Stefanutti Stocks

STEFANUTTI STOCKS GROUP

# Integrated Annual Report '21

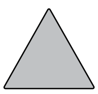
# CONTENTS



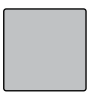
## Our business units

The Stefanutti Stocks Integrated Annual Report 2021 continues using an icon system to represent its three business units.

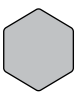
### These icons represent:



CONSTRUCTION & MINING



BUILDING



MECHANICAL & ELECTRICAL

The iconography family is informed by the basic principles of building blocks — with the specific silhouette for each icon broadly alluding to the particular focus of each business unit.

# COVID-19 RESPONSE

## National lockdown: 27 March 2020 and return to operations

As the event evolved throughout the world, the South African Government implemented an Alert Level-5 National Lockdown on 27 March 2020. Stefanutti Stocks responded to the request by government to shut down all but a few operations including some projects registered with the CIPC that were classed as essential services to the national power grid.

When the government announced Alert Level-4 Lockdown from 1 to 31 May 2020, most operations within Stefanutti Stocks were registered with the CIPC as essential services and sites resumed operations.

All sites and operations were provided with the required information, training, and systems to effectively implement the COVID-19 measures that the organisation had developed.

## Delegation of task team

A task team (COVID-19 Committee) was assembled before the formal Lockdown started with a COVID-19 manager 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 including a system to manage and monitor the process.

## Compliance measures

Through the task team, Stefanutti Stocks identified, developed, and implemented measures to ensure preparedness to return to work from a legal and responsibility perspective.

The following are some of the measures carried out from a legal perspective:

- COVID-19 risk assessments were conducted to identify and quantify the multi-level risks and the associated control measures.
- A COVID-19 policy was written as a declaration of intent by the CEO. The policy was adopted and communicated.
- COVID-19 operating procedures for sites, plant-yards and offices were drawn up, adopted, and communicated.
- COVID-19 inductions were carried out at the offices, sites, and plant-yards to ensure all employees and contractors receive the required information and training.
- COVID-19 daily screening processes have been adopted across all Stefanutti Stocks operations.
- COVID-19 reporting, investigation, and monitoring system on S@S.
- Weekly COVID-19 awareness training campaign.
- COVID-19 audits, assessments, and inspections on all operations.
- Continual monitoring and improvement programme to ensure effectiveness.

## Personal protective equipment

All employees were provided 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 were 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 the correct licensed waste stream.

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 allowed back on site.

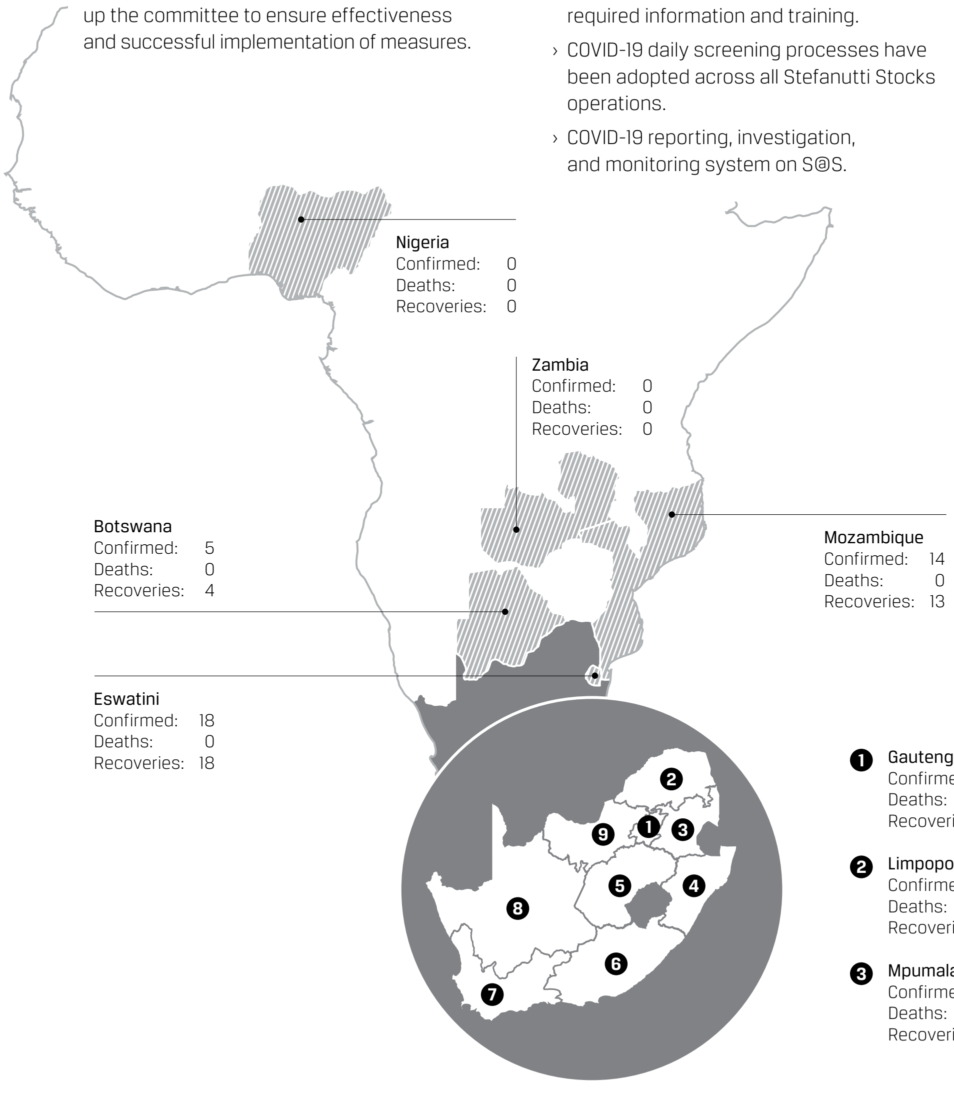
All employees received their PPE, induction, training, and information pertaining to COVID-19 and the effective prevention and management thereof.

All required measures and systems were implemented, assessed, and monitored.

## Implementation and monitoring

All systems and measures were rolled out to all operations for implementation. Periodical audits, assessments and inspections are conducted to ensure compliance and effective implementation of the requirements.

Monitoring and review of measures are conducted periodically to ensure continual improvement of the system.




| | Province | Confirmed | Deaths | Recoveries |
|---|---|---|---|---|
| 1 | Gauteng | 27 | 0 | 26 |
| 2 | Limpopo | 77 | 0 | 73 |
| 3 | Mpumalanga | 61 | 1 | 60 |
| 4 | KwaZulu-Natal | 18 | 0 | 16 |
| 5 | Free State | 0 | 0 | 0 |
| 6 | Eastern Cape | 22 | 0 | 22 |
| 7 | Western Cape | 14 | 0 | 14 |
| 8 | Northern Cape | 1 | 0 | 1 |
| 9 | North West | 6 | 0 | 5 |

# ABOUT THIS REPORT

## Scope and boundary

The integrated annual report for 2021 includes 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 2021, 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 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 2021 financial statements have been prepared under the supervision of the Acting 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 2021, 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 ⟨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 page 10) 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 21 June 2021.

**Zanele Matlala**

Chairman of the board

**Russell Crawford**

Chief Executive Officer

21 June 2021

## Preparation of financial statements

The financial statements, available on the group's website **www.stefanuttistocks.com** and the accompanying USB storage device, as well as the extract from the financial statements contained in this integrated report, have been prepared under the supervision of the Acting 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**

Acting Chief Financial Officer

21 June 2021

## CEO and CFO responsibility statement on internal financial controls

The CEO and CFO 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 risks that involve directors, and have taken the necessary remedial action.

**Russell Crawford**

Chief Executive Officer

**Yolanda du Plessis**

Acting Chief Financial Officer

21 June 2021

## 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 2021, 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**

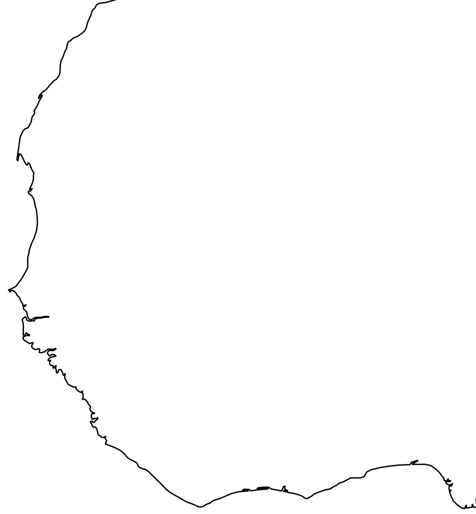
Company Secretary

21 June 2021

## Independent auditor's report

The unmodified independent auditor's report, which includes an emphasis of matter, can be found on page 9 of the consolidated annual financial statements on the accompanying USB as well as on the company's website **www.stefanuttistocks.com**. S Truter 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.

**Vision**

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

**Mission**

excellence
in **execution**

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

## Values

### **C**andour
Frank and respectful discussions with the objective of finding positive outcomes.

### **A**ccountability
Taking personal responsibility for one's actions and the resultant outcomes.

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

**CIDB contractor**
# CATEGORY 9

**South African employees**
## 3 956

**Global workforce**
## 8 693

REGIONAL OPERATIONS IN AFRICA AND UNITED ARAB EMIRATES

*Key: Shaded countries on the map indicate the group's operational footprint*

**Stefanutti Stocks's operational focus areas comprise concrete structures, marine construction, piling and geotechnical services, roads and earthworks, bulk pipelines, surface mining related services, all forms of building works, including affordable housing, and mechanical and electrical installation and construction.**

All group operations are registered with the Construction Industry Development Board (CIDB) as a Category 9 Contractor, which places no limitations on the project size for which the group can tender and the group is ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certified.

The group operates across the African continent in South Africa, Sub-Saharan Africa, including Botswana, Mozambique, Eswatini and Zambia as well as in the United Arab Emirates, 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 company's head office is based in Kempton Park, Gauteng and it employs a global workforce of 8 693 with 3 956 South African employees.

The group continues to create sustainable partnerships with all stakeholders through a values-driven culture.

This is accomplished by setting and achieving 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 growth strategy.

# Values

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

## **E**xcellence
A passionate mindset that puts quality at the forefront of all business activity.

## **D**ynamic
Embracing openness and flexibility of mind and an energetic, proactive solution-driven attitude.

# BUSINESS MODEL

The following business model demonstrates how the group creates sustainable value for its stakeholders by transforming inputs, through business activities, into outputs and outcomes. Stefanutti Stocks operates by way of a continuous process of procuring new work, executing it with excellence, and managing the resources that are required within the process. Supporting the company's strategy is a wide range of service offerings that it delivers for clients, while operating within the physical, political and social environments. As the group endeavours to successfully implement the business model, various material issues are identified, and these are set out on page 10 of this report. Underpinning the business model is the company's robust value system, collectively known as **CAPPED**: **C**andour, **A**ccountability, **P**eople relations, **P**rofessionalism, **E**xcellence, **D**ynamic.

| CAPITALS | INPUTS |
|---|---|
| **Human**<br>Employees, human resource practices, trends | › 8 693 employed by the group<br>› Board of directors<br>› Executive Committee<br>› Social and Ethics Committee<br>› Founder's Mentality<br>› OHSE Forum and HR Forum |
| **Social and relationship**<br>Relationships with and between employees, communities and other stakeholders | › Transformation Committee<br>› Emerging contractor development in the VRP<br>› R0,7 million invested in SED initiatives<br>› HR Forum |
| **Natural**<br>Any stock or flow of energy and material that produces goods and services | › Environmental Forum<br>› Plant initiatives reducing diesel and oil usage<br>› Improved biodiversity management |
| **Financial**<br>Representative of natural, human, social or manufactured capital such as shares, bonds or banknotes | › R353 million equity<br>› R1,6 billion debt<br>› Work in progress: R611 million |
| **Manufactured**<br>Material goods and infrastructure owned, leased or controlled by the group that contribute to production | › Three operating business units<br>› R34 million capital expenditure<br>› R5,7 billion group order book as at 28 February 2021 |
| **Intellectual**<br>Value of the company's employee knowledge, skills and proprietary information that can provide a competitive advantage | › Multidisciplinary expertise<br>› Leading company operating across South Africa, Sub-Saharan Africa and the UAE<br>› Risk monitoring through risk registers<br>› Internally developed operating ICT system<br>› Brand<br>› CIDB Category 9 Contractor<br>› R7,5 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 value system

**C**andour, **A**ccountability, **P**eople relations, **P**rofessionalism, **E**xcellence, **D**ynamic

| OUTPUTS | OUTCOMES |
|---|---|
| › Governance structures adhere to King IV<br>› Employee benefits that include retirement, funeral cover, children's educational cover and medical aid<br>› Remuneration policy with long-term incentives for key staff<br>› Various initiatives address skills development and training | › R1,6 billion paid to employees<br>› Good corporate governance practices<br>› Key staff retention<br>› Engaged and energised staff<br>› 3 608 employees are deemed PDIs |
| › B-BBEE initiatives<br>› Dedicated mentorship and support of emerging contractors<br>› Donating time, skills and materials to support educational facilities | › B-BBEE Level 1 Contributor status<br>› Transformed construction industry and job creation<br>› Economic growth for communities<br>› 0,03 LTIFR<br>› RCR 0,35<br>› 58 bursary beneficiaries |
| › Environmental framework<br>› Environmental initiatives | › No major reportable environmental incidents<br>› ISO 14001 certifications<br>› Reduced environmental impact<br>› Water conservation |
| › R756 million cash on hand<br>› R209 million cash consumed by operations | › R5,0 billion contract revenue<br>› R34 million capital expenditure<br>› Total assets R5,4 billion<br>› Interest-bearing debt increased |
| › Enhancing and maintaining operating capacity | › CIDB 9 rating |
| › R5,7 billion group order book as at 28 February 2021<br>› Combined assurance framework to effectively manage the risks facing the business<br>› Operational efficiency | › Sustainable performance<br>› Investor confidence<br>› Stable and reliable systems and processes |

## STAKEHOLDERS IMPACTED

- Employees
- Communities
- Clients
- Suppliers
- ED partners
- VRP partners
- Industry and government regulators
- Trade unions
- The JSE
- Shareholders
- Investors
- Financiers
- Analysts

# STAKEHOLDER ENGAGEMENT

## Employees

Active interaction with the group's employees provides essential feedback throughout the business. Management implements various formal and informal methods with which to meaningfully engage with staff.

Employee engagement also occurs as part of the employment cycle. Once recruited, the next engagement occurs at monthly group induction sessions. These are structured to give new recruits 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.

One-on-one employee sessions are scheduled, whereby staff discuss matters such as personal development and training, performance and career path progression. The outcomes of these engagements help guide the succession and training plans of the group. With COVID-19 and the employees spending a significant amount of time at home due to lockdown, these interactions have been limited.

Formal structures of employee engagement and communication include functional forums, consisting of business unit 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. Stefanutti Stocks has similar forums on a smaller scale within each business unit and division.

When leaving the group's employ, employees are encouraged to attend an exit interview and, where necessary, further engagement opportunities are arranged to address issues raised.

The company has changed its approach towards health and safety to one which promotes greater personal involvement, acceptance and responsibility instead of its previous approach of compliance and hard-lined management control. Leadership engagement and visible felt leadership both demonstrate this effort. 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 a follow-up employee engagement survey for all salaried employees to determine their levels of engagement in respect of key strategic issues affecting the business.

An external service provider was used to conduct the survey with focus areas including employee satisfaction with the company, their jobs, colleagues and communication, among others.

## Local communities

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

The group employs Community Liaison Officers (CLOs) whose primary role is to communicate daily with local community leaders, assisting with recruitment requirements and acting as the community spokespersons. The communities have intimate knowledge and a unique relationship with their respective environments and in many instances, CLOs prevent community unhappiness by creating a platform whereby stakeholders can table concerns and queries.

Where communities have been properly engaged, community members become the company's greatest brand ambassadors, promoting its interest in obtaining opportunities for new or additional work in those regions, or at least ensuring consideration for future work.

## Trade unions

Trade unions are recognised in line with the 1996 Constitution of South Africa, which provides for the right to join trade unions, and for unions right to collective bargain and strike. This has translated into the Labour Relations Act which established the working framework for both unions and employers.

1 315 employees belong to trade unions, which represents 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 seven trade unions operate within Stefanutti Stocks with stop order facilities in place. Some of these unions represent the majority of employees within certain divisions which entitles them to certain organisational rights.

## Clients

COVID-19 and its effects have demonstrated the need to have a good relationship with existing clients. Maintaining these relationships has proved to be one of the anchors of the business.

To keep contact with clients, the group has maintained its commitment to conducting customer satisfaction surveys to formally engage with clients with the view to continually improve its service offering. This aspect has been centralised throughout the group for consistency and standardisation. An analysis of these survey results is monitored at division, business unit and group levels. Where further intervention is required then such decisions are taken, and a "champion" is delegated to implement the decisions.

There have been several projects within the year that have proved the group's approach of providing a multidisciplinary offering for clients has been the correct and competitive approach. In this regard the divisions are yielding positive results and clients are benefiting from it.

### CUSTOMER SATISFACTION SURVEYS ANALYSIS

**(Average scores below are out of 5)**

## Suppliers

Suppliers and vendors remain important stakeholders to the group, and continual efforts are made to enhance and develop existing and future relationships with them.

The quarterly vendor day initiative held at each of the main centres in Johannesburg, Pinetown, Cape Town and Eswatini was regrettably cancelled due to lockdown regulations. In the interim, open channels of communication and engagement were promoted between Stefanutti Stocks's representatives and its stakeholders. The group continually encourages open feedback from staff and suppliers to enhance and streamline works across the realm of supplier interactions and processes.

## Enterprise development (ED) partners

The group's ED strategy is to establish and maintain solid working relationships with capable black-owned companies, which are suppliers and contractors, to develop them in a measurable and meaningful way, and to guide their future sustainability, while simultaneously bolstering their ability to execute and deliver larger, more challenging projects.

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

## VRP partners

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

## The JSE, industry bodies and government regulators

The company secretarial and finance functions manage and monitor the group's compliance with the JSE Listings Requirements and the Companies Act. These functions also monitor the application of King IV with oversight by the various board committees.

## Shareholders and investors

Announcements released on the Stock Exchange News Service (SENS) of the JSE is the group's primary method of interaction with its various shareholders and investors. 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 printed financial year-end and interim results and reports, as well as electronic copies, group presentations and business unit-specific site visits and meetings.

The executive directors also make available presentations regarding 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

A strategic restructuring team has been appointed, including the appointment of a Chief Restructuring Officer, to advise on and assist with the development and implementation of a detailed turnaround programme for the group, including the securing of requisite additional short-term funding from the company's primary banker and guarantee providers (the Lenders) and the subsequent restructuring of all such short-term funding into appropriate longer-term funding. The previous short-term funding agreement was converted into a term loan on 1 July 2020.

The group engages with the lenders on a monthly basis through the Restructuring and Implementation Team meeting. The following is discussed:

- performance against the Restructuring 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 2022 financial year-end.

# MATERIAL ISSUES

The group's material issues are regularly evaluated in terms of emerging and developing risks as well as legislative and regulatory requirements. These issues are categorised according to the material effects they may have on the group's strategic operations.

Stakeholder engagement assists the process of defining the group's material issues and is conducted through formal and informal channels. Set out in the following table are the group's material issues, the stakeholders they affect and how they are addressed:

| Material issues | Stakeholders impacted | Response to issue |
|---|---|---|
| **GOVERNANCE AND LEADERSHIP:**<br>Ensuring that adequate governance is in place throughout the group | › Analysts<br>› Clients<br>› Employees<br>› Investors<br>› Shareholders<br>› Trade unions | › The company has board-appointed committees, namely the ARCO, S&E, REMCO and NOMCO.<br>› The group is committed to adhering to the King IV principles.<br>› The codes of conduct and ethics are applied throughout the group. The B-BBEE codes are applied across South African businesses.<br>› A leadership pipeline has been identified to ensure proper succession exists. |
| **GOING CONCERN, SOLVENCY AND LIQUIDITY:**<br>Ensuring that the group is able to continue as a sustainable business | › Analysts<br>› Clients<br>› Employees<br>› Financiers<br>› Investors<br>› Shareholders<br>› Suppliers | The EXCO, ARCO and the board attend to the matters below:<br>› Monitor the group's going concern, solvency and liquidity, specifically given the liquidity shortage experienced by the group during the financial year and the impact of the COVID-19 pandemic on the group's operations;<br>› Review funding required for the future sustainability of the group;<br>› Consider and review material contracts, outstanding debtors, the recovery of such debts;<br>› Consider and review possible impairments; and<br>› Ensure achievement of the Restructure Plan. |
| **EARNINGS GROWTH:**<br>Ensuring sustainable growth in earnings for the group's stakeholders | › Analysts<br>› Clients<br>› Employees<br>› Financiers<br>› Investors<br>› Shareholders<br>› 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 business unit. |
| **HUMAN CAPITAL:**<br>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<br>› Clients<br>› Communities<br>› Employees<br>› Investors<br>› Shareholders<br>› 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.<br>› A leadership pipeline has been identified to ensure succession exists.<br>› Legislative compliance.<br>› Human capital risk assessments have been conducted and mitigation has been identified. |
| **OPERATIONAL:**<br>Operational issues associated with securing tenders, assets, credit, fraud and reputation | › Analysts<br>› Clients<br>› Communities<br>› Employees<br>› Investors<br>› Shareholders<br>› Suppliers<br>› Trade unions | › Key performance areas are closely monitored by way of controls and measures that are applied.<br>› Comprehensive ICT systems oversee all areas of the business.<br>› Training is provided on an ongoing basis.<br>› Comprehensive tender completion approval process.<br>› Fraud tip-off line is available. |
| **HEALTH, SAFETY AND ENVIRONMENT:**<br>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<br>› Clients<br>› Communities<br>› Employees<br>› Investors<br>› Shareholders<br>› Trade unions | › A group Health, Safety and Environment Framework has been implemented.<br>› Health and safety training is continuously provided.<br>› On-site rehabilitation of the environment is undertaken to the best of the group's abilities.<br>› The use of energy-saving products and fuel optimisation is applied. Recycling of resources is undertaken where possible.<br>› The group implemented the measures highlighted by the South African Government to contain the COVID-19 pandemic which included work from home arrangements, provision of hand sanitisers in all buildings and an extensive awareness campaign. |
| **ANTI-COMPETITIVE BEHAVIOUR:**<br>Ensuring that monitoring of compliance with the Competition Act is ongoing | › All | › Regular training sessions and awareness programmes are provided to employees in respect of the Competition Act and ethical behaviour. |

# 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 levels and the approval of the risk strategy, policy and framework.

