAE000123766
(Stefanutti Stocks or the company)

Notice is hereby given to the shareholders of the company that the annual general meeting ("AGM") of Stefanutti Stocks for the year ended 28 February 2022 will be held on **Friday, 5 August 2022 at 12:00**, entirely through electronic communication as permitted by the company's Memorandum of Incorporation, the Companies Act, No. 71 of 2008, as amended ("Companies Act"), to (i) consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act, as read with the JSE Limited ("JSE") Listings Requirements ("JSE Listings Requirements"); and (ii) deal with such other business as may lawfully be dealt with at the AGM.

This notice of annual general meeting ("Notice") is available in English only and copies thereof may be obtained from the registered office of the company at No. 9 Palala Street Protec Park, Cnr Zuurfontein Avenue and Oranjerivier Drive, Kempton Park, 1619 or by emailing the Company Secretary at **w.somerville@mweb.co.za**, from date of issue hereof until the date of the AGM.

As indicated above, the AGM will be held entirely through electronic communication; however, in order to facilitate the effective and efficient conduct of the AGM, all shareholders are requested to submit their votes by proxy before the AGM at their earliest convenience. Shareholders intending to participate and/or vote at the AGM are required to complete the registration form ("Registration Form") annexed hereto as Annexure A. When completing the registration form, participants will be required to provide proof of identification and accordingly the registration validation process will include the requisite verification required by section 63(1) of the Companies Act. Further details on how to participate in the AGM by electronic communication are provided on page 97 of this Notice. Shareholders are advised that the email addresses and/or contact numbers provided by shareholders in their completed Registration Forms are the only addresses and/or contact numbers that will be recognised for purposes of electronic participation (including voting, where applicable) at the AGM.

For administrative purposes only, any shareholder (or representative or proxy of a shareholder) will need to register, by no later than 12:00 on Wednesday 3 August 2022, to participate in the AGM. Details on how to register to participate in the AGM are set out in Annexure A to this Notice.

IMPORTANT DATES

- **Distribution of Integrated Annual Report:** Monday, 27 June 2022
- **Record date to receive the Notice:** Friday, 17 June 2022
- **Last date to trade to be eligible to vote:** Tuesday, 26 July 2022
- **Record date to be eligible to vote:** Friday, 29 July 2022
- **For administrative purposes only, the last date for lodging forms of proxy (by 12:00):** Wednesday, 3 August 2022

Accordingly, the date on which a person must be registered as a shareholder in the register of the company for purposes of being entitled to participate and vote at the meeting is **Friday, 29 July 2022**.

IDENTIFICATION

In terms of section 63(1) of the Companies Act, before any person may attend or participate in AGM (including any representative or proxy), that person must present reasonably satisfactory identification (such as identity documents or identity card issued by the South African Department of Home Affairs, driver's licences or passports) and the person presiding at the AGM must be reasonably satisfied that the right of the person to participate at the AGM, either as a shareholder or as a proxy for a shareholder, has been reasonably verified before they may attend or participate in the AGM.

A shareholder or its representative or proxy, as the case may be, will be required to provide the company's transfer secretaries, Computershare Investor Services Proprietary Limited ("Computershare") with reasonably satisfactory identification as a part of the validation process to participate in the electronic AGM. Failure to do so may mean that the participant is unable to participate in the AGM either at all, or promptly. The company and Computershare shall not be liable for any failure by any shareholder or its representative or proxy, as the case may be, to timeously deliver the requisite identification as aforesaid.

Presentation of annual financial statements

In terms of section 61(8)(a) and regulation 43(5)(c) of the Companies Act, the company must present the Audit Committee report, the directors' report and the Social and Ethics Committee report at the AGM. The directors' report and the Audit Committee report are set out on pages 3 to 10 of the Stefanutti Stocks Group Consolidated Annual Financial Statements 2022.

The Social and Ethics Committee report is set out on pages 58 to 59 of this integrated annual report.

The consolidated annual financial statements of the company and its subsidiaries (as approved by the board of directors of the company), including the directors' report, the report of the Audit, Governance and Risk Committee, the Social and Ethics Committee and the external auditors' report for the year ended 28 February 2022, have been distributed as required and will be presented to shareholders.

The consolidated annual financial statements of the company for the year ended 28 February 2022 can be found on the website of the company (**www.stefstocks.com**) or on request during business hours at the registered office of the company (No. 9 Palala Street Protec Park, Cnr Zuurfontein Avenue and Oranjerivier Drive, Kempton Park, 1619).