Protecting stakeholder interests and creating sustainable stakeholder value is essential to managing risk. Likewise, an appropriate balance needs to be struck between entrepreneurial endeavour and prudent business practice. It is the group's philosophy to be "risk aware" and to recognise potential opportunities that are presented.

To ensure that risk is minimised, 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. The group risk register was updated during the year to align the risk model and risk management process with the group's strategic plan.

At each ARCO meeting, the Group Risk Officer reports to the ARCO and presents a risk report. Internationally recognised standards are adhered to when establishing, updating and maintaining the group-wide risk framework. This includes providing guidance, supporting and coordinating the identification and recording of risk areas and properly applying the systems of risk management.

To ensure that all identified risks are subjected to the appropriate level of management control, the group has adopted a combined assurance model, which is in line with the recommendations of King IV. Risks are assured both internally and externally as appropriate. The ARCO examines the internal and external audit plan to ensure that all recognised areas of risk are covered in the audit plan and no duplications occur. Details of the combined assurance model are set out in the corporate governance report on page 49.

In terms of the group's exposure to corruption in South Africa as well as in the rest of Africa, regular assessments are conducted. The group is cognisant of the matter's significance and impact and to this end, all operations are continually monitored. No incidences of corruption were identified during the reporting period.

Regarding the Coronavirus (COVID-19), the ARCO considered the potential impact of COVID-19 on the company's business and operations. Successful project delivery depends on the effective management of time and cost. The uncertainty surrounding the ongoing COVID-19 crisis therefore poses significant risk to the group. In order to address this issue, the ARCO, together with management, regularly reviewed and evaluated the detailed cash flow forecasts, including consideration of any potentially unrecoverable costs related to COVID-19. Based on reports and assurances provided by management, the ARCO was satisfied with the overall approach being followed to mitigate this risk.

## Focus areas

The focus areas for the 2021 financial year were:

- 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; and
- The impact of the COVID-19 pandemic.

The focus areas for the 2022 financial year continue to be:

- Going concern, solvency and liquidity;
- Ongoing funding to ensure the group's sustainability;
- Focused management 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 risks that the group deems material to its operations and ongoing sustainability are set out in the table below. Overseeing the risk mitigation processes is the responsibility of the board committees and the board itself.

| Risk category | Risk | Mitigation strategy | Affected capital |
|---|---|---|---|
| **ECONOMIC** | Significant change in pricing levels and pressure on margins | › Diversification and expansion of group offering<br>› Identification of opportunities in new markets<br>› New geographical territories<br>› Alternative procurement approaches and methods | Financial capital<br>Human capital<br>Intellectual capital<br>Manufactured capital |
| | Ability of the group to remain a sustainable business post the COVID-19 pandemic | › Preservation of cash resources<br>› Continuous contact with clients in respect of cancelled projects<br>› Following Governmental guidelines to ensure safety of group employees<br>› Development of response plans for the post lockdown period | Financial capital<br>Human capital<br>Manufactured capital<br>Social and relationship capital |
| **FINANCIAL** | Inability to achieve agreed restructure plan | › Chief Restructuring Officer appointed<br>› Restructuring Implementation Team formed<br>› Progress against the Restructuring Plan monitored monthly | Financial capital<br>Intellectual capital<br>Social and relationship capital<br>Human capital |
| **COMMERCIAL** | Diverse number of contracting forms and solutions | › Specialised skills deployed for tenders<br>› Funding expertise acquired | Financial capital<br>Human capital<br>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<br>› B-BBEE initiatives by business units<br>› Monthly measurement tool implemented by business units<br>› Procurement with qualifying B-BBEE suppliers and subcontractors | Intellectual capital<br>Human capital<br>Financial capital |
| **INDUSTRY VOLATILITY** | Exposure to industrial action | › Ongoing liaison with site teams and forging strategic relationships with unions<br>› Constant communication and feedback at sites | Intellectual capital<br>Human capital<br>Financial capital |
| **HUMAN RESOURCES** | Scarcity of resources for execution of projects | › Focused actions as part of the expansion strategy | Human capital<br>Financial capital<br>Intellectual capital |
| **LEGAL** | Potential non-compliance with legal frameworks | › Ongoing annual training and awareness programmes for all management on Competition Act requirements<br>› Code of Business Conduct and Ethics<br>› Risk management and legal compliance reviews<br>› Rigorous health and safety management systems in each business unit<br>› Group forums to improve communication<br>› Monitoring and reporting of all incidents, ensuring corrective action is taken<br>› Reporting against environmental metrics<br>› Identification of Acts applicable to the group and key controls to ensure compliance<br>› Financial management processes, procedures for VAT and income tax compliance<br>› Risk management and compliance reviews | Financial capital<br>Human capital<br>Social and relationship capital<br>Natural capital<br>Intellectual capital<br>Manufactured capital |
| **RESOURCES** | Electricity supply | › Uninterrupted power supplies and generators have been installed at all major sites | Natural capital<br>Financial capital<br>Manufactured capital |
| | Resource utilisation | › Flexible resource arrangements<br>› Proactive redeployment of resources | Human capital<br>Financial capital |
| **MARKET** | Loss of market share | › Client relationship marketing strategies<br>› Quality, on-time and within client budget performance<br>› Process of continuous improvements and cost control<br>› Growing market share in selected business areas<br>› Diversification of client base within the business units | Financial capital<br>Social and relationship capital<br>Intellectual capital<br>Human capital |
| **PRICING** | Estimating | › Well-developed estimating systems<br>› Experienced estimators<br>› Regular reviews and updates of rates<br>› Structured and stringent tender finalisation process<br>› Complex, large, new types of projects subjected to particular focus | Intellectual capital<br>Human capital<br>Financial capital<br>Manufactured capital |
| **CONTRACT SELECTION** | Contractual terms and conditions becoming onerous | › Commercial skills capacity<br>› Conforming to standard industry contracts<br>› Deviations subject to professional advice inputs and senior management sign-offs<br>› Avoidance and/or mitigation of high-risk contracts e.g. fixed price contracts | Intellectual capital<br>Financial capital |

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

# CHAIRMAN'S REPORT

**ZANELE MATLALA**
Chairman

During the year under review, the group continued to focus on the Restructuring Plan, which aims to achieve an optimal capital structure and access liquidity.

**B-BBEE contributor status**

# LEVEL 1

### Introduction

The already fragile state of the South African economy was compounded by the COVID-19 national lockdown, which was introduced to curb the spread of the virus.

When the national lockdown was declared, the group's response was to protect the health and safety of its employees by introducing COVID-19 protocols.

The South African construction industry was severely impacted by the effects of COVID-19 restrictions, which contributed to the economic contraction and job losses.

### Business overview

The group recorded further declines in contract revenues due to a challenging operating environment, which were exacerbated by the effects of COVID-19 lockdown. However, recorded losses narrowed year-on-year as a result of lower provisions.

The group continued to focus on the Restructuring Plan (The 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 as well as internal restructuring and securing additional funding.

There are also continued efforts to pursue contractual claims on the Kusile power project, which has contributed to the group's liquidity challenges.

### Corporate governance

The group is committed to achieving and maintaining a high standard of corporate governance. As discussed on page 42 of this integrated annual report, the board reviews and assesses the application of the King IV principles on an ongoing basis.

### B-BBEE

The group remains committed to implementing the principles of broad-based black economic empowerment (B-BBEE). This is evident in the group maintaining a B-BBEE status of a Level 1 Contributor.

### Board changes

Dermot Quinn will retire at the next annual general meeting and has not offered himself for re-election. The board expresses its appreciation to Dermot for his contribution over many years both as an executive and non-executive director.

John Poluta, who is currently an alternate director, will be appointed as a non-executive director and member of the audit committee.

Antonio Cocciante will step down as CFO and executive with effect from 31 May 2021 to allow him to focus on the Restructuring Plan.

Yolanda du Plessis will be appointed interim CFO. Yolanda has extensive experience in finance and has been with the group since 2008. Yolanda has the support of the board and I wish her well in her new role.

### Appreciation

I would like to thank Russell Crawford and Antonio Cocciante 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

21 June 2021

# PERFORMANCE REVIEW

**Contract revenue**

**R5,0bn**

**RUSSELL CRAWFORD**
Chief Executive Officer

The group's order book at February 2021 was R5,7 billion, of which 40% comes from outside of South Africa.

## 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 reclassified as discontinued operations.

Consequently, the results for the year and the prior year have been prepared to reflect continuing and discontinued operations. The continued adverse market conditions, as well as the substantial impact of the COVID-19 pandemic, has reduced contract revenue to R5,0 billion when compared against restated February 2020 revenue of R7,2 billion.

The group incurred an operating loss of R111 million when compared against a restated operating loss of R1 billion in February 2020.

### 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.

### Update, SSBR Joint Venture – Package 16

All construction work is complete, with snagging expected to be complete by July 2021 and commissioning on track to be completed by February 2022.

As previously reported, the Joint Venture and Eskom remain committed to the claims resolutions process, for all causes and delays to the end of December 2019. The claims resolutions process involves the appointment of independent experts to evaluate all causes of delays and the quantification thereof.

By the end of May 2021, the independent delay experts would have completed their analysis of the delays on Access and Initial Design; Construction and Commissioning, with the experts to finalise their analysis on the effects of sectional delays and their effect across the project by mid-June.

The parties are successfully limiting the issues in dispute, which issues will be referred to the Dispute Adjudication Board for a decision.

The independent quantum experts are in the process of completing their exercise of interrogating the costs incurred by the Joint Venture and have not found any anomalies in the cost data, they are in the process of agreeing the methodology to apply such costs to the contractor's claims for extension of time and claims for additional payment.

Any claims from January 2020 to completion will be dealt with in terms of the contract.

The parties remain on track to substantially resolve the disputes by February 2022.

### Update, Stefanutti Stocks Izazi Joint Venture – Package 28

During June 2018, the Joint Venture commenced adjudication proceedings in relation to numerous compensation events which had not been assessed.

In February 2019, this contract was terminated, due to the client's inability to provide access to complete the works.

The engineer issued two negative final payment certificates in August 2019 and April 2020, alleging overpayments had been made to the Joint Venture. This prompted the notification of many new disputes which were included in the adjudication process. Adjudication hearings were conducted during November 2020 and February 2021.

As several disputes relate to measurement of the works, the Joint Venture and Eskom have embarked on an independent expert process to resolve these disputes. To accommodate this independent expert process, the adjudicator has been requested to not publish his decision.

It is anticipated that all disputes will be resolved by February 2022.

### Restructuring Plan

In accordance with the Restructuring Plan, the Lenders have provided the group with total funding of R1,25 billion. The short-term funding agreement was converted to a term loan on 1 July 2020, which loan terminates on 28 February 2022. The loan is secured by special and general notarial bonds over movable assets, continuous covering mortgage bonds over immovable assets and various cessions.

On 25 May 2021, the group reached an agreement with the Lenders to extend the current capital repayment profile of the loan. The capital portion of the loan repayments are envisaged to commence in July 2021 with a residual loan balance at 28 February 2022 of approximately R420 million.

The purpose of the Restructuring Plan was to put in place an optimal capital structure and access to liquidity to position the group for long-term growth. The Lenders continue to provide support through the issuing of guarantees for projects being undertaken by the group.

As part of the Restructuring Plan, it was agreed to dispose of non-core assets, certain operations and underutilised plant and equipment.

A comprehensive sale process for Stefanutti Stocks Mining Services has been underway since June 2020, culminating in a final offer being received for Stefanutti Stocks Materials Handling and Tailings sub-divisions from Akhona Mining Services in December 2020. The disposal is expected to realise gross proceeds of R80 million. Shareholder approval was received for this transaction on 26 May 2021.

No offers were received for the Contract Mining sub-division, and as a result, this sub-division is in the process of being wound down, currently only one project remains operational and is anticipated to be completed by October 2021. Contract Mining's plant is in the process of being sold.

The UAE operation has been classified as Held for Sale from July 2020. Negotiations with respect to the sale of this entity remain ongoing.

The sale of non-core assets and underutilised plant and equipment remains ongoing as envisaged.

In terms of the recovery of historical slow-paying receivables, with respect to the outstanding amounts due by the Zambian government, R36 million has been collected to date. The total receivable has reduced substantially from R104 million to R66 million, due to the significant weakness of the Zambian Kwacha. The timing and quantum of receipts remain irregular.

Management has made considerable progress in streamlining the group's organisational structure to improve operational performance and reduce overhead costs, including the reduction of the group's overall salaried headcount by 26% with a monthly saving of R10,2 million. This is an ongoing process which continues as the various aspects of the Restructuring Plan are being implemented.

### COVID-19

COVID-19 had a significant impact on operations and financial performance, with a 37% reduction in manhours worked and 30% reduction in turnover respectively, for total operations compared against the last reporting period.

The financial impact of COVID-19, on total operations, caused revenue and operating profit to be reduced by R2,9 billion and R173 million respectively.

This is due to:

- Revenue that was unable to be executed, will be deferred into later reporting periods.
- Contract cancellations and terminations.
- Expected awards either delayed or cancelled.
- Unavoidable costs relating to salaries, wages, rentals, instalments, and other fixed overhead costs that could not be deferred during lockdown.

Stefanutti Stocks's priority continues to be the health and safety of its employees. The management of the group remains committed to supporting the initiatives that the governments have implemented in the various countries in which the group operates. Importantly, Stefanutti Stocks continues to adhere to the required protocols and maintains a close working relationship with clients and key stakeholders to mitigate the extensive impact of COVID-19 and reduce the long-term effects on its business.

### Order book

The group's order book at May 2021 was R5,5 billion compared to the R8,9 billion reported at June 2020. 38% of the May order book is from outside of South Africa.

Further details of the group's financial performance are discussed in the Chief Financial Officer's report, commencing on page 22.

## Operational performance

Below is a summary of the results of each business unit 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.

### Construction & Mining (C&M)

C&M's contract revenue decreased to R3,7 billion from R4,7 billion of the prior year, with an operating profit of R71 million compared against an operating loss of R383 million in February 2020.

The decrease in revenue is attributable to:

- the termination of two Contract Mining projects;
- the winding down of the Contract Mining sub-division; and
- the effects of COVID-19.

With respect to the two Contract Mining projects that were terminated, both arbitrations are expected to be completed by February 2022. The group is confident that the terminations were lawful and that the claims will be defended, therefore no provisions have been made.

The following divisions contributed positively to the business unit's operating profit: Botswana, Eswatini, Zambia, Civils and Roads and Earthworks.

Opportunities exist for C&M in the transport infrastructure, water, and wastewater treatment plants, mine infrastructure and in the alternative energy sector.

The government's proposed National Development Plan (NDP) will offer potential opportunities to C&M.

C&M's total order book at February 2021 was R3,6 billion (Feb 2020: R4,6 billion).

### Building

Due to the National Lockdown and the safety requirements of COVID-19, the divisions in South Africa were unable to work for three months, with the United Arab Emirates and Mozambique entities operating within highly constrained environments, resulting in contract revenue reducing to R1,1 billion (restated Feb 2020: R1,7 billion), with an operating loss of R31 million (restated Feb 2020: R514 million). The profit of the equity-accounted United Arab Emirates operations is excluded from this result.

This business unit should also potentially benefit from the NDP, together with commercial, retail, industrial, warehouse and factory opportunities in the private sector, in Gauteng, KwaZulu-Natal and Western Cape.

Mozambique's order book is currently under pressure, impacted by the delay in the Northern province gas fields expansion projects. This entity is, however, pursuing opportunities in office, residential, factory and mine infrastructure in the private sector.

Building's total order book at February 2021 was R2 billion (Feb 2020: R2,3 billion), excluding the United Arab Emirates order book of R485 million (Feb 2020: R658 million).

### Mechanical & Electrical (M&E)

M&E's contract revenue decreased to R270 million (Feb 2020: R897 million) with an operating loss of R64 million (Feb 2020: R25 million). This business unit was severely impacted by the COVID-19 pandemic effects on global commodity prices, resulting in major plant maintenance and upgrade projects being postponed. However, opportunities in the traditional petrochemical sector for the Oil & Gas Division are showing signs of improvement.

The decrease in revenue is attributable to:

- the cancellation of an Oil & Gas project;
- the termination of a Mechanical contract; and
- the effects of COVID-19.

The arbitration matter relating to the cancellation of a petrochemical contract was 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.

During the reporting period, Stefanutti Stocks terminated a mechanical project. The client is disputing the termination, which has now been referred to arbitration. The arbitration process is expected to be completed by February 2022. The group is confident that the termination was lawful and therefore no provision has been made against this.

Opportunities in the traditional petrochemical sector for the Oil & Gas Division are showing signs of improvement.

M&E's total order book at February 2021 was R136 million (Feb 2020: R328 million).

## Industry-related matters

### Community unrest

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

### Voluntary Rebuild Programme (VRP)

COVID-19 has introduced a new challenge with respect to the VRP Settlement Agreement. The group is currently engaging with government to negotiate a deferment of the current year's instalment.

### Civil claim

With respect to the civil claim received from the City of Cape Town for the Green Point Stadium, this matter will now be dealt with through arbitration, which is set to be heard from 13 September to 8 October 2021.

The group remains confident that it can defend this claim.

## 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.

### Human capital

Due to the continued adverse market conditions, as well as the substantial impact of COVID-19, the group concentrated on essential training only.

A total of 58 (2020: 84) bursaries were offered, of whom 31% (2020: 38%) were female employees and 59% (2020: 70%) were from designated groups.

During the year 20 (2020: 32) apprenticeships were offered, one is female and 17 are from designated groups.

The Stefanutti Stocks Academy trained 452 operators, of whom 440 were from designated groups and 53 were female.

The group currently employs 299 (2020: 199) professionally registered individuals, of whom 78 (2020: 91) are from designated groups and 26 (2020: 33) are female.

The group continues to support and encourage its employees to register with professional industry bodies in their respective occupational fields.

The total staff complement for the group as at 28 February 2021 was 8 693 (2020: 9 768), with 3 956 (2020: 6 339) local employees and 4 737 (2020: 3 429) based beyond South African borders.

Key focus areas for 2022:

› special focus on B-BBEE and EE plans to ensure transformation and a diverse organisation;
› drive employee engagement template to enhance performance management;
› retention strategy for key talent; and
› drive talent management initiatives.

## Health and safety

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

As the year began with the outbreak of COVID-19, the group's primary focus was on employee health from an occupational health and safety perspective.

The group's Lost Time Injury Frequency Rate (LTIFR) and Recordable Case Rate (RCR) at February 2021 was 0,03 (Feb 2020: 0,02) and 0,35 (Feb 2020: 0,29) respectively.

The group obtained ISO 45001:2018 certification. This means that all 14 operating divisions are now under one certificate.

## 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.

One of the objectives that the forum sets is ensuring compliance with relevant environmental legislation and to take all measures possible to comply with environmental impact assessments. The group's approach to environmental protection is a system-based methodology, underpinned by clear priorities, plans and activities that are designed to reduce the impact of the group's operations on the physical environment.

## Quality management

The quality forum's philosophy of planning and quantifying risks associated with operations is embedded in the 'Excellence in Execution' mission statement and are the key pillars of the ISO 9001:2015 standard.

Key focus areas for 2022:

› improve standardisation;
› full utilisation of internal system;
› drive conformances; and
› improve record management, paperless.

## Skills development

The Stefanutti Stocks Academy, apart from operator training, also offers construction skills courses, basic concrete and basic formwork.

## Transformation

The group's current scorecard dated 17 August 2020, is based on the Revised Construction Codes of Good Practice, and remains at a Level 1 B-BBEE Contributor.

The measurements below are made in terms of the Revised Construction Codes of Good Practice.

### Ownership

The group's black ownership increased from 58,10% to 81,27%, with black women ownership at 8,34%.

### Management control

42,86% of the company's exercisable voting rights are held by black people, of whom 42,86% are black women, with top executive black management increased to 41,67% (2020: 27,78%). The group's compliance with this element increased to 60,30% (2020: 47,94%).

### Employment equity

The group's employment equity score increased marginally to 70,63% (2020: 69,84%).

### Skills development

The company's skills development score decreased slightly to 119,51% (2020: 121,17%), as did the verifiable training spend on designated groups to R67,69 million (2020: 73,77%).

### Preferential procurement

The group's score for preferential procurement improved to 98,73% (2020: 96,19%).

### Enterprise development

The group's score for enterprise development remained at 100%.

## Socio-economic development (SED)

The group improved its score to 120% for the socio-economic development (SED) element, investing over R1,2 million (2020: R3,4 million) on SED initiatives.

## 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.

Protecting stakeholder interests and creating sustainable stakeholder value is essential to managing risk. Likewise, an appropriate balance needs to be struck between entrepreneurial endeavour and prudent business practice. It is the group's philosophy to be "risk aware" and to recognise potential opportunities that are presented.