ORDINARY RESOLUTIONS

Ordinary resolution 1: Adoption of annual financial statements

"RESOLVED THAT the annual financial statements of the company for the year ended 28 February 2022, including the directors' report and the reports of the Audit, Governance and Risk Committee and the Social and Ethics Committee, be and are hereby received and adopted."

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Retirement by rotation

In terms of the Memorandum of Incorporation, one-third of the non-executive directors shall retire by rotation at the AGM.

The following directors retire at this AGM and, being eligible, offer themselves for re-election: ZJ Matlala and HJ Craig. The board has considered their performance, including their attendance at meetings of the board and its committees, and recommends and supports their re-election.

Ordinary resolution 2: Re-election of director

"RESOLVED THAT, ZJ Matlala, who retires by rotation in terms of the Memorandum of Incorporation of the company and who is eligible and available for re-election, be re-elected as a director of the company."

A brief curriculum vitae in respect of ZJ Matlala is included on page 44 of this integrated annual report of which this Notice forms part.

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution 3: Re-election of director

"RESOLVED THAT, HJ Craig, who retires by rotation in terms of the Memorandum of Incorporation of the company and who is eligible and available for re-election, be re-elected as a director of the company."

A brief curriculum vitae in respect of HJ Craig is included on page 44 of this integrated annual report of which this Notice forms part.

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution 4: Appointment of auditors

"RESOLVED THAT, on recommendation of the Audit, Governance and Risk Committee, Mazars be and is hereby re-appointed as auditors of the company for the ensuing financial year with Mr S Vorster (IRBA No: 888648) as the individual responsible for the audit and the directors be and are hereby authorised to fix the remuneration of the auditors of the company."

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution numbers 5, 6 and 7 and: Appointment of Audit, Governance and Risk Committee members

Ordinary resolution numbers 5, 6 and 7 are in respect of the appointment of members of the Audit, Governance and Risk Committee. The membership as proposed by the board of directors is: B Harie, BP Silwanyana and JM Poluta all of whom are independent non-executive directors.

Ordinary resolution 5: Appointment of Audit, Governance and Risk Committee member

"RESOLVED THAT B Harie be appointed as a member of the company's Audit, Governance and Risk Committee with effect from the end of this meeting in terms of section 94(2) of the Companies Act."

A brief curriculum vitae in respect of B Harie is included on page 44 of this integrated annual report of which this Notice forms part.

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution 6: Appointment of Audit, Governance and Risk Committee member

"RESOLVED THAT BP Silwanyana be appointed as a member of the company's Audit, Governance and Risk Committee with effect from the end of this meeting in terms of section 94(2) of the Companies Act."

A brief curriculum vitae in respect of BP Silwanyana is included on page 45 of this integrated annual report of which this Notice forms part.

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution 7: Appointment of Audit, Governance and Risk Committee member

"RESOLVED THAT JM Poluta be appointed as a member of the company's Audit, Governance and Risk Committee with effect from the end of this meeting in terms of section 94(2) of the Companies Act."

A brief curriculum vitae in respect of JM Poluta is included on page 44 of this integrated annual report of which this Notice forms part.

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution 8: Company's remuneration policy

"To approve on a non-binding advisory basis, the company's remuneration policy (excluding the remuneration of the non-executive directors for the services as directors and members of board committees)."

The company's remuneration policy and related information appears on pages 65 to 72 of the integrated annual report.

Ordinary resolution 9: Company's remuneration implementation report

"To approve on a non-binding advisory basis, the company's remuneration implementation report".

The company's remuneration implementation report appears on pages 73 to 74 of the integrated annual report.

Notes to ordinary resolution numbers 8 and 9

In terms of principle 14 of King IV Report on Corporate Governance for South Africa, 2016, the company's remuneration policy and implementation report should be tabled to the shareholders for separate non-binding advisory votes at the AGM. Accordingly, the shareholders are requested to endorse the company's remuneration policy and implementation report, respectively by way of separate non-binding advisory votes in the same manner as an ordinary resolution.

In the event that either the remuneration policy or the implementation report, or both, are voted against by shareholders exercising 25% or more of the voting rights exercised at the AGM, the company will engage with the dissenting shareholders to establish their reasons for voting against the resolution(s) and to appropriately address legitimate and reasonable objections and concerns raised and undertake to review, clarify or amend the remuneration policy and/or process as necessary.

Ordinary resolution 10: Authority for signature of documentation

"RESOLVED THAT a director of the company or the company secretary be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of ordinary resolutions numbers 1 to 9 and special resolutions numbers 1 to 3 which are passed by the shareholders."

Percentage of voting rights required to pass this resolution: 50% plus one vote.