To ensure that risk is minimised, 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.

The group risk register was updated during the year to align the risk model and risk management process with the group's strategic plan.

At each ARCO meeting, the Group Risk Officer presents a detailed risk report. Internationally recognised standards are adhered to when establishing, updating and maintaining the group-wide risk framework. This includes providing guidance, supporting and coordinating the identification and recording of risk areas and properly applying the systems of risk management.

To ensure that all identified risks are subjected to the appropriate level of management control, the group has adopted a combined assurance model, which is line with the recommendations of King IV. Risks are assured both internally and externally as appropriate. The ARCO examines the internal and external audit plan to ensure that all recognised areas of risk are covered in the audit plan and no duplication occurs. Details of the combined assurance model are set out in the corporate governance report on page 49.

In terms of the group's exposure to corruption in South Africa as well as in the rest of Africa, regular assessments are conducted. The group is cognisant of the matter's significance and impact and to this end, all operations are continually monitored. No incidences of corruption were identified during the reporting period.

Regarding COVID-19 the ARCO considered the potential impact of COVID-19 on the company's business and operations. Successful project delivery depends on the effective management of time and cost. The uncertainty surrounding the ongoing COVID-19 crisis therefore poses significant risk to the group. In order to address this issue, the ARCO, together with management, regularly reviewed and evaluated the detailed cash flow forecasts, including consideration of any potentially unrecoverable costs related to COVID-19. Based on reports and assurances provided by management, the ARCO was satisfied with the overall approach being followed to mitigate this risk.

Key focus areas for 2022:

- continuous engagement with Lenders through the Restructuring and Implementation team,
- to continue to review high-risk areas,
- review high-impact site operations,
- to remain aware and provide training in respect of legal compliance as well as to assess and manage developing risk areas; and
- continue to monitor the impact of the COVID-19 pandemic.

## Changes to the board of directors

Dermot Quinn has informed the board of his intention to retire from the board at the Company's 2021 Annual General Meeting. Dermot has served on the board since 2007 as the Chief Financial Officer and thereafter as a non-executive director. John Poluta, currently alternate non-executive director to Busisiwe Silwanyana, will be appointed as a non-executive director. John has been on the board as an alternate non-executive director since 2017.

The board expresses its appreciation to Dermot for his valued past contributions and guidance over the years and wishes him all the best for the future.

In order to devote the necessary time and resource to the implementation of the Restructuring Plan, Antonio Cocciante will step down as the Chief Financial Officer and executive director, effective 31 May 2021, until the plan has been fully implemented. During this implementation period, Yolanda du Plessis will be appointed as acting Chief Financial Officer and executive director with effect from 1 June 2021. Yolanda has been with the group since 2008 and has worked closely with both Dermot and Antonio over the years. Yolanda's profile is available on page 39.

The board expresses its appreciation to Antonio for his valued past contributions and guidance over the years and wishes him all the best in his new role in the group.

## Outlook and strategy

Some green shoots have been witnessed in most divisions across the group, with transport infrastructure, building, water and sanitation and mining related infrastructure driving opportunities.

A more positive medium-term outlook for the South African market relies heavily on government upholding its promise to roll out the NDP.

Given the current strong commodity prices, further opportunities are expected in mining related infrastructure services.

Cross-border opportunities exist in transport infrastructure, commercial buildings, retail, factories and water and sanitation treatment plants.

The United Arab Emirates intends expanding its footprint to the Kingdom of Saudi Arabia. Opportunities exist in the fit-out and related building markets.

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, successful close out of all other arbitration cases and driving a culture of accountability and achieving at a minimum, tender margin on all projects.

## Appreciation

The year under review proved to be even more challenging than the last reporting period, exacerbated by COVID-19 and together with the implementation of the Restructuring Plan, placing tremendous pressure on the board and the executive team.

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 continued support, absolute dedication, candour and true leadership under very difficult circumstances.

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

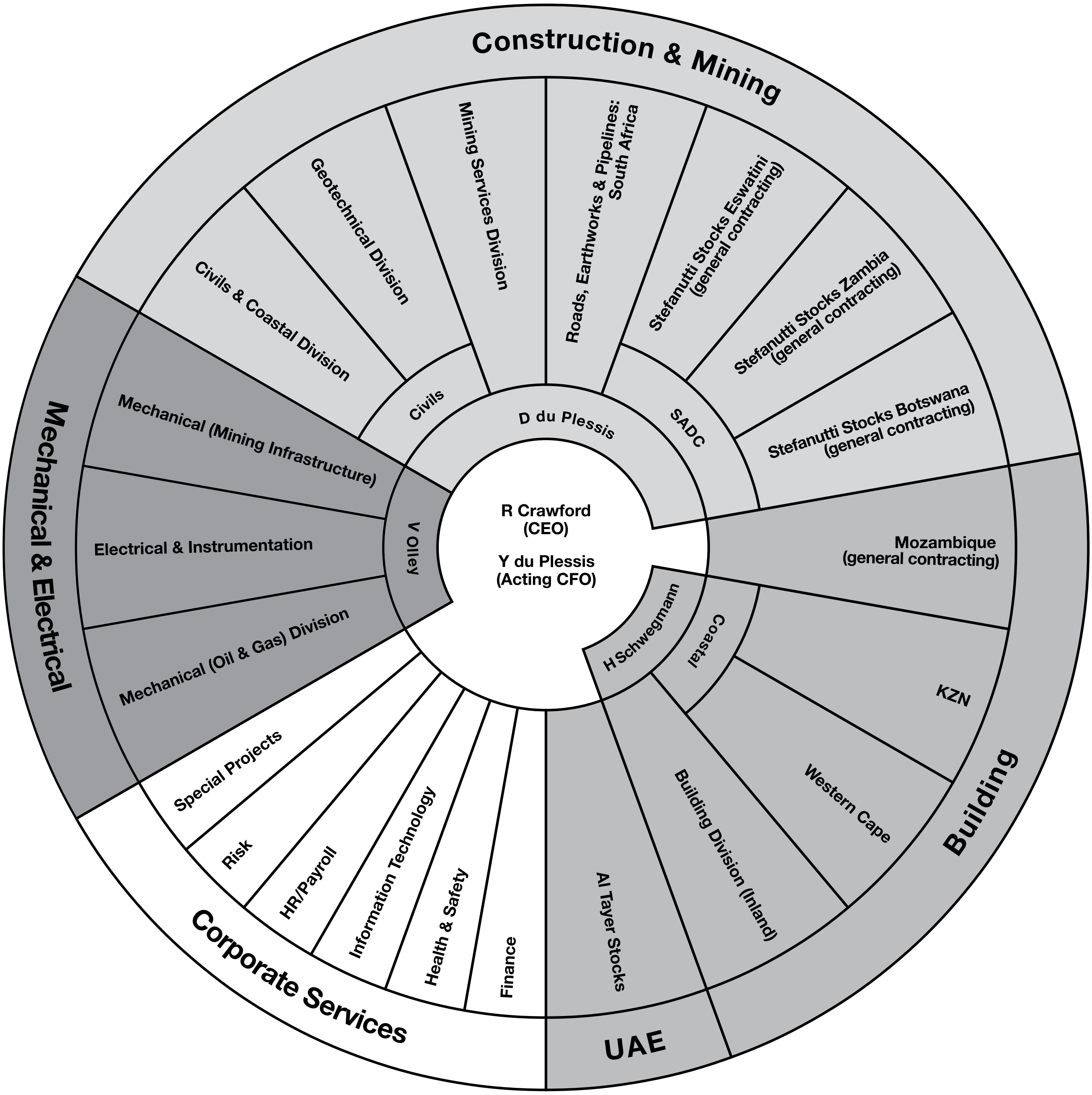
Lastly, I would like to thank all our clients, our Lender Group, our shareholders, business partners, suppliers and other stakeholders for their ongoing support.

**Russell Crawford**
Chief Executive Officer

21 June 2021

# GROUP STRUCTURE

The group operates throughout South Africa, Sub-Saharan Africa and in the United Arab Emirates through three business units: Construction & Mining, Building, and Mechanical & Electrical.



# CHIEF FINANCIAL OFFICER'S REPORT

For the year under review, the group's contract revenue from continuing operations was R5,0 billion, impacted by COVID-19 and adverse market conditions.

**YOLANDA DU PLESSIS**
Acting Chief Financial Officer

### Funding and Restructuring Plan

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;
- securing 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;
- restructuring the short-term funding received to date from the Lenders into a term 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 term loan on 1 July 2020, which loan terminates on 28 February 2022. 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. Shareholders are further advised that the group, on 25 May 2021, reached an agreement with the Lenders to extend the current capital repayment profile of the loan. The capital portion of the loan repayments are envisaged to commence in July 2021 with a residual loan balance at 28 February 2022 of approximately R420 million.

**RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2021**

| Continuing operations | 2021 | Restated 2020 |
|---|---|---|
| Contract revenue (Rbn) | **5,0** | 7,2 |
| Operating loss (Rm) | **(111)** | (1 022) |
| Loss after tax (Rm) | **(311)** | (1 107) |
| Profit after tax from discontinued operations (Rm) | **21** | 35 |
| Loss for the year total operations (Rm) | **(290)** | (1 072) |
| EPS total operations (cents) | **(171,62)** | (640,35) |
| HEPS total operations (cents) | **(155,13)** | (622,48) |
| Cash on hand (Rm) | **756** | 741 |
| Net tangible asset value (cents) | **4** | 194 |
| Total year-end order book (Rbn) | **5,7** | 7,2 |

The resolution of contractual claims and compensation events on the Kusile power project is taking longer than anticipated due to the complex nature thereof.

Lenders have agreed to provide continued guarantee support for 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 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 2022 and, to the extent required, shareholder approval will be sought for certain aspects of the plan. Stefanutti Stocks will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

The funding provided by the Lenders has assisted in relieving the group's liquidity pressures even though current liabilities exceed current assets at 28 February 2021. In addition thereto, uncertainties surrounding the COVID-19 pandemic and contingent liabilities as noted in note 26 of the group's Consolidated Annual Financial Statements for the year ended 28 February 2021, 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. However, having converted the short-term funding agreement with the Lenders to a term loan and on the basis of successfully implementing the Restructuring Plan, the directors consider it appropriate that the group's results for the year be prepared on the going-concern basis.

## Overview of results

In line with the implementation of the Restructuring Plan, a number of non-core assets, underutilised plant and equipment and identified operations earmarked for sale have been reclassified in terms of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

Consequently, the results for the year and the comparative prior year have been restated to reflect continuing and discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

## Financial performance

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. Refer to the CEO's report for further details on this project.

The continued adverse market conditions, as well as the substantial impact of COVID-19, has reduced contract revenue from continuing operations to R5,0 billion (restated Feb 2020: R7,2 billion) with an operating loss of R111 million (restated Feb 2020: R1 022 million). On 30 October 2020 the group ceased marketing the Mechanical & Electrical Business Unit, which is now classified as part of continuing operations.

The United Arab Emirates operation, included in the share of profits of equity-accounted investees, reported a profit of R6 million for the period to June 2020 (Feb 2020: profit of R48 million). From July 2020, the operation has been classified as held for sale and carried at fair value. Negotiations with respect to the sale of this entity remain ongoing. Once agreement has been reached, shareholders will be advised as to the terms which could impact on the fair value of the investment. Refer to note 30 of the Consolidated Annual Financial Statements.

Finance costs increased to R134 million (restated Feb 2020: R115 million) as a result of the extended funding made available from the Lenders.

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 the year for continuing operations is R311 million (restated Feb 2020: R1 107 million) and for discontinued operations a profit after tax of R21 million (restated Feb 2020: R35 million).

Earnings and headline earnings per share for total operations are reported as a loss of 171,62 cents (Feb 2020: 640,35 cents) and a loss of 155,13 cents (Feb 2020: 622,48 cents) respectively.

The group's order book for continuing operations is currently R5,5 billion of which R2,1 billion arises from work beyond South Africa's borders.

The effect of the weakening Rand on the translation of certain foreign operations resulted in R62 million loss (Feb 2020: R52 million profit) being recognised in other comprehensive income.

## Financial position

The reduction in property, plant and equipment is attributable to the reversal of the prior year's IFRS 16 right-of-use assets of R272 million, the reclassification of R470 million to non-current assets held for sale and assets sold of R100 million.

Capital expenditure for the year amounted to R34 million (Feb 2020: R99 million), of which R30 million was for maintaining operations (Feb 2020: R67 million).

| **Abridged cash flows** | **28 February 2021** | Restated 29 February 2020 |
|---|---|---|
| Opening cash balance | **741** | 881 |
| Cash consumed by operations | **(217)** | (237) |
| Working capital changes | **8** | (437) |
| Net interest and dividend income | **(84)** | (17) |
| Taxation paid | **(70)** | (60) |
| Investing activities maintaining | **(19)** | (28) |
| Investing activities expanding | **(4)** | (14) |
| Other investing activities | **279** | 163 |
| Financing activities | **230** | 464 |
| Exchange rate effects and other | **(16)** | 26 |
| Cash at the end of the year – discontinued operations | **(92)** | – |
| Closing cash balance | **756** | 741 |

In terms of IFRS 16, an additional R55 million (Feb 2020: R305 million) worth of property, plant and equipment has been capitalised. These items are not owned by the group but are in fact rented from suppliers, with limited liability.

The amount of uncertified work included under contracts in progress and reflected within current assets, has reduced slightly to R611 million from R640 million reported at the end of February 2020. Trade receivables have decreased by 37% with debtors days decreasing from 99 days to 95 days.

Total interest-bearing liabilities have remained relatively consistent at R1 553 million (Feb 2020: R1 510 million) primarily consisting of the term loan.

The statement of cash flows is reflected for total operations.

The impact of COVID-19 and current dispute resolution processes have contributed negatively on cash consumed by operations of R209 million which is in line with the trading results for total operations. R32 million was generated from working capital as opposed to the R437 million invested into working capital in the prior year. Other investing activities predominantly comprise the sale of property, plant and equipment. Financing activities reflect a net R230 million of additional debt being raised during the year.

## Operations

Construction & Mining's contract revenue from continuing operations decreased to R3,7 billion (restated Feb 2020: R4,7 billion) with an operating profit of R71 million (restated Feb 2020: operating loss of R383 million).

A decision has been taken to cease the Contract Mining operation. At February 2021, only one insignificant contract remains active, which will be completed by October 2021. In terms of the requirements of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, the results of the Contract Mining operations are disclosed as part of continuing operations.

The operating loss for Contract Mining for the year amounted to R55 million (Feb 2020: R161 million).

As previously reported, with respect to two contract mining project terminations, the arbitration matters remain ongoing. The group is confident that the terminations were lawful and therefore no provision has been made for these. Both arbitrations are expected to be completed by February 2022.

Due to the National Lockdown and the safety regulations of COVID-19, the Building Business Unit was unable to work for three months during the year, resulting in contract revenue from continuing operations reducing to R1,1 billion (restated Feb 2020: R1,7 billion). The operating loss decreased to R31 million (restated operating loss Feb 2020: R514 million). The profit of the equity-accounted United Arab Emirates operation is excluded from this result.

Mechanical & Electrical's contract revenue decreased to R270 million (Feb 2020: R897 million) with an operating loss of R64 million (Feb 2020: R25 million). This business unit has been severely impacted by the effects the COVID-19 pandemic has had on global commodity prices resulting in major plant maintenance and upgrade projects being put on hold.

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.

During the year, Stefanutti Stocks terminated a mechanical project. The client is disputing the termination, which has now been referred to arbitration. The arbitration process is expected to be completed by February 2022. The group is confident that the termination was lawful and therefore no provision has been made against this.

## Dividend

The group did not declare a dividend for the current financial year (2020: Nil).

## Subsequent events

Other than as noted in this report and elsewhere in the integrated report, there were no further material reportable events which occurred between year-end and the date of this 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**

Acting Chief Financial Officer

21 June 2021

# FIVE-YEAR FINANCIAL REVIEW

| | | **2021** | Restated 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| **PROFIT INFORMATION** | | | | | | |
| Contract revenue | R'million | **5 041** | 7 227 | 9 875 | 10 364 | 9 058 |
| Operating loss | R'million | **(111)** | (1 022) | (158) | (506) | (106) |
| Operating loss margin | % | **(2,2)** | (14,1) | (1,6) | (4,9) | (1,2) |
| Loss for the period | R'million | **(290)** | (1 072) | (111) | (547) | (150) |
| Net loss margin | % | **(5,7)** | (14,8) | (1,1) | (5,3) | (1,7) |
| Headline earnings | R'million | **(259)** | (1 041) | (118) | 115 | 19 |
| **FINANCIAL POSITION** | | | | | | |
| Total assets | R'million | **5 413** | 6 645 | 6 448 | 6 345 | 6 567 |
| Total equity | R'million | **353** | 712 | 1 732 | 1 790 | 2 442 |
| Total liabilities | R'million | **5 060** | 5 933 | 4 717 | 4 555 | 4 125 |
| Cash (consumed by)/generated from operations before working capital movements | R'million | **(241)** | (674) | 114 | 560 | 342 |
| **ASSET MANAGEMENT** | | | | | | |
| Return on assets | % | **(4,8)** | (16,4) | (1,7) | (8,5) | (2,3) |
| Return on equity | % | **(53,0)** | (86,5) | (6,3) | (26,0) | (5,4) |
| Net asset turn | times | **0,9** | 1,1 | 1,5 | 1,6 | 1,4 |
| **SHAREHOLDERS' RATIOS** | | | | | | |
| (Loss)/earnings per share | cents | **(172)** | (640) | (66) | (318) | (79) |
| Headline earnings per share | cents | **(155)** | (622) | (70) | 68 | 11 |
| Dividend per share | cents | **–** | – | – | – | – |
| **STOCK EXCHANGE STATISTICS** | | | | | | |
| Market capitalisation – close | R'million | **47** | 41 | 489 | 342 | 826 |
| Market value per share | | | | | | |
| – At year-end | cents | **25** | 22 | 260 | 182 | 439 |
| – Lowest closing for the year | cents | **12** | 8 | 140 | 182 | 340 |
| – Highest closing for the year | cents | **50** | 260 | 420 | 460 | 490 |
| Weighted number of shares | | **167 244** | 167 244 | 167 836 | 170 749 | 172 750 |
| Total volume traded during the year | | **118 520 767** | 120 798 448 | 69 714 276 | 27 445 523 | 29 850 220 |
| Rand value traded during the year | '000 | **28 499** | 50 473 | 167 822 | 81 974 | 125 732 |

# OPERATIONAL REVIEWS

## Construction & Mining

**MANAGING DIRECTOR: DEREK DU PLESSIS**

**Order book**

| 2021 | 2020 |
|---|---|
| R3,6bn | R4,6bn |

**LTIFR**

| 2021 | 2020 |
|---|---|
| 0,00 | 0,00 |

**Contract revenue (Rbn)**

| | |
|---|---|
| 2021 | 3,7 |
| 2020 | 4,7 |

**Operating profit/(loss) (Rm)**

| | |
|---|---|
| 2021 | 71 |
| 2020 | (383) |

**Turnover by sector (%)**

| Transport infrastructure | Surface mining related services | Water, sanitation and pipelines | Bulk earthworks and geotechnical | Industrial plants, oil and gas | Energy generation |
|---|---|---|---|---|---|
| 41 | 22 | 15 | 11 | 6 | 5 |

## Strategic focus

- Target projects where the environment can be controlled better with regard to location, client/engineer consideration and preferably with a design & construct scope.
- Diversify and secure order book
- Be selective in projects priced and negotiate more work
- Remain cost competitive
- Develop an improved approach to community-based participation and community related interaction
- Update marketing portfolio with the changes implemented in the company and update all clients

Africa's **strategic focus areas** include:

- Implement successful turnaround strategies
- Right size the organisation
- Utilise a lean structure
- Employ best-in-class
- Know our clients, manage political alliances
- Focus on specific project types and apply strategy to secure

## Capabilities

### Roads & Earthworks

- Bulk earthworks
- Road construction and rehabilitation
- 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
- High density polyethylene (HDPE) and ductile cast-iron pipeline installation
- Mechanical and electrical installations for pump stations

### Mining Services

- Bulk material handling
- Design, construction, operations, and maintenance of tailing storage facilities
- Hydraulic mining
- Mine surface infrastructure, buildings, water treatment plants, pipelines and SMEIP (structural, mechanical, electrical, instrumentation and piping)

### Civils

- Caisson floating and installation
- Civil works, bridges, and transport infrastructure
- Concrete rehabilitation
- Desalination infrastructure
- Marine and shipyard infrastructure
- Precast concrete including marine structures
- Reinforced concrete construction
- Specialist civil mine infrastructure

### Geotechnical

- Geotechnical construction, piling and lateral support
- Geotechnical design and construction for the marine and civil engineering industry
- Grouting
- Rock anchors and shotcrete

### Other

- Airport infrastructure
- Healthcare infrastructure
- Hospitality and Conferencing infrastructure
- Warehouse construction
- Renewable energy projects
- Dam construction
- General contracting (cross-border)
- Selected project design and construction

## COVID-19 impact

The Roads, Earthworks and Pipelines (REP) Division's operations came to a complete standstill between March and April 2020, during the level 5 lockdown. Subsequent easing to level 4 in May 2020 – once most of the civil engineering industry was allowed to re-commence projects while implementing strict protocols - saw a gradual re-start of its operations. Amidst loss of revenue during the lockdown periods and increased costs and disruptions due to implementing the necessary COVID-19 protocols, the division also saw many tenders being cancelled or postponed, putting further strain on its future order book. Commercial recovery of the losses on contracts was mainly limited to direct costs pertaining to the implementation of COVID-19 protocols. The division absorbed the majority of contract costs relating to standing during the level 5 lockdown period. In some instances, clients partly compensated costs where the prevailing conditions of contract provided for such compensation. At financial year end the commercial aspects around COVID-19 were closed out on all contracts.