SPECIAL RESOLUTIONS

Special resolutions 1.1 to 1.12: Non-executive directors' fees

"RESOLVED THAT payment to the non-executive directors of the fees for services as directors with effect from the date of this AGM until the date of the annual general meeting of the company for the year ended 29 February 2024, as noted in the table on page 90, as well as any value added tax payable on such fees by the directors be approved."

Each of special resolutions 1.1 to 1.12, in respect of the payment to the non-executive directors of the fees for services as directors, will be considered by way of separate vote.

Reason for and effect of special resolutions 1.1 to 1.12

The reason for special resolutions 1.1 to 1.12 is to comply with the provisions of the Companies Act. The effect of the special resolutions is that, if approved by the shareholders at the AGM, the fees payable to non-executive directors until the annual general meeting for the year ended 29 February 2024, will be as set out in the table on page 90. Executive directors are not remunerated for their services as directors but are remunerated as employees of the company.

The above rates have been proposed to ensure that the remuneration of non-executive directors remains competitive in order to enable the company to retain and attract persons of the calibre, appropriate capabilities, skills and experience required in order to make meaningful contributions to the company.

Percentage of voting rights required to pass this resolution: 75%.

Special resolution 2: Financial assistance

"RESOLVED THAT the board of directors of the company may, subject to compliance with the requirements of the company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance including (without limitation) by way of loan, guarantee, the provision of security or otherwise, to its present or future subsidiaries and/or any other company or entity that is or becomes related or interrelated to the company or any of its subsidiaries, and/or to any member

of such subsidiary or related or interrelated company or entity, on such terms and conditions as the board of directors deem fit for any purpose or in connection with any matter, including, but not limited to, the subscription for any option, or any securities issued or to be issued by the company or a related or interrelated company or entity, or for the purchase of any securities of the company or a related or interrelated company or entity, for such amounts and on such terms and conditions as the directors of the company may determine, such authority to endure until the annual general meeting of the company for the year ended 29 February 2024."

The authority, if obtained, will supersede any previously obtained and in force section 44/45 authority as at the date of the AGM.

Percentage of voting rights required to pass this resolution: 75%.

Reason for and effect of special resolution 2

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or interrelated companies and other entities, including, inter alia, its subsidiaries, associates, joint ventures, partnerships, collaboration arrangements, etc. for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or interrelated companies or other entities, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or interrelated company, or for the purchase of any securities of the company or a related or interrelated company.

Both sections 44 and 45 of the Companies Act provide, inter alia, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that:

— immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and
— the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The company would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Furthermore, it may be necessary or desirous for the company to provide financial assistance to related or interrelated companies and entities to acquire or

Table to special resolutions 1.1 to 1.12

		Current fee per meeting R	Proposed fee per meeting R
1.1 Board	Chairman	**959 200/annum**	1 007 160/annum
1.2 Board	Member	**50 900**	53 445
1.3 Audit, Governance and Risk Committee	Chairman	**95 000**	99 750
1.4 Audit, Governance and Risk Committee	Member	**50 900**	53 445
1.5 Remuneration and Nominations Committee	Chairman	**50 900**	53 445
1.6 Remuneration and Nominations Committee	Member	**29 100**	30 555
1.7 Social and Ethics Committee	Chairman	**42 700**	44 835
1.8 Social and Ethics Committee	Member	**22 900**	24 045
1.9 Any other committee to be formed	Chairman	**38 000**	39 900
1.10 Any other committee to be formed	Member	**20 400**	21 420
1.11 Directors' hourly rate (note 4)		**1 975**	2 074
1.12 Specific project fees (note 5)		**1 975**	2 074

Notes

1. The board Chairman receives an all-in fee and not a per meeting fee.
2. The fees include permanent non-executive invitees of committees.
3. Proposed fee per meeting and the board Chairman's all-in fee are exclusive of value-added tax.
4. The non-executive director hourly fee to be approved at the AGM, is paid in respect of attendance at non-scheduled directors' meetings. However, where these special board or committee meetings are held, the total fee earned per director is capped at the fee for one meeting of the relevant committee.
5. Should the board require a non-executive director to undertake a specific project on behalf of the company, then prior to commencement, a total fee based upon scope, duration and expertise required is established, agreed and submitted to the board for approval. Thereafter this is monitored over the course of the specific project. The cumulative fees will be capped to a maximum of R350 000 per annum.
6. The proposed fee is payable from the AGM for financial year ended 28 February 2022 to the AGM for the financial year ended 28 February 2024.
7. A fee increase of 5% has been proposed for approval at the AGM to be held on 5 August 2022.

subscribe for options or securities or purchase securities of the company or another company related or interrelated to it. Under the Companies Act, the company will, however, require the special resolution referred to above to be adopted. In the circumstances and in order to, inter alia, ensure that the company's subsidiaries and other related and interrelated companies and entities have access to financing and/or financial backing from the company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution 2.

Special resolution 3: General authority to repurchase company shares

"RESOLVED THAT the company and/or its subsidiaries be and is hereby authorised, by way of general authority, to acquire ordinary shares issued by the company, from any person and upon such terms and conditions as the directors of the Company or any subsidiary may determine but subject to the applicable requirements of the Companies Act, the Memorandum of Incorporation of the company and the JSE Listings Requirements."

It is recorded that the company or any subsidiary may only make a general repurchase of shares in the company subject to the following:

(a) any such acquisition of ordinary shares shall be implemented on the open market of the JSE through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party (reported trades are prohibited);

(b) this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing this special resolution;

(c) an announcement will be published on SENS as soon as the company has acquired ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue prior to the acquisition, and for each subsequent acquisition constituting on a cumulative basis 3% (three percent) of the number of ordinary shares in issue, pursuant to which the aforesaid 3% (three percent) threshold is reached, containing full details of such repurchases;

(d) acquisitions in aggregate in any one financial year may not exceed 20% (twenty percent) of the company's ordinary issued share capital nor may acquisitions in aggregate, from the date of passing this special resolution, exceed 20% (twenty percent) of the company's ordinary issued share capital at the date of passing this special resolution;

(e) in determining the price at which ordinary shares issued by the company are acquired by it in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the volume weighted average market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of repurchase of such ordinary shares by the company;

(f) at any point in time, the company will appoint only one agent to effect any repurchase(s) on the company's behalf;

(g) the company or its subsidiary may not repurchase securities during a prohibited period unless it has in place a repurchase programme as contemplated in terms of 5.72(g) of the JSE Listings Requirements where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the repurchase programme has been submitted to the JSE in writing prior to the commencement of the prohibited period. The company will instruct an independent third party, which makes its investment decisions in relation to the company's ordinary shares independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute any repurchase programme submitted to the JSE;

(h) authorisation for the repurchase of ordinary shares under this authority is given by the Memorandum of Incorporation; and

(i) a resolution by the board of directors that it has authorised the repurchase, that the company and its subsidiaries have passed the solvency and liquidity test as defined in the Companies Act and that, since the test was performed, there have been no material changes to the financial position of the group.

Percentage of voting rights required to pass this resolution: 75%.

Reason for and effect of special resolution 3

The reason for special resolution 3 is to grant the company a general authority in terms of the Companies Act, the JSE Listings Requirements and the company's Memorandum of Incorporation for the acquisition by the company, or any of its subsidiaries, of shares issued by the company, or its holding company, which authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this AGM. The passing of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire shares issued by the company or its holding company.

The board believes it to be in the interest of the company that shareholders grant a general authority to provide the board with optimum flexibility to repurchase shares as and when an opportunity that is in the best interest of the company arises.

Directors' responsibility statement (paragraph 11.26(b)(iv) of the Listings Requirements)

The directors whose names appear under the board of directors on pages 44 and 45 of this integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special

resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the JSE Listings Requirements.

Material changes (paragraph 11.26(b)(ii) of the Listings Requirements)

Other than the facts and developments reported on in this integrated annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this Notice.

Statement by the board of directors of the company

Pursuant to, and in terms of, the JSE Listings Requirements, the board of directors of the company hereby state that:

- the intention of the directors of the company is to utilise the general authority to repurchase shares in the capital of the company if, at some future date, the cash resources of the company are in excess of its requirements or there are other good reasons for doing so. In this regard, the directors will take account of, inter alia, an appropriate capitalisation structure for the company, the long-term cash needs of the company, and the interests of the company; and
- in determining the method by which the company intends to repurchase its ordinary shares, the maximum number of ordinary shares to be repurchased and the date on which such repurchase will take place, the directors of the company will ensure that:
  - the company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next 12 (twelve) months after the date of such repurchase;
  - the consolidated assets of the company and its subsidiaries fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements will, after the repurchase, be in excess of the consolidated liabilities of the company and its subsidiaries for the next 12 (twelve) months after the date of such repurchase;
  - the issued share capital and reserves of the company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the company and its subsidiaries for the next 12 (twelve) months after the date of such repurchase; and
  - the working capital available to the company and its subsidiaries will, after the repurchase, be sufficient for the ordinary business requirements of the company and its subsidiaries for the next 12 (twelve) months after the date of such repurchase.

Any matters raised by shareholders, with or without advance notice to the company

To deal, at the AGM, with any matters raised by shareholders, with or without advance notice to the company.