Mining Services division's clients formed part of essential services; operations continued throughout the lockdown period. The most significant impact on the division was the initial complete lack of clarity on how to continue supporting essential services "safely", while being unsure on how to proceed within the unknown environment created by the pandemic. The cost of all prevention methods, with regard to managing the workforce and keeping them safe, played a significant role in the financial impact on the division.

The Civils Division's progress was severely constrained by the pandemic, with the division underperforming on what had already been considered a conservative budget for the year.

The Coastal Division reported reduced revenue over the financial year, which was as a result of imminent project awards/ tenders being cancelled and/or shelved due to COVID-19. The hard lockdown resulted in loss of revenue on current contracts with just one of Coastal's contracts – the Rencotek Berth Upgrade in Pemba, Mozambique – not being suspended. Fortunately, none of the suspended running contracts were cancelled as a result of COVID-19, and a significant proportion of the cost resulting from the pandemic could ultimately be recovered.

The Geotechnical Division's shrinking local market sees it rely solely on work that it is awarded on a month-to-month basis. With COVID-19 exasperating the already declining market there was little to no tender activity for a few months.

Two of the cross-border operations, namely the Eswatini and Zambia Divisions, managed to successfully deliver on all projects in spite of challenges posed by COVID-19. However, the pandemic did delay the award and commencement of certain projects in Eswatini, and material flow to Zambia and Botswana was impacted due to border closures. Botswana's five-week lockdown caused delays on most of the division's major projects. Nevertheless, a shorter adjustment period saw the Botswana Division minimise the effect of the lockdown and generate more revenue than expected.

## Performance and outlook

Construction & Mining's contract revenue decreased to R3,7 billion (Feb 2020: R4,7 billion) with an operating profit of R71 million (Feb 2020: operating loss of R383 million).

In late 2019/early 2020 the civil construction environment in South Africa was at a low point of possibly the worst industry downturn in its history. Against this difficult backdrop some positive sentiments began to emerge, with SANRAL, ACSA and Transnet putting some large infrastructure projects out to tender. With the world economy coming to a standstill amidst the pandemic, the tender processes ground to a halt and most of the infrastructure projects, were either postponed or cancelled, thus returning business sentiment to an all-time low.

Indications that the Government sees investment in infrastructure as an opportunity to drive the post COVID-19 economic recovery include the recent announcement of preferred bidders in the Department of Energy's Risk Mitigation Independent Power Producer Programme (RMIPPP); the announcement of round five of the Renewable Energy Independent Power Procurement Programme (REIPPP); various SANRAL road projects by SANRAL; Phase 2 of the Lesotho Highland water schemes and various other large infrastructure development projects. Furthermore, an increase in mining commodity prices provides a positive change to the construction business environment.

The REP Division delivered a profitable result this year. In spite of revenue being down, most of this divisions projects managed to improve on their budgeted returns to ensure overall profitability.

Other than the one loss-making contract (Klipspruit Pollution Control Dams, concluded towards the end of the financial year) all other projects delivered on the group's "excellence in execution" mission, ensuring overall improvement on budgeted profitability.

The Division have been significantly downsized over previous years and is now agile and focussed on its core markets and clients. It has also, once again, completed the year without any lost-time injuries.

The Mining Services Division continued running contract mining operations at Vanggatfontein, Ikwezi, Kangala and Chilwavhusiku coal mines as well as at the Foskor mine in Phalaborwa. Two of its coal projects continued to make losses and incur penalties. Despite engagement with the two mine clients, an agreement in terms of the contract could not be reached, resulting in termination of these contracts.

The Kangala Mine in Delmas reached the end of life of mine in January 2021, while the Chilwavhusiku coal mine in Bronkhorstspruit will continue operating until September 2021.

The termination of problematic contracts and the final completion of others impacted Mining Services financial performance. Project terminations created huge legal impacts, requiring time and money to resolve outstanding disputes. Contract Mining had to retrench close to 850 people, and costs associated with this further impacted the financials.

Unprotected strikes and community stoppages continue to have an uncontrolled impact on the performance of the Contract Mining Division.

The Tailings and Material Handling divisions experienced a good year, with both continuing to perform as per forecast. The team was able to extend some of the expiring contracts, while the Material Handling activities at Kangala concluded. Payment deductions and outstanding debtors constrained the Mining Services Division and compounded by cash constraints impacted the profits generated by the Tailings and Material Handling divisions.

The decision was made to close the Contract Mining Division and with the sale of the Tailings Division and Material Handling Division, this will leave Mining Services with only one project.

The impact of COVID-19 on the Civil Division's ability to progress on projects saw its turnover decline. The division experienced a very slow year with only two significant contract awards. The majority of its order book had been secured in the previous financial year and the remainder were variations on existing contracts. Most large contracts tendered on were either not awarded, came out to retender, or were awarded months later.

The majority of Civils current contracts in the water, power and mining sector have performed well, with only one disappointing power sector contract delayed by over a month.

Going forward, the division's prospects for the coming year are looking positive within power, infrastructure and mining sectors, however, the greatest concern for Civils is the duration taken to award.

When consolidating all the projects the Coastal Division's contracting profit has been consistent with tender margins and many of the division's projects performed well. Remix, Point Promenade, Sappi Vulindela and the MSC Quay Upgrade projects all yielded higher than anticipated profits. Rencotek's Pemba Berth Upgrade performed well and was the division's only project able to continue operating throughout the COVID-19 lockdown period.

The Zandvliet Wastewater Treatment Works project performed well, and Vopak's OBL settlement was achieved and paid without negative impact on the project forecast and substantially mitigated risk. The future orderbook still has strong potential, albeit there is some concern as to if/when these projects will go ahead. In addition to the above and the repercussions of COVID-19, other issues that impacted Coastal's results included the underperformance of Nooitgedagt (due to numerous suspension and restart of operations due to client non-performance, that resulted in a high turnover of management teams); a slow start to Mpophomeni (now back on track.); and a slow start plus production overruns and contractual frustrations on the CCS JV EBL project, which was suspended due to security instability on site.

February and March 2021 saw a significant upturn in the number and value of tenders in the Coastal market, in particular from SANRAL and Umgeni Water. Further positive potential lies in the marine construction market with the confirmation of the Karpowership development of the world's largest floating power plant, which will supplement the power grid through liquefied natural gas (LNG). Further opportunities were created through the division's regional restructuring, and Coastal remains very well placed to take advantage of the future work pipeline, in particular within the water, sanitation and pipelines sector, bulk earthworks, and oil & gas projects.

The Coastal Division is set to commence work on a number of projects including the R326 million Cape Flats Wastewater Treatment Works; Umgeni Water's R181 million Lower Umkhomazi Bulk Water Supply Scheme Phase 2 consisting of earthworks to the water works; and the construction of the R302 million Stephen Dlamini Dam for the Harry Gwala District Municipality in Bulwer; Salta bulk earthworks and services valued at R210 million for private developers. Three separate but concurrent contracts in KwaZulu-Natal, Eastern and Western Cape, for Karpowership/PRDW are expected to commence in June 2021. The almost R400 million contract will see the division installing berthing facilities and subsea pipes to convey gas to the power ships.

As a consequence of the pandemic, the Geotechnical Division's turnover was reduced. However, even with the reduced turnover the division managed to make a small operating profit for the year. Towards the latter part of the year Geotechnical saw a large increase in infrastructure and mining sector tenders, although, the length of award time continues to hamper order book growth. The division has seen a slight upturn within the industrial infrastructure and mining sectors, however, at this stage the market remains very competitive, and awards are few and far between. An anchor project for the coming year must still be secured.

The Eswatini Division performed well, with no loss-making projects, in spite of the difficult operating environment. The division experienced a difficult year, with very few new private or public sector opportunities. This resulted in increased competition in an already extremely competitive market. Work was secured through tenders submitted in the previous year, and notwithstanding the challenging environment the division hopes to benefit from a good pipeline of future projects as the country attempts to stimulate its economy.

The Zambia Division performed according to expectations through both the prestigious award of the Mosi-oa-Tunya Hotel Resort Project in September 2020, and the completion/commencement of numerous smaller projects for private sector clients.

Since the lifting of lockdown restrictions, and after the necessary safety measures were put in place, construction on the sites has progressed according to plan.

A constrained government spend in Zambia meant that the division began the year with minimal opportunities. However private opportunities increased from mid-year and the division ended the year on a strong note. It continues work at its anchor, R1 billion Mosi-oa-Tunya Hotel Resort development, that will be completed in September 2022. Further projects include the Coca Cola Wastewater Treatment plant in Lusaka (with a completion date of August 2021); additional works for the Northrise University in Ndola that will run throughout the year; as well as numerous opportunities for private clients.

The Botswana Division has been able to generate more revenue than expected, due to a shorter adjustment period. Whilst it anticipates major project opportunities within the construction sector it is expected that these opportunities could take up to 18 months to materialise into project awards. On a positive note, the business environment is expected to improve, as the country seems committed to stimulate growth and investment, with a number of potential mega projects in the pipeline. Two of the year's low points saw the unfortunate cancellation of the Lucara project, and the difficulty experienced working within the diamond mine safety environment.

The division has continued to build productive relationships with current and prospective clients and its commitment to quality has seen it become the contractor of choice to many clients in Botswana. This reputation has also resulted in several contract awards from repeat clients. The division has already secured a substantial order book.

## Notable projects

**Anglo Platinum's Phases 2 and 3** of the Mototolo tailings facility at the Mareesburg Mine is the REP Division's flagship project and has a combined value of R425 million. Significant progress was made during the year, with Phase 2 substantially complete and Phase 3 due for completion later in 2021. The project underlines Stefanutti Stocks' core competencies in constructing mining related infrastructure. Phase 2 incorporates the construction of an extension to the Phase 1 tailings facility, that includes multiple underground concrete encased pipelines, starter and stability earth walls, intricate earth drainage bunds, liner installation, placing of below and above liner tailings (screened on site), placing of multiple layers of above liner drainage material (crushed, screened, and washed on site), catwalk walkways, mechanical pipework, and electrical installations. The Phase 3 scope incorporates the same construction elements as Phase 2, with the addition of nine 20 metre high concrete towers, much larger above liner drains, and reinforced earth stormwater channels, covered by erosion protection material.

Rand Water's **C25 and F49 pipeline** projects, respectively located in the South of Johannesburg, and the West of Johannesburg, were successfully completed. Each project saw the replacement of over three kilometres of large diameter steel pipelines.

A road construction project for the Buffalo City Metropolitan Municipality, the **Qumza Highway** project, was successfully completed and bears witness to REP's ability to work closely with communities and local businesses. The team implemented best practice and stringent planning and costing management and was able to build on accomplishment during the upgrade of the highway from a single lane dual carriageway to a surfaced dual lane dual carriageway. The extent of roadworks changed from Phase 1 to Phase 2 to incorporate 2,84km of new dual carriageway. As main contractor REP engaged the local community extensively and successfully employed 24 local SMME companies throughout the project.

The team will implement best practice and build on its accomplishment during construction of its **BRT project** in Inanda. This 20-month long transport infrastructure project, valued at R268 million, is being undertaken for Go!Durban, the public transport system for the eThekwini Municipality. It comprises the construction of a 2,7km section of dual carriageway, BRT lanes, stormwater and sewer reticulation as well as the construction of a three-span dual carriageway bridge.

The **Ubombo Warehouse** in Big Bend, Eswatini, was constructed by the Civils Division for Ubombo Sugar. The scope of works entailed the construction of a very high polarity (VHP) warehouse (120 metres long, 54 metres wide and 35 metres high) and included civil, building and structural steel work. Three 22-metre-high concrete sugar storage silos were constructed using the sliding/slip forming methodology.

In Mpumalanga the division repaired the external shell of the **Sasol Cooling Tower**, which included the removal of spalled concrete and its replacement with high performance non-shrink grout with a micro corrosion inhibitor. The team developed an infinitive access concept, enabling access to the workface via two Alimak lifts on the South and North side, 114 jacks at the top rim of the cooling tower, and a monorail at the bottom – all connected by various temporary suspended platforms. The concept included landing platforms to enable employee access to the temporary platforms from the lifts. Further, the cooling tower was divided into four quarters, each with a dedicated construction team.

The external refurbishment to the 237 metre high **Sentech Tower**, located in Brixton, Johannesburg is a technically challenging contract. A special purpose-built access system (TSP) was designed to allow access to the workface, while taking into consideration the loads of the work force, material, equipment and weather. Where access via the TSP is not possible, repairs will be completed by rope-access techniques. The scope of works include, but is not limited to, rehabilitation of concrete and reinforcing, application of protective coating, replacement of existing fenestration, installation of new stainless steel handrailing, closing of port holes and water proofing.

The **Majuba Rail Tracking Slab** is located at the Majuba Power Station. The project required connecting lines 1 and 2, from the Ermelo side to the tumbler. The existing rail line on ballast with concrete sleepers was removed prior to the construction of new layer works and the permanent concrete track slab, that comprised a ridged construction slab with a cast-in pandrol shoulders rail fastening system. The associated electrical works followed.

The Coastal Division, in consortium with PCI Africa, is executing the **Coegakop Biofiltration Water (PCI) Scheme** contract. Coastal is leading the consortium, whilst PCI is responsible for the Mechanical, Electrical, Instrumentation and Power portion of the works. The total value of the contract is in excess of R280 million and will be completed in 29 months. It is one of a series of Nelson Mandela Bay Municipality's drought relief intervention projects designed to ensure future water security. The Coegakop Biofiltration Water Scheme has been designed for a maximum abstraction capacity of 20 Ml/d of groundwater from five boreholes, which will be equipped with pumping systems.

## Top projects based on value excluding VAT

| Project name | Duration | Project value | Location |
|---|---|---|---|
| NOOITGEDAGT/COEGA SCHEME (80%) | 24 months | R347 million | Eastern Cape, RSA |
| QUMZA HIGHWAY | 30 months | R233 million | Eastern Cape, RSA |
| COEGAKOP BIOFILTRATION (40%) | 20 months | R160 million | Eastern Cape, RSA |
| BRM – ONGOING | 41 months | R621 million | Gauteng, RSA |
| F49 PIPELINE | 12 months | R76 million | Gauteng, RSA |
| SENTECH BRIXTON TOWER | 12 months | R32 million | Gauteng, RSA |
| DURBAN POINT PROMENADE | 18 months | R297million | KwaZulu-Natal, RSA |
| MPOPHOMENI WWTW (60%) | 23 months | R276 million | KwaZulu-Natal, RSA |
| INANDA BRT | 20 months | R258 million | KwaZulu-Natal, RSA |
| SAPPI VULINDELA MAIN CIVILS | 20 months | R210 million | KwaZulu-Natal, RSA |
| REMIX PLANT AT BLUFF CWWTW | 17 months | R114 million | KwaZulu-Natal, RSA |
| DUBE TRADEPORT | 12 months | R92 million | KwaZulu-Natal, RSA |
| WILMAR PROCESS PLANT | 3,5 months | R24 million | KwaZulu-Natal, RSA |
| MOTOTOLO PHASE 3 | 13 months | R240 million | Limpopo, RSA |
| SASOL COOLING TOWER | 36 months | R122 million | Mpumalanga, RSA |
| BUSHVELD VANCHEM CALCINE DISPOSAL FACILITY | 7 months | R78 million | Mpumalanga, RSA |
| MAJUBA RAIL TRACKING SLAB | 6 months | R47 million | Mpumalanga, RSA |
| ZANDVLIET WWTW (90%) | 46 months | R311 million | Western Cape, RSA |
| BANK OF BOTSWANA | 42 months | R910 million | Botswana |
| MAUN AIRPORT | 16 months | R156 million | Botswana |
| MCM EARTHWORKS AND INFRASTRUCTURE | 10 months | R91 million | Botswana |
| MANZINI GOLF COURSE INTERCHANGE | 18 months | R371,7 million | Eswatini |
| LUSIP II – SECONDARY DISTRIBUTION SYSTEM, PUMP STATIONS AND ROADS FOR CONTRACT 1 | 22 months | R313,2 million | Eswatini |
| LUSIP II – SECONDARY DISTRIBUTION SYSTEM, PUMP STATIONS AND ROADS FOR CONTRACT 1 | 18 months | R267,5 million | Eswatini |
| UBOMBO WAREHOUSE | 12 months | R60 million | Eswatini |
| MOSI-OA-TUNYA HOTEL RESORT PROJECT | 23 months | R1,1 billion | Zambia |

Interconnecting pipework will feed the raw ground water to the water treatment plant (WTP), where the treatment process will include the biological oxidation and filtration of iron and manganese, as well as the stabilisation and disinfection of groundwater from the Coega Kop Wellfield. The new plant will be the second full-scale biofiltration plant (and the largest in South Africa) to treat iron and manganese rich groundwaters. It will provide the Nelson Mandela Bay Municipality with a necessary additional water source, that is independent of drought conditions. The WTP building incorporates an integrated design that maximises security and minimises vandalism. The building's upper-level windows are screened by honeycombed brickwork, while the glazed sections of the roof are recessed.

Following a year-and-a-half of pricing to various contractors and negotiating rates the Geotechnical Division was awarded the piling works to the **Wilmar Processing Plant, RBIDZ Phase 1A** in Richards Bay's international development zone. The scope includes piling to the warehouse, ETP tanks, boiler and utility tanks, bulk storage tank farm and CPG warehouse. Initially the scope required the Bill of Quantities to be priced, however, the division later agreed to provide a design and construct solution. Before work could begin lateral and tension support tests were required to verify the division's design and settlement criteria compression.

A total of 25 843 metres of piles, with diameters from 450mm to 650mm, will be installed. While piling the tank farm, the site team experienced variances in the geotechnical conditions which, on investigation, found that Hippo Muds were encountered. Additional concrete and the re-design of the piles in these areas was required. The division was on programme to meet the contract duration of 70 days, unfortunately work was stopped for two months, due to the lack of access and the delayed issue of drawings.

The Geotechnical Division negotiated the piling works to the **Livingstone Hotel in Zambia**. To optimise size, depth and the type of piling best suited for the loads, early value-related engineering was required at the design stage. A geotechnical report was received, and the continuous flight auger (CFA) piles were deemed best suited for the application. Over 500 piles, with diameters ranging from 450-600mm, were installed to a depth of up to 18 metres. Pile tests were conducted to verify the design and the integrity of the piles. The piling project was completed within four months, on time and within budget.

The **Ezulwini Referral Hospital**, built for Eswatini medical aid Swazimed, comprised the construction of an 81-bed referral hospital. The project value at completion is approximately R220 million and will be handed over after testing and commissioning.

Zambia's **Mosi-oa-Tunya Hotel Resort Project**, valued at R1,1 billion, sees the division constructing a 200-room, river-front hotel and facilities. This includes building a four-storey hotel block and seven loose standing double storey villas, a children's play centre, a sports centre, a put-put course, jetties, swimming pools, a boma, and all associated external works. The scope includes foundations consisting of 505 in situ concrete piles, with sheet piling on a section of the river frontage. The project is currently 25% complete.

Botswana's **Maun Airport** entailed a complete refurbishment of an existing, operational airport. The most challenging aspect of the project, valued at R156 million, was accommodating the flow of passengers and their luggage, without causing significant delay or discomfort. The Botswana Division's anchor project is the 42 month long, R910 million **Bank of Botswana** project. Phase 1 of the programme includes demolition of existing structures in the bank's current operational precinct, and a new build of an office block, parking garage and vault. In Phase 2 the buildings currently being occupied will be refurbished, and employees will be moved into the newly built offices once these are completed.

## Sustainability matters

### Skills development and training

C&M's commitment to knowledge and skills as the drivers of success and excellence saw the business unit contributing a total of R39 million towards the Group's overall skills development spend. During the 2021 financial period R4 million was spent on bursaries for 35 bursar students, of whom 10 (29%) were female and 18 (51%) were black individuals.

The business unit employed 79 candidate professionals from various fields. Of these 25 (32%) were female and 58 (73%) were black employees, and two of the candidates (both black male employees) were registered as professionals during the year. The business unit employs 216 professionals of whom 19 (9%) are female and 8 (23%) are black employees.

### Initiatives

Great emphasis has been placed on COVID-19 training and awareness. A series of four awareness posters, was launched monthly, and incorporates a diverse range of COVID-19 related subject matter. New policies and procedures were implemented at Head Office and all the sites. Employees were, and remain well versed in the procedures, and any possible COVID-19 symptoms displayed are managed accordingly. As a result, C&M has achieved efficacious results in terms of containing the proliferation of contagion.

Over-all, the business unit's Occupational Health, Safety and Environmental performance has improved significantly in the year under review. Various initiatives are continually being implemented, without disrupting operational activities and are yielding positive results.

Thought provoking initiatives such as "Keep Your Head in The Game", "Keep the Focus" as well as various other topics were implemented (and well received) in the run up to the December festive season. A reduction in incidents and injuries was observed.

The business unit's highest number of incidents recorded per hazard, were for moving vehicles and slips and trips, predominantly due to wet terrain. Awareness campaigns focusing on these most prevalent hazards yielded a reduction in the above minor incidents.

A new behavioural based safety programme was established, to fashion a more simplified, practical and efficient process on sites. This development is a tribute to the enhanced success of safety performance across the business unit. Job Task Observations are undertaken by senior supervision and employees are instantly informed of deviation from procedure, and the behaviour corrected. The aforementioned is recorded on S@S, the Stefanutti Stocks Health, Safety, Environmental and Quality software that is continually being improved. Trends are analysed and focus areas identified. As a consequence, the reporting of unsafe acts and conditions has improved significantly, and it has become possible to take immediate action to rectify behaviour and correct potentially dangerous situations.

A recycling programme was established at the group's head offices and construction sites. Recycling of paper, glass, plastics and e-waste was introduced across C&M and recycling figures are recorded for sustainability reporting and improvement purposes. Construction waste is salvaged and reprocessed, drastically reducing the business unit's use of landfill locations. There has been a substantial increase in recycled water figures, with various engineering creativities contributing to water savings and re-use. Oil recycling continues on all projects, including the workshops.

Waterless toilets continue to be installed on various projects and further reduce C&M's sewage waste. The waterless toilets use a natural environmentally friendly process to decompose human waste into a dry, inert solid. This reduces the burden on the sewerage infrastructure system and avoids pollution created by the conventional liquid based mobile toilets.

The Green Wednesday environmental awareness programme that was launched in the previous year is now successfully running. It focuses on trends such as operational findings, world and national environmental calendar topics, as well as aiming to raise general conservation and preservation awareness. The programme both educates and encourages the workforce to employ environmentally friendly practices and lifestyles.

## Awards, accreditations and achievements

### Awards

There were no notable awards.

### Accreditations

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

### Achievements

#### Business unit level

- C&M achieved 19 100 000 LTI-free hours
- C&M's LTIFR is 0,00
- C&M's RCR decreased from 0,41 (2020) to 0,33 (2021)

# OPERATIONAL REVIEWS

## Building

MANAGING DIRECTOR: HOWARD SCHWEGMANN

**Order book**

R2,0bn 2021

R2,3bn 2020

**LTIFR**

0,13 2021

0,04 2020

**Contract revenue (Rbn)**

2021 1,1

2020 1,7

**Operating loss (Rm)**

2021 (31)

2020 (514)

**Turnover by sector (%)**

| Factories and warehouses | Shopping and retail | Office and commercial | Tourism and leisure | Housing and residential | Hospitals and medical centres | Energy generation |
|---|---|---|---|---|---|---|
| 32 | 23 | 18 | 12 | 11 | 2 | 2 |

## Strategic focus

- Management of cash and cash collection
- Differentiate ourselves from our competitors
- No loss-making projects
- Right people for the contract
- Be selective – clients, consultants, type of project
- Avoid high-risk projects
- Retain Level 1 B-BBEE status
- Retain resources and expertise
- Quality Order Book

## Capabilities

- Commercial buildings
- Airports
- Data centres
- Industrial buildings
- Distribution centres
- Hospital and health facilities
- Schools and education facilities
- Shopping centres
- Social housing and residential
- Turnkey and alternate procurement
- Student accommodation
- Leisure facilities (hotels and entertainment venues)

## COVID-19 IMPACT

COVID-19, the government lockdown and the pandemic's general impact on the economy had a significant impact on the Building business units February 2021 financial result, with the business reporting contract revenue of R 1,1 billion (restated Feb 2020 :R1,7 billion) and an operating loss of R31 million. (Feb 2020: restated operating loss of R514 million including a provision of R462 million for Kusile).

The Mozambique business was impacted by the resultant delay and suspension in the award of several contracts, including a major mixed-use development in Maputo and planned contracts for existing diversified mining client VALE in Tete. The secured work for the IE EXXON Mobile Fit Out project was suspended due to the client's decision to leave the country, due to the global pandemic. As a result of the contract delays and suspensions, the company's holding and termination costs impacted its overall financial results negatively.

In the UAE, the Construction Industry remained a critical services sector from the onset of COVID-19, therefore most projects continued to be delivered. However, staff transportation and material deliveries were impacted by localised movement restrictions and new project awards were delayed from March 2020 to September 2020.

## Performance and outlook

Unfortunately, as a result of COVID-19 as well as other macro factors, the Building Business unit has again delivered a poor set of results. COVID-19 has introduced doubt into the construction sector which has delayed some projects under construction, as well as delayed or cancelled future project opportunities. As a result of COVID, businesses have changed the way they operate, staff is working from home, and online shopping has become more prevalent – both of these factors could result in a reduced demand for both offices and retail centres. On the positive side this may create opportunities for Data Centres and industrial warehousing facilities.

Margins remain under pressure as a result of the significantly reduced number of opportunities coming to market.

The Kusile project remained problematic as monthly costs are incurred without receiving revenue for work executed on a like-for-like basis. The group is actively pursuing its contractual rights in terms of the dispute resolution process.

Construction projects across all regions in South Africa continue to be disrupted and delayed by business forums and local communities.

The Western Cape Division managed to show a small profit with significantly reduced revenue. Fortunately, the Western Cape division secured two large Data Centre projects, which significantly contributed to the revenue executed. The division's Newlands Cricket Ground project is nearing completion and should be complete during the second half of 2021.

The KZN Division continued to make excellent progress on the Midway Shopping Centre and the MSC Passenger Terminal. Its revenue was significantly reduced due to project opportunities being delayed or cancelled. The division made a loss during the year mainly attributable to the reduced revenue.

The Gauteng Division experienced another challenging year resulting in reduced turnover and a loss for the year. Two projects were suspended for the full year due to late payments, while costs to complete long outstanding projects also contributed to the loss.

Mozambique's general business environment proved challenging, with the investment climate and prospective work dampened and delayed by COVID-19. Furthermore, the conflict in Northern Mozambique continues to jeopardise the global investment appetite in the LNG Plants in the Cabo Delgado Province, which could have a significant effect on the business going forward.

In spite of the these challenges, the division has continued to successfully complete current contracts on programme, and to high quality standards. Prospects include the completion of the EMEM development, a number of Court Buildings, and the potential award of a Solar Power Plant in Southern Mozambique.

Whilst construction was listed as a critical services sector in the United Arab Emirates and projects could progress on site, client confidence on investments was significantly affected and pressure on budgets resulted in reduced margins. Competition in the region has increased with larger contractors entering the market, and tenderers on projects has increased from three or four to six or eight.

Building's order book at February 2021 was R2,0 billion (Feb 2020: R2,3 billion) excluding the United Arab Emirates order book of R485 million (Feb 2020: R658 million).

## Top projects based on value excluding VAT

| Project name | Duration | Project value | Location |
|---|---|---|---|
| DEVLAND SOCIAL HOUSING | 54 months | R320 million | Gauteng, RSA |
| CARNIVAL CITY SOCIAL HOUSING | 36 months | R260 million | Gauteng, RSA |
| GABONEWE PHASE 1 | 12 months | R80 million | Gauteng, RSA |
| GABONEWE PHASE 2 | 11 months | R70 million | Gauteng, RSA |
| MIDWAY SHOPPING CENTRE | 27 months | R500 million | KwaZulu-Natal, RSA |
| MSC PASSENGER CRUISE TERMINAL | 22 months | R190 million | KwaZulu-Natal, RSA |
| BUSHBUCK RIDGE | 60 months | R520 million | Mpumalanga, RSA |
| NEWLANDS CRICKET GROUND DEVELOPMENT | 30 months | R550 million | Western Cape, RSA |
| DATA CENTRE 1 | 8 months | R400 million | Western Cape, RSA |
| DATA CENTRE 2 | 8 months | R390 million | Western Cape, RSA |
| PAARL SHOPPING CENTRE | 12 months | R150 million | Western Cape, RSA |
| ABINBEV MAPUTO MAIN BUILDING | 10 months | R723 million | Mozambique |
| VBC BUILDING (PHASE 2) | 16 months | R242 million | Mozambique |
| US AID WORKS | 18 months | R119 million | Mozambique |

## Notable projects

The **Midway Shopping Centre** project is located halfway between Pinetown and Umhlanga and conveniently accessible via the GO! Durban public transport system. This R500 million contract entails the construction of a 24 000m² regional shopping centre spanning three levels with 85 tenants, including national anchors Pick 'n Pay and Shoprite. Work commenced in July 2019, with an allocation of R57 million targeted at involving subcontractors and suppliers from surrounding areas. The shopping centre will serve the community as it will be highly accessible to pedestrians, motorists and people using public transport.

The **MSC Durban Cruise Terminal** project commenced in November 2019 and is valued at over R190 million. The new passenger terminal is situated at Berth B in the Port of Durban. The scope of the project is to construct the Durban Cruise Terminal, which includes the construction of a new terminal building and related external, roadways and all other related services. The terminal building has a retractable partition to enable use of the space for events or conferences during off-season periods. During negotiations of the building project, it was discovered that the quay wall had to be upgraded, positioning the Marine division favourably to secure the additional contract. The new cruise terminal is progressing well and is currently on schedule for final commissioning.

The Western Cape Division commenced work on the **Newlands Cricket Ground Development** in February 2019. The contract consists of 30 000m² office space, including education facilities, a gym, indoor sports facilities and about 25 000m² of parking. This prestigious 30 month contract, valued at about R550 million, is being constructed within the boundaries of the Newlands Cricket Ground. A number of upgrades to the existing stadium and the sundry buildings around the stadium are being undertaken.

In Gauteng, work continued on the **Devland and Carnival City Social Housing** projects for an empowered property developer and asset manager. The project in Devland, Soweto comprises bachelor to three-bedroom social housing units. The first phase of the Devland project was handed over to the local community for occupation during the latter half of 2019. The Carnival Gardens development is located near Carnival City in Boksburg and consists of one- and two-bedroom housing units. The first phase of this project was handed over to the local community for occupation during February 2020.

**Data Centres 1 and 2** are extremely fast-track projects that need to be executed with precision to achieve the Clients deadlines and expectations. Procurement of material purchased both locally and internationally need to be procured early in the project's life cycle due to the time deadlines. The delivery of direct supply by the client also needs careful planning so that follow-on trades are not delayed. This is even more of a challenge due to COVID-19 and shipping constraints.

**Bushbuck Ridge** project situated in Hazy View in Mpumalanga has commenced with the bulk earthworks and installation of services. The scope of this project includes the building of residential facilities for the doctors and nurses that will work in the new hospital. This is a slow contract that is spread over a 5-year period. The project requires that we use both labour, subcontractors and suppliers from the local community to ensure upliftment of the local community.

**The US AID Warehouse** Project valued at R119 million was successfully completed by February 2021. The contract included the design and construction of three warehouses in the Zambezi Province of Mozambique (central region) covering the remote areas of Mocuba, Erego and Mopeia.

The 16-month long **VBC Finishing and Completion** contract, valued at US$22 million was 60% complete at Feb 2021, with the most significant challenge on the project the closing for the facade which to date is nearing completion. The construction of the Ab InBev's Cervejas De Mocambique Greenfields Brewery complex was completed, with a final value of US$54 million.

ATS's significant projects included interior fitouts for various Middle East and North Africa (MENA) headquarters for clients including Google, PricewaterhouseCoopers (PwC), and Ernst & Young; the Ireland Pavilion for Dubai's Expo 2020, the Abu Dhabi Education and Knowledge (ADEK), as well as the Dubai Chamber of Commerce Building Extension.

## Sustainability matters

### Skills development and training

From a skills development perspective it was a tumultuous and challenging year impacted by the COVID-19 pandemic, requirements for social distancing and financial pressure experienced in several sectors. Despite the myriad of barriers faced, the Building Business Unit managed to ensure that training and development was a key priority. The BU's training model was pivoted to focus on non-negotiables, to minimize larger group training settings and the associated risk to employees. Online training options and virtual platforms were utilised and proved to be valuable and generally more cost effective when compared to face-to-face learning.

The BU spent R1,6 million on training, 10% of which was on managerial training. 84% of Building's employees who received training were from previously disadvantaged groups, with 21% being female employees.

The BU targeted training in specialised areas – such as customised computer training, specialised estimation, CCS courses, Commercial and Contractual Training, SHEQ, Labour Law Training, Leadership skills and COVID-19 specific courses for leaders.

Mentorships are key in growing leadership internally and motivate employees who are the future leaders of the business. They form an essential pillar of Building's Skills Development and Training agenda and in the year under review the business formally mentored five employees, 100% of whom are PDI and 40% are female.

Building awarded 10 students, all from previously disadvantaged backgrounds, full-time bursaries. A focused effort is being made to bring more female bursars into the organisation, and 50% of the bursary recipients are previously disadvantaged females.

The BU also focused on developing employees in line with its Skills Development Sustainability Goals and awarded six employees part-time bursaries, 66% of whom are PDI and 50% being female.

Furthermore, the BU employed five in-service trainees and one intern, all of whom being from previously disadvantaged backgrounds, with 80% of the in-service trainees being female.

### Initiatives

The Building Business Unit has implemented effective measures to augment Health, Safety and Environmental performance on projects. This includes Leadership Engagement (candid director-liaison across all tiers of employment) as well as the regular conducting of site observations to identify unsafe conditions, thus creating the opportunity for preventive or corrective action that will stop incidents occurring in the first place. The content of Health and Safety Awareness posters, designed by an external designer, is based on internal analysis of near hit, site observation and incident trends. These posters are utilised for toolbox talks and prominently displayed across sites and in the BU's offices, in order to encourage contemplation and general discussion.

A monthly Environmental Awareness "Green Wednesday" was implemented themed on topics arising from trend analysis of audit findings and site observations, environmental near hits, internal non-compliances, and other subject matter selected from the annual DEFF environmental calendar.

Building continues its partnership with the Green Building Council South Africa, and successfully advocates green building practices within the property sector.

## Awards, accreditations and achievements

### Awards

ATS's Google MENA HQ received LEED GOLD accreditation while its PricewaterhouseCoopers (PwC) MENA HQ project achieved WELL certification.

ATS, in association with Modon Properties, was entered into the Guinness Book of World Records for the controlled demolition of the world's tallest building demolished to date. The 165.03-metre-high building was demolished using explosives on 27 November 2020.

### Accreditations

In 2020, for the first time, a Group ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certification was attained. This includes the Building Business Unit, that was audited with commendable results.

Al Tayer Stocks is ISO 9001, ISO 14001 and ISO 45001 certified.

### Achievements

#### Business unit level

- The Lost Time Injury Frequency Rate was measured at 0,13 for the financial year, with one lost time injury recorded in June 2020.
- The Group LTIFR benchmark has been set at 0,1. Although the BU has exceeded the above benchmark, it is an objective to surpass the prescribed figure of 0,1.

#### Divisional level

Al Tayer Stocks recorded 5 782 130 manhours with no LTI.

Mozambique had no LTI injuries recorded for the year.

# OPERATIONAL REVIEWS

## Mechanical & Electrical

**MANAGING DIRECTOR: VINCE OLLEY**

**Order book**

| 2021 | 2020 |
|---|---|
| R136m | R328m |

**LTIFR**

| 2021 | 2020 |
|---|---|
| 0,22 | 0,00 |

**Contract revenue (Rm)**

| | |
|---|---|
| 2021 | 270 |
| 2020 | 897 |

**Operating loss (Rm)**

| | |
|---|---|
| 2021 | (64) |
| 2020 | (25) |

**Turnover by sector (%)**

| Industrial plants and oil & gas | Surface mining related services |
|---|---|
| 67 | 33 |

## Top projects based on value excluding VAT

| Project name | Duration | Project value | Location |
|---|---|---|---|
| NH3 PROJECT (PROJECT CANCELLED) | 6 months | R65 million | Free State, RSA |
| SAPREF R TANKS | 30 months | R90 million | KwaZulu-Natal, RSA |
| NATCOS | 15 months | R40 million | KwaZulu-Natal, RSA |
| ASTRON CRUDE FLEX | 8 months | R85 million | Western Cape, RSA |

## Strategic focus

› Deliver projects on time
› Keep projects cash positive
› Include local companies in contract execution
› Champion the Stefanutti Stocks Way
› Detect problems early to enable management to intervene and correct

## Capabilities

› Control systems
› Field instrumentation
› Material 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 pandemic resulted in the termination of an awarded contract, as well as the indefinite postponement of project awards. In March 2020, due to low levels of demand, the price of oil dropped to its lowest value in 18 years. This slump resulted in the cancellation or postponement of many South African petrochemical projects and planned shutdowns. Although numerous oil & gas projects were bid on, it is anticipated that this work will only be awarded during the second quarter of 2021. At February 2021 M&E's order book was R136 million (Feb 2020: R328 million).

## Performance and outlook

Mining and related sector projects, both in South Africa and cross border, were also indefinitely delayed due to COVID-19 restrictions. Opportunities are expected to return to market during the second quarter of 2021.

The lockdown resulted in the suspension of all site-based project activity. Work was slow to resume upon easing of restrictions, and in certain instances continues, due to reduced working crews as per client social distancing requirements.

M&E's operations were negatively affected by the pandemic, the low oil price and the prevailing weak economic environment. In response to the low orderbook, the business unit was significantly restructured during the year.

Going forward Oil & Gas sector prospects are promising, with many projects – that had been cancelled or delayed due to the pandemic and oil price – returning to market. M&E's divisions are re-bidding on existing, or bidding on new opportunities.

The shutdown work, that could not be undertaken during the 2020 shut down window, will be executed in the September 2021 shutdown window.

## Notable projects

During the year some progress was made on **Sasol's NH3 Tank** project. The project, managed by main contractor Linde, saw multiple Stefanutti Stocks divisions (Civil, Mechanical, Electrical and Instrumentation) awarded work for this double shell tank (with a capacity to store ammonia at -450C). The tank has a 29-metre diameter and, due to the low temperature requirements for storing ammonia, is made of modified carbon steel. The civil work was completed pre COVID-19 lockdown. However, due to Sasol cancelling the project during the lockdown, tank erection work did not commence.

It is anticipated that the project will be re-awarded and resume in 2021, along with the associated piping works required to link the tank into Sasol's process plants.

**Transnet's SAPREF R Tanks**, a joint operation between Stefanutti Stocks Oil & Gas and JV tanks from Oman, is approximately 70 per cent complete. Welding of the Durban-based project's two 36-metre diameter, 20-metre-high storage tanks is almost complete. The site team will assemble the tanks aluminium dome roofs and internal floating decks on the ground. This will be followed by painting, installation of the floating roof, final nozzles, a hydrotest and final coating. The project is due for completion in September 2021.

Astron Energy's **Crude Flex Project** in Cape Town – that encompassed the installation of interconnecting piping systems between multiple tanks across the refinery – was completed during the year. Stefanutti Stocks completed all mechanical, piping, civil and electrical and instrumentation work under permit conditions.

## Sustainability matters

### Skills development and training

Skills development and training within M&E was heavily impact by the COVID-19 lockdown restrictions, and further exacerbated by the lack of contract awards and shutdown of completed projects. No new apprenticeships or bursary programme candidates were taken on.

The business had seven apprentices, who were actively pursuing completion of their trades. Six of the seven trainees are from designated groups, two of whom are female. Two electrical apprentices, and one diesel mechanic apprentice successfully obtained their trade certificates.

## Awards, accreditations and achievements

### Awards

› In May 2020 the E&I division's Sasol Secunda Maintenance Project was issued recognition for its achievement of three million LTI-free man hours.
› The Mechanical division was awarded a certificate of achievement by Exxaro for 823 LTI-free days on the GG6 and GG2 expansion projects.

### Accreditations

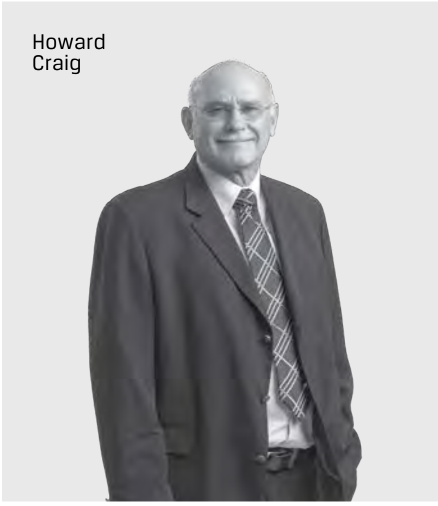
› The business unit participated in the group's successful ISO 45001:2018 and ISO 14001:2015 certification audits.
› Issue of certificates of compliance, in conjunction with the group main certificates, on 23 April 2020.

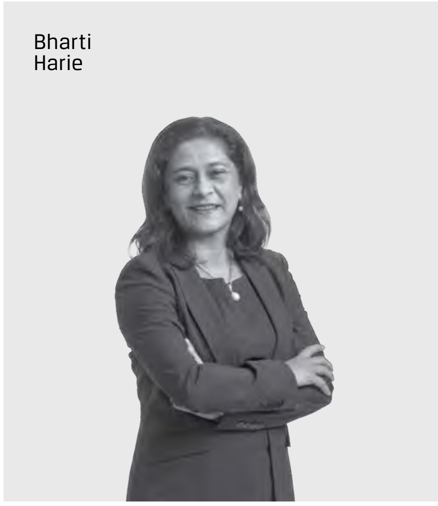
### Achievements

› The Oil & Gas division maintained its LTIFR of 0,00
› The Mechanical division maintained its RCR of 0,00
› The E&I division achieved an RCR of 0,45
› M&E developed and implemented an effective COVID-19 management programme, aligned with regulatory and group requirements. Nineteen positive off-site cases were recorded, with zero workplace infections. Seriousness of the cases ranged from asymptomatic to mild with no hospitalisation cases. All 19 infected employees recovered.