Summary of applicable rights established in section 58 of the Companies Act

For purposes of this summary, the term "shareholder" shall have the meaning ascribed thereto in section 57(1) of the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at a shareholders' meeting on behalf of the shareholder.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
3. Except to the extent that the Memorandum of Incorporation of a company provides otherwise:
   - 3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder; and
   - 3.2 a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.
4. Irrespective of the form of instrument used to appoint a proxy:
   - 4.1 the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and
   - 4.2 should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.

5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date:

   5.1 stated in the revocation instrument, if any; or

   5.2 upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.

6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's Memorandum of Incorporation to be delivered by such company to the shareholder must be delivered by such company to:

   6.1 the shareholder; or

   6.2 the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.

7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the Memorandum of Incorporation of the relevant company or the instrument appointing the proxy provides otherwise.

8. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:

   8.1 such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;

   8.2 the company must not require that the proxy appointment be made irrevocable; and

   8.3 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

VOTING AND PROXIES

A shareholder of the company entitled to attend and vote at the AGM is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, vote and speak in his/her stead. The appointment of a proxy will not preclude the shareholder who appointed the proxy from attending the AGM and participating in and voting at the AGM to the exclusion of any such proxy.

Voting at the AGM will be taken by way of a poll and not on a show of hands.

On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

Dematerialised shareholders who have elected own-name registration in the sub-register through a Central Securities Depository Participant (CSDP) and who are unable to attend but wish to vote at the AGM, should complete and return the attached form of proxy and lodge it with the transfer secretaries of the company to be received, for administrative reasons only, by no later than 12:00 on Wednesday, 3 August 2022.

Shareholders who have dematerialised their shares through a CSDP or broker rather than through own-name registration and who wish to attend the AGM must instruct their CSDP or broker to issue them with the necessary authority to attend.

If such shareholders are unable to attend, but wish to vote at the AGM, they should timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between that shareholder and his/her CSDP or broker.

Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at, posted or emailed to the transfer secretaries at the address below, to be received, for administrative reasons only, at least 48 hours prior to the meeting. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the AGM.

Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote at the AGM should the member subsequently decide to do so.

As indicated above, the AGM will be held entirely through electronic communication. However in order to facilitate the effective and efficient conduct of the AGM, all shareholders are requested to submit their votes by proxy before the AGM at their earliest convenience. Shareholders intending to participate and/or vote at the AGM are required to complete the Registration Form annexed hereto as Annexure A. When completing the Registration Form, participants will be required to provide proof of identification and accordingly the registration validation process will include the requisite verification required by section 63(1) of the Companies Act, 71 of 2008. Further details on how to participate in the AGM by electronic communication are provided on page 97 of this Notice.

Shareholders are advised that the email addresses and/or contact numbers provided by shareholders in their completed Registration Forms are the only addresses and/or contact numbers that will be recognised for purposes of electronic participation (including voting, where applicable) at the AGM.

The practical applications of the aforementioned rights are discussed in the notes to the proxy form attached hereto.

By order of the board

William Somerville
Company Secretary

13 June 2022

Registered office
No. 9 Palala Street
Protec Park
Cnr Zuurfontein Avenue and Oranjerivier Drive
Kempton Park
1619

PO Box 12394, Aston Manor, 1630

Telephone: +27 11 571 4300

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank
Johannesburg
2196

Private Bag X9000, Saxonwold, 2132

Telephone: +27 11 370 5000
Fax: +27 11 688 5238
Email: proxy@computershare.co.za

FORM OF PROXY

Stefanutti Stocks Holdings Limited

(Incorporated in the Republic of South Africa) Registration number: 1996/003767/06 Share code: SSK ISIN: ZAE000123766 ("Stefanutti Stocks" or "the company")

For use at the AGM of the company to be held entirely electronically on Friday, 5 August 2022 at 12:00 and at any adjournment thereof.

For use by the holders of the company's certificated ordinary shares and/or dematerialised ordinary shares held through a Central Securities Depository Participant (CSDP) or broker who have selected own-name registration (own-name dematerialised shareholders). Additional forms of proxy are available from the transfer secretaries of the company.

Not for the use by holders of the company's dematerialised ordinary shares who are not own-name dematerialised shareholders. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary letter of representation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote thereat in accordance with their instructions. Terms used in this proxy form have the meanings given to them in the notice of annual general meeting to which this proxy form is attached.