# BOARD OF DIRECTORS


Zanele Matlala


Howard Craig


Bharti Harie


John Poluta


Dermot Quinn


Busisiwe Silwanyana


Russell Crawford


Yolanda du Plessis


Antonio Cocciante

## Zanele Matlala (57)

INDEPENDENT NON-EXECUTIVE CHAIRMAN

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

**APPOINTED:** February 2012

**LENGTH OF SERVICE:** nine 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 (61)

INDEPENDENT NON-EXECUTIVE

**QUALIFICATIONS:** BSc (Civil Engineering), GDE

**APPOINTED:** April 2015

**LENGTH OF SERVICE:** six 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 (50)

INDEPENDENT NON-EXECUTIVE

**QUALIFICATIONS:** BA, LLM

**APPOINTED:** April 2018

**LENGTH OF SERVICE:** three years and two months

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

**EXTERNAL BOARD COMMITTEE MEMBERSHIPS:** Director of St Davids Marist Inanda, Ascendis Health Limited, Bell Equipment Sales 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, Mineworkers Investment Company, Ethekwini Heart Hospital and Charities Aid Foundation.

## John Poluta (49)

INDEPENDENT NON-EXECUTIVE

**QUALIFICATIONS:** BCom, BAcc, CA(SA)

**APPOINTED:** July 2017

**LENGTH OF SERVICE:** three years and 11 months

**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).

## Dermot Quinn (69)

INDEPENDENT NON-EXECUTIVE

**QUALIFICATIONS:** BScEcon, CA(SA)

**APPOINTED:** June 2015

**LENGTH OF SERVICE:** six years

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

**EXTERNAL BOARD COMMITTEE MEMBERSHIPS:** None

**SKILLS AND EXPERIENCE:** Qualified as chartered accountant (1984). Joined the Stefanutti Stocks Group (1992 to 2004). Chief Financial Officer of Stefanutti Stocks (2005 to May 2015).

## Busisiwe Silwanyana (48)

INDEPENDENT NON-EXECUTIVE

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

**APPOINTED:** April 2018

**LENGTH OF SERVICE:** three years and two months

**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 (57) *

CHIEF EXECUTIVE OFFICER

**QUALIFICATION:** National Higher Diploma Civil Engineering

**APPOINTED:** August 2019

**LENGTH OF SERVICE ON THE BOARD:** one year and seven months

**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).

## Yolanda du Plessis (48) *

ACTING CHIEF FINANCIAL OFFICER

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

**STEFANUTTI STOCKS BOARD COMMITTEE MEMBERSHIPS:** Attends meetings of ARCO and S&E committees by invitation

**APPOINTED:** June 2021

**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.

## Antonio Cocciante (51) *

CORPORATE FINANCE EXECUTIVE

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

**APPOINTED:** June 2015

**RESIGNED:** 31 May 2021

**LENGTH OF SERVICE ON THE BOARD:** five years and nine months

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

**SKILLS AND EXPERIENCE:** Qualified as chartered accountant in 1995 with audit firm Deloitte. Specialised in audit and corporate finance divisions within Deloitte. CFO of EOH Holdings Limited (1999 to 2005). Group Financial Controller of the group (2006 to June 2015).

** Member of Executive Committee.*

# EXECUTIVE COMMITTEE

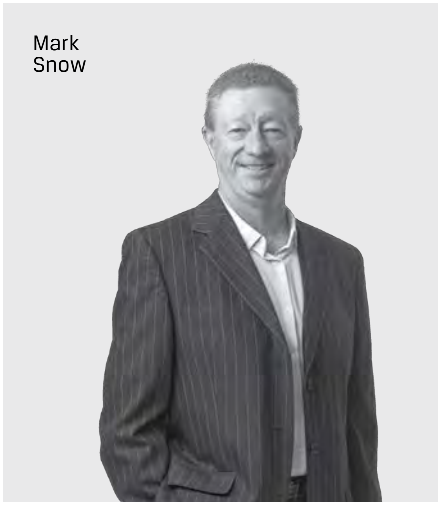

Derek du Plessis


Vince Olley


Howard Schwegmann


Shaun White


Mike Sikhakhane


Mark Snow

## Derek du Plessis (63)

MANAGING DIRECTOR CONSTRUCTION & MINING

**QUALIFICATION:** BCom Bus Admin

**APPOINTED:** September 2018

**SKILLS AND EXPERIENCE:** Over 38 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 2004 and as the Construction & Mining Managing Director on 1 September 2018 and joined the EXCO on the same date.

## Vince Olley (58)

MANAGING DIRECTOR MECHANICAL & ELECTRICAL

**QUALIFICATIONS:** National Certificate Light Current, MSc (Change Management and Coaching)

**APPOINTED:** March 2012

**SKILLS AND EXPERIENCE:** 30 years' experience in the construction industry in South Africa. Managing Director of Aveng Grinaker-LTA M&E before being appointed as Executive Director. Appointed Managing Director of Stefanutti Stocks Mechanical & Electrical in March 2012 and joined the EXCO during that year.

## Howard Schwegmann (60)

MANAGING DIRECTOR BUILDING BUSINESS UNIT

**QUALIFICATION:** National Higher Diploma Construction Management

**APPOINTED:** June 2018

**SKILLS AND EXPERIENCE:** Qualified in 1984 and has been in the construction industry for 40 years: 21 years with Group Five, three years with JT Ross and 16 years with Stefanutti Stocks. Managing Director of the Coastal Building Division for eight years from 2010 to 2018 and appointed as the Building Business Unit Managing Director in June 2018.

## Shaun White (48)

MANAGING DIRECTOR AFRICA

**QUALIFICATION:** National Higher Diploma Civil Engineering

**APPOINTED:** March 2020

**SKILLS AND EXPERIENCE:** 28 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.

## Mike Sikhakhane (55)

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.

## Mark Snow (61)

GROUP RISK OFFICER

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

**APPOINTED:** November 2012

**STEFANUTTI STOCKS BOARD COMMITTEE MEMBERSHIPS:** Attends meetings of ARCO and S&E committees by invitation

**SKILLS AND EXPERIENCE:** Qualified as a chartered accountant in 1986 with Deloitte Haskins & Sells and was admitted as a partner in 1992. Has 30 years' experience in statutory auditing, risk management and controls, governance consulting and managing outsourced internal audit functions with an industry specialisation in construction and mining. Appointed Group Risk Officer in November 2012 and joined the EXCO during that year.

# CORPORATE GOVERNANCE REPORT

## CHIEF EXECUTIVE OFFICER

## BOARD OF DIRECTORS AS AT 21 JUNE 2021

**MEMBERS:** ZJ Matlala (Chairman), HJ Craig, B Harie, BP Silwanyana, JM Poluta (alternate to BP Silwanyana), DG Quinn, RW Crawford (CEO), Y du Plessis (Acting CFO)

**ANNUAL MEETINGS:** 4 scheduled meetings

The board's duties are summarised below and in the board charter, as set out on page 44.

### EXECUTIVE COMMITTEE

**MEMBERS:**
RW Crawford, AV Cocciante, M Snow, M Sikhakhane, D du Plessis, H Schwegmann, V Olley

**ANNUAL MEETINGS:**
11

**REGULAR INVITEES:**
Y du Plessis (appointed 1 June 2021)

**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, DG Quinn, 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, DG Quinn

**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:**
DG Quinn (Chairman), B Harie, JM Poluta, BP Silwanyana

**ANNUAL MEETINGS:**
4

**REGULAR INVITEES:**
Board Chairman, CEO, CFO, Group Risk Officer, Group Financial Manager, 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:**
2

**REGULAR INVITEES:**
CFO, Group Risk Officer, Group Financial Manager

**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

**BUSINESS UNIT MANAGEMENT COMMITTEES**

**OPERATIONAL COMMITTEES**

Ensuring that the group applies and adheres to the principles of good corporate governance is the responsibility of the Stefanutti Stocks board of directors and executive management.

While the board is ultimately responsible for the performance of the group, it delegates authority to the board committees. However, delegating its authority does not absolve the board or its directors from the duty to execute their obligations and responsibilities towards the group.

## Application of King IV

The group endorses and supports the four governance outcomes set out by the King IV Report on Corporate Governance for South Africa, 2016 (King IV) which are as follows: ethical culture, good performance, effective control and legitimacy. The application of the King IV principles is assessed and reviewed on an ongoing basis. The group's application of these principles is discussed in the sections that follow.

## Leadership

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

The board recognises that the group's strategy, risk, performance, and ultimately its sustainability, are inseparable from one another. In order to operate within acceptable risk parameters, the group and its businesses subscribe to good corporate governance principles with the aim of creating stakeholder value and maintaining sustainable growth.

The board's responsibilities and terms of reference are articulated in the board charter, which has been formally adopted and is reviewed annually. The charter ensures that the directors maintain effective control over the group's strategic, financial and compliance matters. The board, in turn, is accountable to shareholders. Exercising good judgment, strong leadership and acting with integrity helps to position the group for long-term sustainability. In addition, all board members and employees must adhere to the group's code of business ethics and conduct.

Performance evaluations of the board and committees are conducted every two years, in accordance with King IV. Further to the formal evaluations, the Chairman has individual discussions with each board member.

No formal performance assessment was conducted for the financial year ended 28 February 2021, due to the high priority focus by the board on funding and solvency and liquidity.

All necessary information is provided to directors in a timeous manner, including a detailed board pack. This ensures that board members can make objective and informed decisions and discharge their responsibilities. When necessary, the company's MOI makes allowance for decisions to be taken between board meetings by way of written resolution.

Matters of strategy, performance monitoring, governance and related matters are the focus of board meeting structures and agendas. All board members participate in the group's annual strategy session, where they 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 monitors the performance against these budgets at each board meeting, with remedial action taken where necessary.

### Conflicts of interest

All directors are required to notify and disclose their conflicts of interest to the company as a standard agenda item at every board meeting. Post 28 February 2021 to date, there have been no material changes to the directors' interests. 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

The group must abide with the standards of integrity, ethics and professional behaviour articulated in its code of business ethics and conduct. Also described in the code is the manner in which the group must treat and manage its stakeholders, which include customers, business partners, suppliers, government and communities.

ARCO is responsible for the management, implementation and execution of codes of conduct and ethics policies and these are underpinned by the group's values as disclosed on page 4. The group as a whole 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.

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

When conducting business, the group follows a zero-tolerance approach to any unfair or unethical business practices and has a whistleblowing facility in place. To guarantee the anonymity of the complainant, the facility is administered by Tip-offs Anonymous.

The group can also detect unethical behaviour through the 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.

Regarding non-compliance with laws or regulations, no significant fines were paid during the year under review. Furthermore, no grievances were received through the group's formal reporting process in terms of negative impacts on the general public at large.

### Share dealings

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

Directors 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. So directors are prohibited from trading in shares during closed periods. In addition, directors 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. The Share Dealing Policy was updated to take account of changes to the JSE Listings Requirements.

### Supplier contracts

During the initial phases of any project, the group ensures that all suppliers and subcontractors are alerted to the code of business ethics and conduct and are required to confirm that they will abide by the company's ethical and business standards as set out in the code.

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

The committee has instituted appropriate policies and programmes to 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. Regardless of any delegated authority, the board is ultimately responsible for these matters.

Refer to page 51 for more information on the S&E Committee as well as the online sustainability report which is displayed on the group's website.

## 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.**

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

At its annual board strategy session, the board debates and approves the strategy prepared by management. The strategy session deals 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's material issues are categorised according to the material effects they may have on strategic operations and are constantly evaluated. Stakeholder engagement takes place through various formal and informal channels to help guide and define the group's material issues.

Throughout this integrated report, are separate reports that provide detailed information on the company's key risks, strategy, business model, performance and sustainability.

## 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.**

It is the board's responsibility to safeguard the integrity of the integrated annual report as well as 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.

ARCO sets the group's direction and approach with regard to reporting, including the entire integrated annual report and annual financial statements.

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

Together, these 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. Additional information on the capitals can be found on page 6.

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.

The group's reporting suite is made available via the company's website and 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.

Twice a year, the Executive Committee (EXCO) members take part in the webcast where the group's performance and strategy are discussed with analysts, institutional investors and the media. All non-executive directors are invited and encouraged to attend the group's financial and business-specific presentations. Interaction with the media takes place on an ad hoc basis. The company publishes on its website all related presentations, webcasts, corporate actions, performance reports as well as any other relevant information.

## 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

Aligned to King IV, the board charter codifies the board's composition, appointment, tenure, rotation, authorities, responsibilities and processes. The directors' fiduciary duties and roles are clearly defined in the board charter.

Further to the responsibilities set out in the Companies Act and King IV, the charter details the board's other duties 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.

All 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. In addition, there is a protocol in the board charter that allows board members to access the external auditors if required.

Regarding the year under review, the board is of the opinion that it has discharged all material matters as set out in the company's board charter.

## Professional advice

As and when required, the board charter makes provision 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 (2020: seven directors).

Five directors are independent non-executive directors (excluding one alternate director). The board Chairman is an independent non-executive and there are two executive directors, namely the CEO and CFO.

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

The board's size and composition has been determined to 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 company has a board diversity policy which is incorporated into the board charter. The policy supports the principles and aims of diversity at board level, specifically regarding gender, race, culture, age, field of knowledge, skills and experience. The board considers these diversity indicators when assessing the composition of the board or making any new board appointments.

On an individual basis, board members offer a wide range of relevant knowledge, expertise, commercial and technical experience and business acumen. This enables each board member to exercise independent judgement in board deliberations and decision-making. For a brief curriculum vitae for each of the directors refer to page 39.

## Board Chairman

Independent Non-executive Director Zanele Matlala is the board Chairman, having served with the group since February 2012 as a non-executive director. Her Chairman's report is set out on page 14.

The distinct roles of the Chairman and CEO are clearly separate with the Chairman being independent. The Chairman is appointed on an annual basis and is responsible for the effective leadership of the board by fulfilling the King IV role and functions.

The board reviews the succession plan for the Chairman as part of its succession plans for the board as a whole.

The Chairman sets the ethical tone for the board and the group and 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

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

The directors' independence was confirmed by NOMCO during the year under review 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.

It is standard practice for the board to review the independence of non-executive directors who have been on the board for more than nine years, assessing their performance as directors and factors that may influence or impact their independence. The independence of the board chairman was specifically considered by the REMCO and board, given that she has served on the board since 2012.

The NOMCO and board were satisfied that the board Chairman is independent notwithstanding her length of service.

At the beginning of each board or committee meeting, all directors are required to declare any conflict of interest.

The board considered the position of a Lead Independent Director (LID) and was 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

Excluding the executive directors, one-third of the board is subject to retirement and re-election by rotation annually. This is in terms of the company's MOI, and the retirement roster, which is reviewed by REMCO and the board.

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

Dermot Quinn and Busisiwe Silwanyana retire by rotation at the 2021 annual general meeting. Dermot Quinn has not offered himself for re-election whereas Busisiwe Silwanyana has.

## Succession planning

The formal succession plans for the Chairman, CEO, CFO, board of directors and senior management are annually reviewed by NOMCO. The board receives NOMCO's findings and recommendations for further consideration and action. NOMCO also regularly reviews the succession plans of the group and provides guidance on such matters to the board.

The group has plans in place for emergency cover situations.

## New appointments

Directors are appointed to the board through a formal process after an assessment by NOMCO determines a need for new appointments. The appropriate background checks, screening and due diligence processes are performed on any proposed new director before being shortlisted for nomination. The board formally approves candidates recommended by NOMCO.

When new board members are appointed, candidates undergo a formal panel interview to confirm they have sufficient time and capacity available to fulfil the duties required of board members.

**MEETING ATTENDANCE**

| Board member | Board | ARCO | REMCO | S&E |
|---|---|---|---|---|
| **Chairman** | ZJ Matlala | DG Quinn | HJ Craig | BP Silwanyana |
| Number of meetings | 8* | 4 | 3 | 2 |
| ZJ Matlala | 8/8 | 3/4^ | 3/3 | n/a |
| RW Crawford (CEO) | 8/8 | 4/4^ | 3/3^ | 2/2 |
| AV Cocciante (CFO) (resigned 31 May 2021) | 8/8 | 4/4^ | 3/3^ | 2/2^ |
| HJ Craig | 8/8 | 3/4^ | 3/3 | 2/2 |
| B Harie | 7/8 | 4/4 | 3/3 | n/a |
| JM Poluta (alternate to BP Silwanyana) | 7/8 | 4/4 | n/a | n/a |
| DG Quinn | 8/8 | 4/4 | 3/3 | n/a |
| BP Silwanyana | 8/8 | 4/4 | n/a | 2/2 |

*n/a Not applicable. ^ By invitation.*

* *Consists of four board meetings and four special board meetings. In addition numerous update meetings were held by management and the non-executive directors during the financial year ended 28 February 2021.*

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

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

Dermot Quinn has informed the board of his intention to retire from the board at the company's 2021 Annual General Meeting. Dermot has served on the board since 2007 as the Chief Financial Officer and thereafter as a non-executive director. John Poluta, currently alternate non-executive director to Busisiwe Silwanyana, will be appointed as a non-executive director. John has been on the board as an alternate non-executive director since 2017.

The board expresses its appreciation to Dermot for his valued past contributions and guidance over the years and wishes him all the best for the future.

Given the critical importance of the ongoing implementation of the Restructuring Plan, and in order to devote the required time and resource to this process, Antonio Cocciante will step down from his role as Chief Financial Officer and executive director, effective 31 May 2021 until such time that the plan has been fully implemented. During this implementation period, Yolanda du Plessis will be appointed as acting Chief Financial Officer and executive director with effect from 1 June 2021. Yolanda has been with the group since 2008 and has worked closely with both Dermot and Antonio over the years. Yolanda's appointment has the support of the board. Her detailed CV can be found on page 39.

## Continuous development and training

All newly appointed directors undergo REMCO-approved group-specific induction programmes. This assists new directors in fully appreciating and understanding the complexities of the group's businesses and being able to make informed contributions to board deliberations as soon as possible. The company secretary coordinates the induction process. Site visits and presentations on specific technical topics supplement board development. Training 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.

Mentorship guidance is given when required, however, there is 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 performance and affairs of the group is the ultimate responsibility of the board, whose members are well aware that any delegation of their duties is not an abdication of their responsibilities.

Various committees have been put in place by the board to assist with meeting 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 board has approved the detailed terms of reference, which have been formulated and guided by the Companies Act and King IV. 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 formalised terms of reference define the membership, duties, tenure and purpose for each board committee, as well as their reporting procedures, the extent of their decision-making powers and delegated authorities. The committees themselves do not have a fixed tenure and remain established for so long as the relevant legislation applies.

Board-approved terms of reference provide guidance for each committee and set out their responsibilities. The terms of reference are reviewed annually and amended if required. The board evaluates committee performance and effectiveness every second year. 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. To fulfil the duties of the various committees, the board has satisfied itself that the members are suitably skilled, independent and qualified.

The minutes of committee meetings are made available to the board and the auditors, and committee chairpersons provide the board with verbal reports on committee activities. 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. The AGM minutes are also made available for shareholders to access.

As committee cross-memberships exist, meetings are coordinated accordingly by way of 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 senior management is involved where necessary.

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

## Subsidiaries

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

**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.**

No formal performance assessment was conducted for the financial year ended 28 February 2021, due to the high priority focus by the board on funding and solvency and liquidity.

**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. The board reviews this formal delegation of authority to the CEO on an annual basis.

Regarding the efficacy of key management functions, the CEO reports back to the directors at board meetings. 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.

Assisted by the EXCO, the CEO, formulates the company's strategy and vision, which is then put forward to the board for consideration and approval together with the group's annual business plans and budgets, which ultimately ensures the group's long-term profitability and sustainability.

Each year, the board conducts a 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.

## Company secretary

William Somerville, aged 64, 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.

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

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

Whereas the day-to-day operational risk management is performed within each of the business units, ARCO is delegated to assist the board with monitoring the group's risk management. 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.

The board is ultimately responsible for managing the governance of risk. This 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 group risk register was reviewed and updated and the risk model and risk management process remain aligned to the group's strategic plan.

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 aligns its Information Communication Technology (ICT) management with its performance, risk management and sustainability objectives.

The achievement of strategic and operational objectives is supported by the group's information architecture. To this end, ICT governance is an ongoing standard board meeting agenda item. The ICT department's day-to-day activities have been managed by the General Manager ICT Services and the Group Risk Officer, who heads the ICT Steering Committee and reports to EXCO.

The ICT Steering Committee ensures that the group ICT policies guide the business units' ICT principles and are aligned to the overall group strategy. Bimonthly meetings are held to discuss ICT governance matters. 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. Risks for sourcing technology are addressed when engaging with third parties and a comprehensive disaster recovery plan is in place.

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

An external service provider performs an annual ICT audit by addressing various areas with each audit. ICT management and ICT risk assessments are guided by the results of this annual audit. Problem areas found in prior years are addressed and re-evaluated.

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

The group is working towards standardising processes and procedures within the businesses and the complete integration of all ICT technologies is not entirely in place as yet.

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.

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

Various organisations receive group donations of usable but redundant hardware on a need basis. A green recycling process is used by the businesses to dispose of hardware scrap on a group-wide scale.

Where applicable, the group's social media and ethics policy addresses the ethical and responsible use of technology and information which covers the Protection of Personal Information Act.

Crucially, the group's information architecture ensures the availability of information while safeguarding its confidentiality and integrity. 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 ARCO monitors the group's compliance with legislative and regulatory requirements, including the Companies Act, the JSE Listings Requirements, the King IV recommendations and other applicable legislation.

A compliance policy is incorporated into the code of business conduct and ethics, 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.

The group has one remaining matter arising out of the Competition Commission Fast Track Settlement Process in 2013. The matter relates to a civil damages claim initiated by the City of Cape Town in respect of the Green Point Stadium, following the findings and the imposition of administrative penalties by the competition authorities. Stefanutti Stocks having paid a penalty under these findings has now been cited as one of the defendants. A trial date had been set for the first quarter of 2020, however, this has been postponed at the client's request. The matter will now be dealt with in an arbitration, which has been set for September 2021. The group remains confident that it can defend this claim and therefore no provision has been made.