I/We _____ (full name in block letters)

of _____ (address)

_____ (e-mail address) _____ (telephone number) _____ (cellphone number)

being a member(s) of Stefanutti Stocks and holding _____ ordinary shares in the company,

hereby appoint _____ of _____

failing him/her _____ of _____

failing him/her the chairman of the annual general meeting, as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the special and ordinary resolutions and/or abstain from voting in respect of the Stefanutti Stocks ordinary shares registered in my/our name(s), in accordance with the following instructions:

	Number of votes		
	For	Against	Abstain
Ordinary resolutions			
1. To adopt the annual financial statements of the company for the year ended 28 February 2022, including the directors' report and the report of the Audit, Governance and Risk Committee and the Social and Ethics Committee			
2. To re-elect ZJ Matlala as a director of the company			
3. To re-elect HJ Craig as a director of the company			
4. To re-appoint the auditors and the audit partner			
5. To appoint B Harie as a member of the Audit, Governance and Risk Committee			
6. To appoint BP Silwanyana as a member of the Audit, Governance and Risk Committee			
7. To appoint JM Poluta as a member of the Audit, Governance and Risk Committee			
8. To approve the company's remuneration policy			
9. To approve the company's remuneration implementation report			
10. Authority for signature of documentation			
Special resolutions			
1. To approve non-executive directors' fees — Special resolutions 1.1 to 1.12			
1.1 Board Chairman			
1.2 Board member			
1.3 Audit, Governance and Risk Committee Chairman			
1.4 Audit, Governance and Risk Committee member			
1.5 Remuneration and Nominations Committee Chairman			
1.6 Remuneration and Nominations Committee member			
1.7 Social and Ethics Committee Chairman			
1.8 Social and Ethics Committee member			
1.9 Any other committee to be formed — Chairman			
1.10 Any other committee to be formed — member			
1.11 Directors' hourly rate			
1.12 Specific project fees			
2. Financial assistance			
3. General authority to repurchase company shares			

* Please indicate by inserting the relevant number of votes in the appropriate spaces above how you wish your votes to be cast. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at _____ (place) on _____ (date) 2022

Member's signature _____ assisted by _____ (if applicable)

NOTES TO THE FORM OF PROXY

1. This form of proxy is to be completed only by those members who are:

   (a) holding shares in a certificated form; or

   (b) recorded in the sub-register in electronic form in their own name.

2. Members who have dematerialised their shares, other than own-name dematerialised shareholders, and who wish to attend the annual general meeting must contact their CSDP or broker who will furnish them with the necessary letter of representation to attend the annual general meeting, or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the members and their CSDP or broker.

3. Each member is entitled to appoint one or more individuals as a proxy (who need not be a member(s) of the company) to participate in, speak, and vote in place of that member at the annual general meeting.

4. A member wishing to appoint a proxy must do so in writing by inserting the name of said proxy or the name of one alternative proxy of the member's choice on the form of proxy in the space provided, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

5. A member's instructions to the proxy must be indicated on the form of proxy by the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of all the member's votes exercisable thereat.

6. The proxy shall (unless this sentence is struck out and countersigned) have the authority to vote, as he/she deems fit, on any other resolution which may validly be proposed at the meeting, including in respect of any proposed amendment to the above resolutions. If the aforegoing sentence is struck out, the proxy shall be deemed to be instructed to vote against any such proposed additional resolution and/or proposed amendment to an existing resolution as proposed in the notice to which this form is attached.

7. A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such member or represented by such proxy, but the total number of votes for or against the ordinary resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his/her proxy is entitled.

8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer office or waived by the chairman of the annual general meeting.

9. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.

10. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).

11. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

12. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company's transfer secretaries.

13. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.

14. Any proxy appointment made in terms of this form of proxy remains valid until the end of the annual general meeting, unless revoked earlier.

15. Members are requested to lodge forms of proxy with the transfer secretaries at the address given below, for administrative reasons only, at least 48 hours prior to the annual general meeting (see address below), provided that the chairman of the annual general meeting may accept proxies that have been delivered after the expiry of the aforementioned period up and until the time of commencement of the annual general meeting.

Computershare Investor Services Proprietary Limited

Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196

Private Bag X9000, Saxonwold, 2132

Telephone: +27 11 370 5000

Fax: +27 11 688 5238

Email: proxy@computershare.co.za

ANNEXURE A: REGISTRATION FORM TO PARTICIPATE IN THE ELECTRONIC ANNUAL GENERAL MEETING

Stefanutti Stocks Holdings Limited
(Incorporated in the Republic of South Africa) Registration number: 1996/003767/06 Share code: SSK ISIN: ZAE000123766 ("Stefanutti Stocks" or "the company")