## 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.**

A three-part remuneration report detailing remuneration information, including the remuneration policy and implementation thereof commences on page 56 of this integrated 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

The board is responsible for the group's internal control systems and is assisted in this regard by the ARCO. 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.

The importance of risk management and internal control systems is communicated to all group employees, to ensure they have a clear and unequivocal understanding of their roles and obligations.

Assurance of the integrity and reliability of the annual financial statements is adequately provided by the internal control systems, which comply with applicable laws, regulations and reporting standards.

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 has adopted a combined assurance model 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.

Regular assurance is provided to executive management by line management that the internal control systems are performing satisfactorily and effectively in entities for which they are responsible.

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 system therefore aims to manage rather than to eradicate opportunity and failure risk.

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. During the year under review, Internal Audit followed a risk-based internal audit plan conducting various process reviews.

Although there were no material non-compliances with group procedures, they were discussed with management and the existing controls were reinforced with the relevant staff. Where necessary, management has applied new controls and enhancements to existing controls.

The Internal Audit function reports directly to the ARCO to ensure its independence. The assessment and testing of internal controls within the group is a key focus area of the Internal Audit function. There were no reports of any significant breakdowns in the effectiveness of the group's control framework during the year.

Please refer to the ARCO report on page 53 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

To ensure that all recognised areas of risk are covered, and duplications are eliminated, the ARCO reviews and approves the internal audit plan. 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 53 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 group reviews all internal and external assurances already in place and coordinates this with its risk management procedures. The group has implemented a combined assurance model as illustrated in the infographic on page 50.

## Combined assurance model

### First line of defence

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

### Second line of defence

Provided by divisional management, the group's second line of defence comprises detailed risk assessments and management at a divisional and site level and comprises a formal, robust and effective operational management framework within which the company's policies and minimum standards are set. Also included in this line of defence are 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. While the Audit Committee is mainly responsible for this line of defence, it is 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 output of the group's combined assurance is assessed by the board, which uses 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.

## 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.

For further information pertaining to stakeholder engagement, kindly refer to page 8 of this integrated annual report.

## Combined assurance model

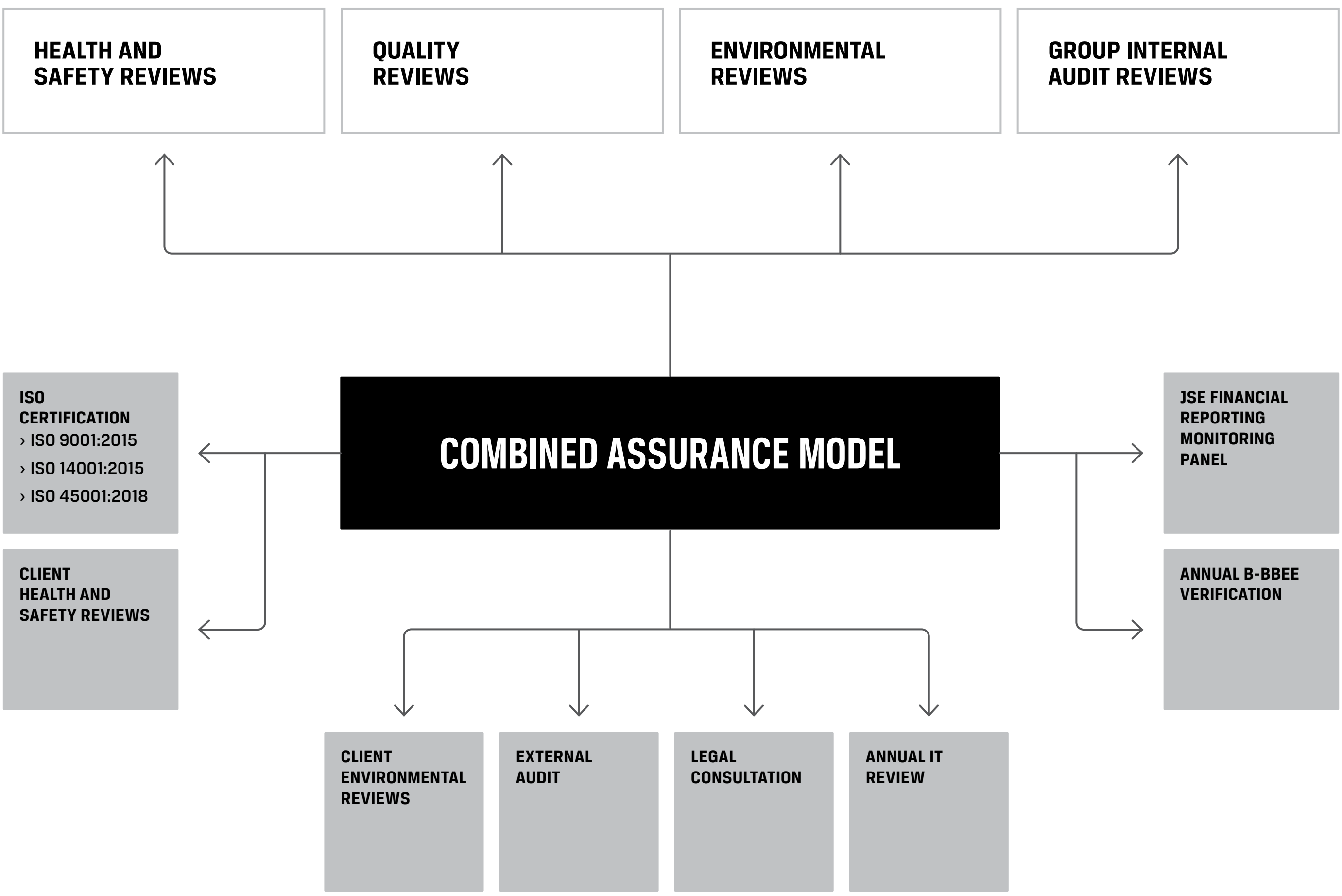
### 1ST LINE OF DEFENCE
- Board
- EXCO
- Senior management

### 2ND LINE OF DEFENCE
- Line management
- Quality and safety reviews

### 3RD LINE OF DEFENCE
- External accreditation
- Internal audit
- External audit

## Assurance providers

INTERNAL ASSURANCE PROVIDER    EXTERNAL ASSURANCE PROVIDER



# SOCIAL AND ETHICS COMMITTEE REPORT

## Introduction

The primary function of the S&E Committee (the committee) 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 committee's terms of reference, which have been approved by the board, are guided by the Companies Act and King IV principles. Minor amendments were made to these terms of reference which flowed from the annual review process. The committee confirms that it has executed its duties in accordance with its terms of reference during the past financial year.

## Composition

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

While the committee composition complies with the Companies Act, 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. Abridged biographies of the members are published on page 39. Ms Silwanyana is also a member of the ARCO, which improves communication and ensures cooperation between these committees.

## Meetings

The committee met twice during the year under review. Attendance at these meetings is set out in the corporate governance report on page 46.

## Statutory and other duties

To ensure the execution of its duties and fulfilment of 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 reporting to stakeholders on aspects of transformation; and
- Reviews and monitors sustainability.

The committee supports the ARCO by assessing all non-financial information disclosures made in the integrated annual report and it provides additional assistance on all matters relating to ethics, which are reported on through the internal audit process.

The committee is satisfied that the group gives its social, ethics, transformation and sustainability responsibilities the necessary attention. Multiple 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.

As some of the committee's responsibilities and deliberations overlap with other committees, detailed policy and performance information appear in other sections of the integrated and supplementary reports.

Included in this integrated annual report are some sustainability highlights, however, the execution of the S&E Committee responsibilities is discussed in more 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

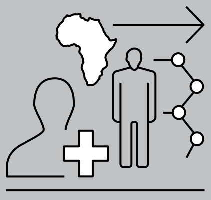
21 June 2021

**FOCUS AREAS**

| 2021 | 2022 |
|---|---|
| › Monitoring stakeholder engagement and addressing material issues relevant to stakeholders<br>› Driving a health and safety culture in respect of COVID-19 at the workplace<br>› Ongoing focus on EE and B-BBEE in order to maintain the group's B-BBEE Level 1 Contributor status<br>› Resetting EE targets, based on restructuring of the group<br>› Reviewing environmental matters specifically with regard to legal compliance, carbon tax, ISO 14001:2015 maintenance and increasing environmental awareness<br>› Tracking and performance of trend analysis to increase efficiencies on customer relations<br>› Monitoring labour relations and ongoing community relations adjacent to working sites | › Driving a health and safety culture in respect of COVID-19 at the workplace<br>› Ongoing focus on EE and B-BBEE in order to maintain the group's B-BBEE Level 1 Contributor status<br>› Resetting EE targets, based on the restructuring of the group<br>› Monitoring labour relations and ongoing community relations adjacent to working sites |

# SUSTAINABILITY HIGHLIGHTS

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



## 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"**.

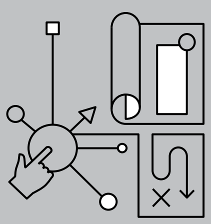
The total staff complement for the group as at 28 February 2021 was **8 693** (2020: 9 768) employees, excluding temporary employment service employees with **3 956** (2020: 6 339) local employees and **4 737** (2020: 3 429) based beyond South African borders. A further **269** (2020: 495) were local temporary employment service employees.

## Developing our people

Although the year was challenging with COVID-19 creating new difficulties throughout, certain business units have continued focusing on skills development for their employees, concentrating on essential training only. 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 the focus on operator, tailings operations and construction skills training. During the year, the Academy focused on the following key areas:

- Developing and registering essential courses and programmes as needed by the business units.
- 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 welding into the existing internal offering.

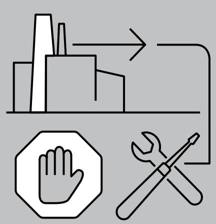
  The Academy will continue to focus on these areas. The group invested **R7,5 million** (2020: R17,6 million) in skills development and training. The above value excludes employees' salaries while receiving training.



## Transformed and diverse organisation

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 2020, is based on the Revised Construction Codes of Good Practice. The status of Stefanutti Stocks remained at a **Level 1 Contributor**.



## Health and safety

The objectives and targets for the year were centred around COVID-19 and returning to work. Headed by the CEO, a task team was established to lead the group's COVID-19 response. The organisation developed a tracking tool of all COVID-19 cases to determine whether the infections and recovery rates are increasing or reducing. It also tracks the fatality rate. The statistics observed from monitoring COVID-19 cases were then used to generate awareness programmes and make critical decisions to safeguard employees.

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 2021 was at **0,03** (2020: 0,02) and the recordable case rate (RCR) was **0,35** (2020: 0,29).

## Environment

Until recently, the exploitation of natural resources and environmental degradation were considered a necessary trade-off for advancement and development. To counter this thinking, there is an emerging movement towards a more sustainable, more environmentally friendly construction industry.

The latest engineering milestone for the group is the completion of an onboard engine filtration study, which achieved oil drain interval optimisation. This was achieved by doubling the filtration service life on its fleet of Komatsu HD 465 rigid dump trucks, which enhanced environmental performance and operational efficiencies.

# AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT

The Audit, Governance and Risk Committee (ARCO or the committee), appointed in respect of the 2021 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

Besides 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

The formal terms of reference that have been approved and adopted by the board have been guided by the Companies Act and King IV. No changes were made to the terms of reference after the annual review process. The committee confirms that it has executed its duties during the past financial year in accordance with these terms of reference. A discussion of how the 16 principles of King IV have been applied is set out on pages 42 to 50 of this report.

### Composition

The board nominated the members of the committee in respect of the 2021 financial year and shareholders appointed its members at the AGM, which was held on 9 October 2020. Shareholders will be requested to approve the appointment of the committee members for the 2022 financial year at the AGM that is scheduled for 6 August 2021.

Dermot Quinn, an independent non-executive director, chairs the committee which comprises a further three independent non-executive directors, namely, Bharti Harie, Busisiwe Silwanyana and John Poluta (alternate to Independent Non-executive Director Busisiwe Silwanyana). Dermot will retire as a board member and ARCO chairman at the company's annual general meeting on 6 August 2021 and will not offer himself for re-election.

The board Chairman, CEO, CFO, Group Risk Officer, Group Financial Manager, 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 page 39.

### Meetings

The committee held four meetings during the year. The table on page 46 of the corporate governance report included in this integrated annual report sets out attendance at these meetings. During the year, the committee met in private with the external auditors.

### Execution of duties

During the year the committee:

- Identified specific focus areas, as set out on page 55;
- Evaluated the independence of the external auditors with regards 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 regards 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 regards to tenure as well as individual partner rotation;
- The committee has considered and evaluated the key audit matters as set out in the external auditor's report and is satisfied that the matters have been correctly disclosed in the integrated report and consolidated annual financial statements;
- The committee 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 report, the preliminary announcement and interim statements;
- Reviewed the company's Funding Plan and Restructuring Plan with their underlying assumptions, more fully discussed on page 68;
- 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 2021 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 2021;
- 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;
- 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;
- Performed an internal effectiveness review of the ARCO;
- 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 potential impact of COVID-19 on the company's business, operations and going concern status. 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;
- Received feedback from the JSE regarding the impact of COVID-19 on
  - extension to financial reporting periods;
  - capital raising measures;
  - full disclosure on impact on financial results in terms of IFRS;
  - share repurchases and
  - physical shareholders meetings.
- Reviewed the notice from the B-BBEE commission regarding extension of the times for submission of reports, and filing of correspondence and documents, arising from the impact of COVID-19;
- 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, for the year under review, 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.

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

In addition, refer to the contents page of the annual financial statements dealing with the responsibility statement by the CEO and CFO on financial controls as required by the JSE Listings Requirements.

## Regulatory compliance

Compliance with applicable laws and regulations is monitored by a combination of management controls, internal audit, external audit, the sponsors and the company secretary. There is no dedicated in-house compliance function given the company's size and structure. 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. The corporate governance report contains a more detailed discussion on regulatory compliance commencing on page 48 of this integrated annual report.

In addition, refer to page 3 of this report on the statement of compliance with the Companies Act and the MOI.

## Oversight of risk management

The committee oversees the risk management process. 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. The committee confirmed the independence of the Internal Audit function.

In the year under review a risk management framework, risk policy and risk register were presented for consideration to the committee. 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.

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

## Independence of external auditors

As part of its responsibilities, the committee assesses the external auditors' independence and effectiveness annually as required in terms of Section 22.15(h) of the JSE Listings Requirements. A non-audit services policy exists, which the committee reviews 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. The non-audit service rendered includes among other things a factual findings report in respect of B-BBEE verification, auditing of circulars issued during the year and certain other agreed upon procedures.

Based on enquiries made by the committee and assurances given by the auditors, the committee is satisfied with the external auditors' independence. The committee has thus recommended to the board and to the shareholders, the reappointment of Mazars as the independent registered audit firm and Susan Truter as the individual registered auditor.

## Internal audit

The internal audit charter guides and sets out internal audit's purpose and scope, responsibilities and duties, independence and ethics. The group's exposure to risk is monitored by the internal audit function, which 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. The Internal Audit Manager who has unfettered access to the CEO, Chairman of the board, and the chairperson of the ARCO in order to perform his duties and meet his responsibilities reports to the committee on a functional basis.

The policies and procedures that guide the internal audit function are aligned to the International Professional Practice Framework (IPPF) as prescribed by the Institute of Internal Auditors. 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. These core principles, reviewed in their entirety, articulate internal audit effectiveness, namely, 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.

The internal audit function is also tasked with monitoring and assessing the group's corporate governance particularly pertaining to the various delegation of authority frameworks applicable across the group.

The numerous management levels within the group are however 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. The internal audit plan was presented to the committee for annual review and approval at the commencement of the year under review. 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 2022 financial year.

## Committee focus areas

The focus areas for the year under review were to:

- Monitor the group's going concern, solvency and liquidity, specifically given the liquidity shortage experienced by the group during the financial year;
- 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 asset impairments; and
- COVID-19 and the effect on the sustainability of the group.

The focus areas for the coming year include;

- 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; and
  - Working capital requirements and movement.
- COVID-19 and the impact on the group; and
- Receiving feedback from the CRO and RIT.

## CFO

As required in terms of the JSE Listings Requirements, the annual evaluation of the finance function and the CFO was duly undertaken, and the committee is satisfied that the Acting 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 fulfill her function. The committee considered the matters raised from the external auditors when making its evaluation.

## Annual financial statements and integrated annual report

Following the review by the committee of the separate and consolidated annual financial statements of Stefanutti Stocks Holdings Limited for the year ended 28 February 2021, the committee 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 2021, 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 report for the year ended 28 February 2021 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

**Dermot Quinn**
Chairman

21 June 2021

# 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 2021 (FYE 2021).

At the 2020 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 2020 AGM was held on 9 October 2020, and ordinary resolutions 10 and 11 to approve the company's remuneration policy, and remuneration implementation report were tabled then. Refer to the table: Voting Results — Annual General Meeting — October 2020.

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 microenvironments 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
› **DG Quinn —** 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 under review, 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 2021.

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;
› Ensuring the remuneration of the executive directors and executive management is both fair and responsible, relative to overall employee remuneration in the group; and
› Approval of the independent external advisors to the committee.

**VOTING RESULTS — ANNUAL GENERAL MEETING — OCTOBER 2020**

| | Remuneration policy | | Remuneration implementation report | |
|---|---|---|---|---|
| **Votes for:** | 85 111 498 | 99,74% | 85 164 899 | 99,81% |
| **Votes against:** | 219 013 | 0,26% | 165 612 | 0,19% |
| **Total shares voted:** | 85 330 511 | 100,00% | 85 330 511 | 100,00% |
| **Votes abstained:** | 629 699 | | 629 699 | |

**C. Nominations Committee**

The company has a combined Remuneration and Nominations Committee. The REMCO is chaired by an independent non-executive director (Howard Craig) whilst the NOMCO is 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 three times during the year. The following key remuneration 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 2020 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 2021.
  » Long-term Incentives (LTI)
    i. No long-term incentive awards were earned by the executive directors relating to performance for FYE 2021;
› Noted that the LTI measure for total shareholder return (TSR) of the company for FYE 2021 achieved a ranking of 2 out of 6 (FYE 2020: 6 out of 6) within the specified peer group;
› The review of the succession policies and plans for the executive directors and the EXCO;
› The approval of the STI payments for company, operational and other directors, made under the directors' short-term 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 2021;
› The average annual increase for hourly paid employees, determined under the various industry bargaining councils was 7,5%.
› With effect from 1 March 2021, the Executive Committee received no annual increase.
› Due to the effects of the national lockdown resulting from the COVID-19 pandemic, salaries were reduced by between 10% (lowest salary earners) and 33% (highest salary earners) for the months of May, June and July 2020.
› The review and recommendation to the board of the non-executive directors' fees for submission to shareholders at the next AGM;
› Noting that the group's internal board gender diversity policy of 30% female board members, as at the date of this report had been met;
› The recommendation to the board that Mr DG Quinn remain as a member of the Pension Fund Advisory Body at the approved non-executive director hourly rate. The position to be reviewed on an annual basis; and
› The review and approval of the role and function of the board Chairman.

Attendance at these meetings is shown in the table set out on page 46.

## 2. Areas of focus for FYE 2022

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

› 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 approval of the annual work plan for the committee;
› 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:

- 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;
- 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;
- STIs and LTIs incorporate threshold, target and stretch targets, under financial performance criteria, and also reward individuals for their personal contributions under key performance areas (KPAs);
- 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;
- External advisors are utilised to assist in benchmarking the respective processes;
- All elements are included in the Remuneration Policy including pre-vesting forfeiture (malus) and post vesting forfeiture (claw-back) of remuneration;
- The long-term share incentive participation is designed to align the executive directors' performance with shareholder expectations and ensure sustainable future company performance; and
- The group adopts a prudent risk and reward philosophy, applied within the scope of the group's risk profile.

## 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.

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

The two financial performance measures are:

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

The weighting applicable to the personal performance measures is as follows:

| | | |
|---|---|---|
| **CEO** | Operations | 20% |
| | Sustainability and compliance | 15% |
| | Successful implementation of the Restructuring Plan | 65% |
| **CFO** | Governance | 35% |
| | Successful implementation of the Restructuring Plan | 65% |

Financial performance measures

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

Financial performance measures account for 50% (FYE 2020: 70%) of possible STI payable to executive directors.

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

- Operating profit margin (OP): An annual expected operating profit margin 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 2021 (FYE 2020: 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.
- Notwithstanding the results generated out of the above performance measures, the maximum STI payable to executive directors is limited to 250% of TFP (FYE 2020: 250% of TFP).

Personal performance measures

Personal performance measures account for 50% (FYE 2020: 30%) of possible STIs payable to executive directors.

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

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

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.

iii. REMCO discretion

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

*Stefanutti & Bressan Share Option Scheme*

The company has ceased using its share option scheme, and no options have been issued since February 2009. Outstanding awards in terms of the scheme lapsed in 2017.

*Forfeitable Share Plan (FSP)*

The FSP was introduced in 2009 to replace the 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 LTI award of forfeitable shares is calculated on an annual basis in order 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 2021, based upon the reported FYE 2021 results (FYE 2020: Nil).

The LTI measure for Total Shareholder Return of the company for FYE 2021 achieved a ranking of 2 out of 6 (FYE 2020: 6 out of 6) within the specified peer group.

*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 under review (FYE 2020: Nil).

The tables showing the breakdown of the annual remuneration of directors for the years ended 28 February 2021 and 29 February 2020 are set out in note 25 to the consolidated annual financial statements.

## 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.

**LTI PERFORMANCE MEASURES FOR FYE 2021**

| 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, whereas 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, whereas 50% vests upon achievement of threshold, (position 4). 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, with 50% vesting upon achievement of threshold (WACC plus 0%) and 200% vesting 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, whilst 200% vests upon a 30% year-on-year improvement, i.e. stretch target. |

Retention payments of R2 150 000 and 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. No payments under the scheme were made in FYE 2020.