TO BE HELD ON FRIDAY 5 AUGUST 2022 AT 12:00

- Shareholders or their proxies or representatives who wish to participate in the annual general meeting via electronic communication (Participants), must register with the company's transfer secretaries, Computershare Investor Services Proprietary Limited, by delivering the signed form below (the application) via email to proxy@computershare.co.za as soon as possible. The application form may also be delivered (i) by hand, to Computershare Investor Services Proprietary Limited at Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank 2196, or (ii) by post to Private Bag x9000, Saxonwold, 2132 (at the risk of the Participant). Irrespective of the manner in which the application form is delivered, the application form must be delivered as soon as possible, but in any event, for administrative purposes only, by no later than 12:00 on Wednesday 3 August 2022, together with proof of identification. Computershare Investor Services Proprietary Limited will first validate a Participant's registration request pursuant to section 63(1) of the Companies Act, 71 of 2008.
- Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement with their CSDP or Broker:
  - to furnish them with their voting instructions; and
  - in the event that they wish to participate in the meeting, to obtain the necessary authority to do so.
- Each Participant, who has complied with the requirements below, will be contacted between 3 and 4 August 2022 via email or cell phone with a link to allow them to participate in the electronic annual general meeting.
- The cut-off time, for administrative purposes only, to register to participate in the electronic annual general meeting will be at 12:00 on Wednesday, 3 August 2022.
- The Participant's access link will be forwarded to the email/cell number provided below.
- By clicking the link provided, Participants will be able to access the electronic annual general meeting via their computer or compatible mobile devices. A telephone number will also be provided for those Participants who prefer to dial in to the meeting.
- Shareholders are advised that the email addresses and/or contact numbers provided by shareholders in their completed Registration Forms are the only addresses and/or contact numbers that will be recognised for purposes of electronic participation (including voting, where applicable) at the AGM.
- Should a Participant experience any issue with the electronic communication during the annual general meeting, they should contact proxy@computershare.co.za to assist them.

APPLICATION FORM
Name and surname of shareholder:
Name and surname of shareholder representative (If applicable):
ID number of shareholder or representative:
Email address:
Cell number:
Telephone number:
Name of CSDP or Broker:
(If shares are held in dematerialised format):
Contact number of CSDP or Broker:
SCA number/Broker account number or own name account number:
Number of shares:
Number of share certificate (if applicable):
I wish to electronically participate:
I wish to electronically participate and vote:
Signature:
Date:

- The cost of dialling in using a telecommunication line/webcast/web-streaming to participate in the electronic annual general meeting is for the expense of the Participant and will be billed separately by the Participant's own telephone service provider.
- To the fullest extent permitted by law, the Participant indemnifies the company against any loss, injury, damage, penalty or claim arising in any way from or in relation to the use or possession of the telecommunication lines/webcast/web-streaming/internet and/or network connectivity, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against the company, whether for consequential damages or otherwise, arising from or in relation to the use of the telecommunication lines/webcast/web-streaming/internet and/or network connectivity or any defect in it or from total or partial failure of the telecommunication lines/webcast/web-streaming/internet and/or network connectivity and/or connections linking the telecommunication lines/webcast/web-streaming to the electronic annual general meeting and/or in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages.
- Once the Participant has received the link, the onus to safeguard this information remains with the Participant.
- The application will only be deemed successful if this application form has been fully completed and signed by the Participant and delivered or e-mailed to proxy@computershare.co.za by the cut-off time indicated above.
- Certificated and dematerialised shareholders with "own name" registration must submit proof of identification with this application form.
- Dematerialised shareholders without "own name" registration must submit proof of identification together with a copy of the letter of representation issued by their broker/custodian with this application form.
- By signing this registration form, you agree and consent to the processing of the personal information provided by you above for the purpose of participation in the electronic annual general meeting.

Shareholder name _____

Signature _____

Date _____

ABBREVIATIONS AND DEFINITIONS

"AGM"
Annual general meeting

"ARCO"
Audit, Governance and Risk Committee

"B-BBEE"
Broad-based black economic empowerment

"BIM"
Building information modelling

"CEO"
Chief Executive Officer

"CFO"
Chief Financial Officer

"CIDB"
The Construction Industry Development Board

"CIPC"
Companies and Intellectual Property Commission

"CLO"
Community Liaison Officer

"Companies Act"
Companies Act, No. 71 of 2008, as amended

"Competition Act"
Competition Act, No. 89 of 1998, as amended

"COVID-19"
Novel coronavirus 2019

"CRO"
Chief Restructuring Officer

"DPSIS"
Directors' Profit Share Incentive Scheme

"ED"
Enterprise development

"EDIS"
Executive Directors Incentive Scheme

"EE"
Employment equity

"EME"
Emerging micro enterprises

"ESG"
Environmental, social and governance

"EXCO"
Executive Committee

"FSP"
Forfeitable Share Plan

"FYE"
Financial year-end

"HEPS"
Headline earnings per share

"HR"
Human resources

"ICT"
Information communication technology

"IFRS"
International Financial Reporting Standards

"ISO"
International Standards Organisation

"JSE"
Johannesburg Stock Exchange Limited

"JSE Listings Requirements"
Listings Requirements of the JSE Limited

"King IV"
King IV Report on Corporate Governance for South Africa 2016

"LE"
Leadership engagement

"LDC"
Limited duration contract

"LID"
Lead Independent Director

"LTI"
Long-term incentives

"LTIFR"
Lost time injury frequency rate

"MEP"
Mechanical, Electrical Piping

"MOI"
Memorandum of Incorporation

"Net asset turn"
Contract revenue divided by average total assets

"Net profit margin"
Profit after taxation as a percentage of contract revenue

"NPC"
Non-profit company

"OHSE"
Occupational health, safety and environment

"Operating profit/loss (OP)"
Operating profit/loss before investment income

"Operating profit/loss margin"
Operating profit/loss as a percentage of contract revenue

"PDI"
Previously disadvantaged individuals

"PPE"
Personal protective equipment

"Return on assets"
Profit after taxation as a percentage of average total assets for the period

"RCR"
Recordable case rate

"REMCO/NOMCO"
Remuneration and Nominations Committee

"Return on equity (ROE)"
Loss/profit attributable to equity holders of Stefanutti Stocks as a percentage of average capital and reserves attributable to equity holders of Stefanutti Stocks

"RIT"
Restructuring implementation team

"RSA"
Republic of South Africa

"S&E"
Social and Ethics Committee

"SENS"
Stock Exchange News Service

"SED"
Socio-economic development

"SHE"
Safety, health and environment

"SHEQ"
Safety, health, environmental and quality

"S@S"
Systems at Stefanutti Stocks

"Stefanutti Stocks"; "the group" or "the company"
Stefanutti Stocks Holdings Limited, all of its subsidiaries, joint operations and equity-accounted investees

"TFP"
Total fixed package

"the board"
The board of directors of Stefanutti Stocks

"the current year"
The financial year ended 28 February 2022

"the next year"
The financial year ending 28 February 2023

"the previous year"
The financial year ended 28 February 2021

"Total assets"
Total non-current and current assets

"Total remuneration"
Total fixed package plus short-term incentivisation

"VAT"
Value-added tax

"VFL"
Visible felt leadership

"VRP"
Voluntary Rebuild Programme

"WACC"
Weighted average cost of capital

CORPORATE INFORMATION

COMPANY INFORMATION

Stefanutti Stocks Holdings Limited

Share code: SSK ISIN: ZAE000123766
JSE Sector: Construction Year-end: 28 February

Registration number
1996/003767/06

Country of incorporation
South Africa

Registered office
No. 9 Palala Street, Protec Park, Cnr Zuurfontein Avenue and Oranjerivier Drive, Kempton Park, 1619

Postal address
PO Box 12394, Aston Manor, 1630

Telephone number
+27 11 571 4300

Directors

As at 13 June 2022: ZJ Matlala* (Chairman); HJ Craig*; B Harie*; BP Silwanyana*; JM Poluta*; RW Crawford (CEO); Y du Plessis (CFO)

* Independent non-executive directors.

COMPANY SECRETARY

WR Somerville

Co-Unity Offices, 18 Royal Street,
Hermanus, Western Cape, 7200

AUDITORS

Mazars

Mazars House, 54 Glenhove Road, Melrose Estate, 2196
PO Box 6697, Johannesburg, 2000

Telephone number
+27 11 547 4000

ATTORNEYS

Webber Wentzel

90 Rivonia Road, Sandton, Johannesburg, 2196
PO Box 61771, Marshalltown, 2107

Telephone number
+27 11 530 5000

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 9000, Saxonwold, 2132

Telephone number
+27 11 370 5000

SPONSOR

Bridge Capital Advisors (Pty) Ltd

10 Eastwood Road, Dunkeld, 2196

PO Box 651010, Benmore, 2010

Telephone number
+27 11 268 6231

BANKERS

Banco Comercial e de Investimentos

Banco Internacional de Mocambique

Banco Nacional de Investimento

Eswatini Bank Limited

First National Bank,
a division of FirstRand Bank Limited

First National Bank Botswana Limited

First National Bank Eswatini,
a division of FirstRand Bank Limited

Nedbank Limited

Nedbank Eswatini Limited

Standard Bank Mocambique Limited

Stanbic Bank Botswana Limited

Stanbic Bank Zambia Limited

Standard Bank Eswatini

United Bank for Africa Mozambique SA

United Bank for Africa Zambia Limited

www.stefanuttistocks.com