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 each of the CEO and CFO under the FSP. Similar allocations will also be made in FYE 2022 and FYE 2023. These shares will vest on the anniversary of the first year after the award date, provided the director still remains employed within the group.

## 4. Non-executive directors' fees

Recommendations are made to the committee by the executive directors and Human Resources 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 also take into account 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 the maximum 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 2021 and 29 February 2020 are reflected in note 25 of the consolidated annual financial statements.

The proposed fee is payable from the AGM for financial year ended 28 February 2021 to the AGM for the financial year ended 28 February 2023 and is set out in the notice of AGM. No increase in fee has been proposed (2020 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.

During the months of May, June and July 2020, the non-executive directors voluntarily took a one-third reduction in their fees, in order to contribute to cash preservation of the company which was negatively impacted by the effects of the COVID-19 lockdown.

## 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 6 August 2021, 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 6 August 2021, 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 73.

In the event that 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 remuneration comprises:

### Guaranteed remuneration

- a TFP approach

### Variable remuneration

Under the EDIS:

- STI — one-year performance period
- LTI — three-year average performance period

## A. Guaranteed remuneration

Increases are effective from 1 March each year.

No salary increases were granted with effect 1 March 2021.

Following business interruption due the COVID-19 pandemic, executives' salaries were reduced by 33% for the months of May to July 2020.

The total employee and company contributions of Mr Crawford and Mr Cocciante, to the company pension fund, were R309 000 and R264 000 respectively.

## B. Variable remuneration

### STI

#### i. Financial performance

No STI payments under the EDIS were made to executive directors for FYE 2021 (FYE 2020: Nil. However, Mr Crawford was paid an amount of R1 695 000 in FYE 2020, earned as an operational director under the DPSIS scheme). 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 2021 reported results reflecting a normalised operating margin of -2,1%.

**ROE**

No amounts were earned by the CEO and CFO under the ROE metric, based upon a -26,1% ROE for FYE 2021.

#### 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 30% (FYE 2020: 60%) and 35% (FYE 2020: 70%) respectively.

However, no payments were made to the executive directors, as the OP metric (-2,1%) fell below the minimum threshold (1,0%).

The total STI earned by the executive directors for FYE 2021 was RNil (FYE 2020: Nil)

#### iii. Calculation of executives' STIs

See the table below.

### 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.

#### 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 2021, no forfeitable shares vested with the executive directors under the FSP (FYE 2020: Nil).

## 2. Changes to EDIS

No changes were made to EDIS.

## 3. Policy compliance

Remuneration paid for FYE 2021 is in compliance with the company's remuneration policy.

**CALCULATION OF EXECUTIVES' STIs**

| | R'000 FYE Feb 2021 TFP | Financial performance scorecard | R'000 Financial STI | Financial weighting % | Personal weighting % | R'000 FYE Feb 2021 final STI | % of TFP | Max STI % of TFP |
|---|---|---|---|---|---|---|---|---|
| RW Crawford (CEO) | 4 300 | Nil | Nil | 50 | 30 | Nil | 0 | 250 |
| AV Cocciante (CFO) (resigned 31 May 2021) | 3 675 | Nil | Nil | 50 | 35 | Nil | 0 | 250 |

**REMUNERATION DISCLOSURE OF EXECUTIVE DIRECTORS**

| R'000s | Basic salary | Other benefits | Post-employment benefits | Short-term incentives | Retention bonus | **Total 2021** | Total 2020 |
|---|---|---|---|---|---|---|---|
| RW Crawford (CEO) | 3 582 | 232 | 309 | Nil | 2 150 | **6 273** | 2 414 |
| AV Cocciante (CFO) (resigned 31 May 2021) | 3 182 | 32 | 264 | 140* | 1 837 | **5 455** | 3 725 |

* *These short-term incentives relate to the February 2019 year-end.*

## 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 2021 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 2021 and 29 February 2020, 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

H.G. Craig

**Howard Craig**
Chairman

21 June 2021

# SHAREHOLDERS' DIARY

| | |
|---|---|
| **Financial year-end** | **28 February 2021** |
| **Reporting period** | **1 March 2020 to 28 February 2021** |
| **Reporting period of previous report** | **1 March 2019 to 29 February 2020** |
| **Announcement of annual results** | **27 May 2021** |
| **Integrated report posted** | **28 June 2021** |
| **Annual general meeting** | **6 August 2021** |
| **Announcement of interim results** | **November 2021** |

### Stakeholder feedback

The company welcomes written comments and feedback from its stakeholders on this integrated 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 2021 R'000 | Restated 29 February 2020 R'000 |
|---|---|---|
| **CONTINUING OPERATIONS** | | |
| Contract revenue | **5 040 586** | 7 227 036 |
| Other income | **109 538** | 63 898 |
| Operating and administration expenses | **(5 069 958)** | (7 797 792) |
| Net expected credit losses | **(46 183)** | (260 962) |
| **EARNINGS/(LOSS) BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION (EBITDA)** | **33 983** | (767 820) |
| Depreciation and amortisation | **(130 265)** | (201 453) |
| Impairment of assets and goodwill | **(15 137)** | (52 995) |
| **OPERATING LOSS BEFORE INVESTMENT INCOME** | **(111 419)** | (1 022 268) |
| Investment income | **28 734** | 27 827 |
| Share of losses of equity-accounted investees | **(1 323)** | (2 171) |
| **OPERATING LOSS BEFORE FINANCE COSTS** | **(84 008)** | (996 612) |
| Finance costs | **(134 236)** | (114 953) |
| **LOSS BEFORE TAXATION** | **(218 244)** | (1 111 565) |
| Taxation | **(93 104)** | 4 412 |
| **LOSS FOR THE YEAR** | **(311 348)** | (1 107 153) |
| Profit after tax for the period from discontinued operations | **21 166** | 35 105 |
| **LOSS FOR THE YEAR** | **(290 182)** | (1 072 048) |
| **OTHER COMPREHENSIVE INCOME** | **(68 916)** | 51 962 |
| Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) – continuing operations | **(17 862)** | 13 950 |
| Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) – discontinued operations | **(43 731)** | 38 012 |
| Impairment losses recognised on re-valued assets (may not be reclassified to profit/(loss)) | **(27 549)** | – |
| Reclassification of foreign currency translation reserve on disposal of foreign subsidiary | **20 226** | – |
| **TOTAL COMPREHENSIVE INCOME** | **(359 098)** | (1 020 086) |
| **LOSS ATTRIBUTABLE TO:** | | |
| Equity holders of the company | **(287 027)** | (1 070 943 ) |
| Loss for the period from continuing operations | **(311 348)** | (1 107 153) |
| Profit for the period from discontinued operations | **24 321** | 36 210 |
| Non-controlling interest | **(3 155)** | (1 105) |
| Loss for the period from continuing operations | **–** | – |
| Loss for the period from discontinued operations | **(3 155)** | (1 105) |
| | **(290 182)** | (1 072 048) |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:** | | |
| Equity holders of the company | **(352 941)** | (1 016 040 ) |
| Loss for the period from continuing operations | **(344 032)** | (1 093 203) |
| (Loss)/profit for the period from discontinued operations | **(8 909)** | 77 163 |
| Non-controlling interest | **(6 157)** | (4 046) |
| Loss for the period from continuing operations | **–** | – |
| Loss for the period from discontinued operations | **(6 157)** | (4 046) |
| | **(359 098)** | (1 020 086) |
| **EARNINGS PER SHARE (CENTS)** | | |
| From continuing operations | **(186,16)** | (662,00) |
| From total operations | **(171,62)** | (640,35) |
| **DILUTED EARNINGS PER SHARE (CENTS)** | | |
| From continuing operations | **(186,16)** | (662,00) |
| From total operations | **(171,62)** | (640,35) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**AS AT**

| | **28 February 2021 R'000** | 29 February 2020 R'000 |
|---|---|---|
| **ASSETS** | | |
| **NON-CURRENT ASSETS** | **1 211 650** | 2 606 385 |
| Property, plant and equipment | **608 411** | 1 591 318 |
| Equity-accounted investees | **25 703** | 342 361 |
| Goodwill and intangible assets | **345 664** | 405 930 |
| Deferred tax assets | **231 872** | 266 776 |
| **CURRENT ASSETS** | **3 148 139** | 4 038 663 |
| Inventories | **59 594** | 192 049 |
| Contracts in progress | **610 758** | 639 545 |
| Trade and other receivables | **1 614 844** | 2 354 560 |
| Taxation | **89 171** | 79 620 |
| Bank balances | **773 772** | 772 889 |
| Non-current assets held for sale | **1 053 068** | – |
| **TOTAL ASSETS** | **5 412 857** | 6 645 048 |
| **EQUITY AND LIABILITIES** | | |
| **CAPITAL AND RESERVES** | **352 568** | 711 666 |
| Share capital and premium | **1 007 718** | 1 007 718 |
| Other reserves | **48 874** | 228 435 |
| Reserves of disposal group | **105 324** | – |
| Accumulated loss | **(809 348)** | (506 249) |
| Equity holders of the company | **352 568** | 729 904 |
| Non-controlling interest | **–** | (18 238) |
| **NON-CURRENT LIABILITIES** | **269 703** | 896 398 |
| Financial liabilities | **182 821** | 479 627 |
| Excess billings over work done | **46 506** | 294 823 |
| Provisions | **40 376** | 121 948 |
| **CURRENT LIABILITIES** | **4 505 859** | 5 036 984 |
| Financial liabilities | **1 353 367** | 1 020 655 |
| Trade and other payables | **1 297 983** | 1 965 066 |
| Excess billings over work done | **1 205 771** | 1 053 733 |
| Provisions | **551 512** | 885 103 |
| Taxation | **79 092** | 80 051 |
| Bank overdraft | **18 134** | 32 376 |
| Liabilities associated with disposal group held for sale | **284 727** | – |
| **TOTAL EQUITY AND LIABILITIES** | **5 412 857** | 6 645 048 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED**

| | | 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 28 FEBRUARY 2019** | 1 007 718 | 59 829 | 118 961 | – | – | 559 436 | 1 745 944 | (14 192) | 1 731 752 |
| Realisation of revaluation reserves on sale of land and buildings | – | – | (6 022) | – | – | 6 022 | – | – | – |
| Total comprehensive income | – | 54 903 | – | – | – | (1 070 943) | (1 016 040) | (4 046) | (1 020 086) |
| Loss for the year | – | – | – | – | – | (1 070 943) | (1 070 943) | (1 105) | (1 072 048) |
| Other comprehensive income | – | 54 903 | – | – | – | – | 54 903 | (2 941) | 51 962 |
| Recognition of reserve | – | – | – | 764 | – | (764) | – | – | – |
| **BALANCE AT 29 FEBRUARY 2020** | 1 007 718 | 114 732 | 112 939 | 764 | – | (506 249) | 729 904 | (18 238) | 711 666 |
| Realisation of revaluation reserves on sale of land and buildings | **–** | **–** | **(8 323)** | **–** | **–** | **8 323** | **–** | **–** | **–** |
| 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)** |
| Discontinued operations | **–** | **(82 107)** | **(56 447)** | **–** | **138 554** | **–** | **–** | **–** | **–** |
| Disposal of non-controlling interest | **–** | **–** | **–** | **–** | **–** | **(24 395)** | **(24 395)** | **24 395** | **–** |
| **BALANCE AT 28 FEBRUARY 2021** | **1 007 718** | **27 490** | **20 620** | **764** | **105 324** | **(809 348)** | **352 568** | **–** | **352 568** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED**

| | **28 February 2021 R'000** | Restated 29 February 2020 R'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **(363 445)** | (750 718) |
| Cash consumed by operations | **(209 145)** | (674 090) |
| Investment income | **31 718** | 29 740 |
| Finance costs | **(117 711)** | (76 011) |
| Dividends received | **1 565** | 29 952 |
| Taxation paid | **(69 872)** | (60 309) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **256 100** | 120 385 |
| Property, plant and equipment acquired – expansion | **(4 252)** | (28 367) |
| Property, plant and equipment acquired – maintaining | **(18 653)** | (13 847) |
| Proceeds on disposals of property, plant and equipment | **153 937** | 103 276 |
| Repayment of associate | **4 448** | 12 993 |
| Disposal of joint operation | **126 805** | – |
| Disposal of subsidiaries | **(2 998)** | – |
| Net cash (outflow)/inflow due to business combinations | **(3 187)** | 46 330 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | **230 161** | 463 961 |
| Proceeds from long-term financing | **5 000** | 120 000 |
| Proceeds from short-term financing | **510 014** | 701 603 |
| Repayment of long-term financing | **(213 585)** | (335 850) |
| Repayment of short-term financing | **(71 268)** | (21 792) |
| **NET MOVEMENT IN CASH AND CASH EQUIVALENTS** | **122 816** | (166 372) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | **740 513** | 880 771 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **(16 063)** | 26 114 |
| **CASH AND CASH EQUIVALENTS AT YEAR-END – DISCONTINUED OPERATIONS** | **(91 628)** | – |
| **CASH AND CASH EQUIVALENTS AT YEAR-END** | **755 638** | 740 513 |

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**) and on the inserted USB.

## INDEPENDENT AUDITOR'S REPORT

The unmodified independent auditor's report, which includes an emphasis of matter, can be found on page 9 of the consolidated annual financial statements on the accompanying USB as well as on the company's website **www.stefanuttistocks.com**. S Truter is the individual audit partner responsible for the audit.

## GOING CONCERN

### RESTRUCTURING PLAN UPDATE

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Unaudited Condensed Consolidated Results of Stefanutti Stocks for the six months ended 31 August 2020 issued on 26 November 2020, subsequent disposal of properties announcement issued on 21 October 2020, the disposal of the mining services division announcement issued on 28 April 2021, as well as the Reviewed Condensed Consolidated Results for the 12 months ended 28 February 2021 issued on 27 May 2021.

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 term 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 term loan on 1 July 2020, which loan terminates on 28 February 2022. 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. Shareholders are further advised that the group, on 25 May 2021, reached an agreement with the Lenders to extend the current capital repayment profile of the loan. The capital portion of the loan repayments are envisaged to commence in July 2021 with a residual loan balance at 28 February 2022 of approximately R420 million. The resolution of contractual claims and compensation events on the Kusile power project is taking longer than anticipated due to the complex nature thereof.

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 aspects of the Restructuring Plan are being implemented in this uncertain environment.

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 2022 and, to the extent required, shareholder approval will be sought for certain aspects of the Restructuring Plan. Stefanutti Stocks will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

### GOING CONCERN

The funding provided by the Lenders has assisted in relieving the group's liquidity pressures even though current liabilities exceed current assets at 28 February 2021. In addition thereto, uncertainties surrounding the COVID-19 pandemic and contingent liabilities as noted in note 26 of the group's Consolidated Annual Financial Statements for the year ended 28 February 2021, 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. However, having converted the short-term funding agreement with the Lenders to a term loan and on the basis of successfully implementing the Restructuring Plan, the directors consider it appropriate that the group's results for the reporting period be prepared on the going-concern basis.

## 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 2021 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 29 February 2020.

## 2. HEADLINE EARNINGS PER SHARE

| | **28 February 2021** | 29 February 2020 |
|---|---|---|
| HEPS – Basic (cents per share) | **(155,13)** | (622,48) |
| HEPS – Diluted (cents per share) | **(155,13)** | (622,48) |
| **WEIGHTED AVERAGE NUMBER OF SHARES USED** | | |
| Basic | **167 243 684** | 167 243 684 |
| Diluted | **167 243 684** | 167 243 684 |

| | **28 February 2021** | | 29 February 2020 | |
|---|---|---|---|---|
| **TOTAL OPERATIONS** | **Gross amount R'000** | **Net amount R'000** | Gross amount R'000 | Net amount R'000 |
| **Headline earnings reconciliation** | | | | |
| Loss after taxation attributable to equity holders of the company | | **(287 027)** | | (1 070 943) |
| Adjusted for: | | | | |
| Profit on disposal of plant and equipment | **(26 288)** | **(18 246)** | (11 946) | (7 948) |
| Gain on disposal of non-current assets held for sale | **(8 148)** | **(5 867)** | | – |
| Fair value adjustments | **5 926** | **4 111** | | – |
| Net loss on disposal of subsidiary | | **1 693** | | – |
| Profit on sale of joint operation | | **(53 887)** | | – |
| Loss on re-measurement of disposal group | | **26 103** | | – |
| Impairment of equity-accounted investees | | **58 533** | | – |
| Bargain purchase gain | | **–** | | (15 169) |
| Impairment of assets and goodwill | | **15 137** | | 52 995 |
| Headline earnings | | **(259 450)** | | (1 041 065) |

## 3. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

### 3.1 DISCONTINUED OPERATIONS

In line with the Restructuring Plan as discussed in detail on page 68, the group has initiated a disposal programme to sell certain operations which have accordingly been classified as discontinued operations effective 1 July 2020 and 28 February 2021. These disposals, including certain foreign operations, are expected to be concluded within the next 12 months and include the disposal of the Mining Services division as contemplated in the Circular sent to Shareholders on 28 April 2021. The financial performance, reportable assets and reportable liabilities are presented within the Construction & Mining and Building business units.

## 3. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

Financial information relating to the discontinued operations is set out in the tables below:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | 28 February 2021 R'000 | 29 February 2020 R'000 |
|---|---|---|
| Contract revenue | **866 770** | 1 358 890 |
| **Earnings before interest, taxation, depreciation and amortisation** | **54 038** | 6 825 |
| Depreciation and amortisation | **(4 779)** | (17 470) |
| Fair value adjustments – property, plant and equipment | **(5 926)** | – |
| Loss on re-measurement to fair value less costs to sell of disposal group | **(26 103)** | – |
| **Operating profit/(loss) before investment income** | **17 230** | (10 645) |
| Investment income | **3 649** | 2 479 |
| Share of profit of equity-accounted investees | **5 707** | 48 367 |
| **Operating profit before finance costs** | **26 586** | 40 201 |
| Finance costs | **(2 475)** | (11 114) |
| **Profit before taxation** | **24 111** | 29 087 |
| Taxation | **(2 945)** | 6 018 |
| **Profit for the period** | **21 166** | 35 105 |
| **Other comprehensive income** | **(36 232)** | 38 012 |
| Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) | **(43 731)** | 38 012 |
| Reclassification of foreign currency translation reserve on disposal of foreign subsidiary | **7 499** | – |
| **Total comprehensive income** | **(15 066)** | 73 117 |
| **Profit attributable to:** | **21 166** | 35 105 |
| Equity holders of the company | **24 321** | 36 210 |
| Non-controlling interest | **(3 155)** | (1 105) |
| **Total comprehensive income attributable to:** | **(15 066)** | 73 117 |
| Equity holders of the company | **(8 909)** | 77 163 |
| Non-controlling interest | **(6 157)** | (4 046) |
| Earnings per share (cents) | **14,54** | 21,65 |
| Diluted earnings per share (cents) | **14,54** | 21,65 |
| Headline earnings per share (cents) | **33,26** | 21,62 |
| Diluted headline earnings per share (cents) | **33,26** | 21,62 |

## 3. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

STATEMENT OF FINANCIAL POSITION

| | Local operations February 2021 R'000 | Foreign operations February 2021 R'000 | Total February 2021 R'000 |
|---|---|---|---|
| **Non-current assets** | **43 587** | **245 549** | **289 136** |
| Property, plant and equipment | 10 764 | 233 946 | 244 710 |
| Goodwill and intangible assets | 32 823 | – | 32 823 |
| Deferred tax assets | – | 11 603 | 11 603 |
| **Current assets** | **56 802** | **251 533** | **308 335** |
| Inventories | 430 | 86 385 | 86 815 |
| Contracts in progress | 625 | 4 950 | 5 575 |
| Trade and other receivables | 46 431 | 77 483 | 123 914 |
| Taxation | – | 403 | 403 |
| Bank balances | 9 316 | 82 312 | 91 628 |
| | **100 389** | **497 082** | **597 471** |
| **Non-current liabilities** | **–** | **386** | **386** |
| Financial liabilities | – | 386 | 386 |
| **Current liabilities** | **43 066** | **209 455** | **252 521** |
| Financial liabilities | 408 | 306 | 714 |
| Trade and other payables | 39 944 | 147 873 | 187 817 |
| Excess billings over work done | – | 53 409 | 53 409 |
| Provisions | 2 714 | 7 867 | 10 581 |
| | **43 066** | **209 841** | **252 907** |

### 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:

PROPERTY, PLANT AND EQUIPMENT

| | Business unit | Non-current assets held for sale R'000 | Liabilities directly associated with non-current assets held for sale R'000 |
|---|---|---|---|
| Land and buildings | Construction & Mining and M&E | **47 435** | 8 190 |
| Transport and motor vehicles | Construction & Mining | **138** | – |
| Plant and equipment | Construction & Mining and Building | **140 335** | 23 630 |
| | | **187 908** | 31 820 |

In line with the Restructuring Plan and as discussed in detail on page 68 of this report, the carrying value of the investment relating to the equity-accounted United Arab Emirates Joint Venture of R268 million, has also been re-classified to non-current assets held for sale. Negotiations with respect to the sale of this entity remain ongoing. Once agreement has been reached shareholders will be advised as to the terms which could impact on the fair value of the investment.

# 4. CONTINGENT LIABILITIES

### CONTINGENT LIABILITIES

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), a trial date had been set for the first quarter of 2020, however, this has been postponed at the client's request. The matter will now be dealt with in an arbitration of which the date has been set for September 2021. The group remains confident it can defend this claim and therefore no provision has been made.

With respect to the two contract mining project terminations, the arbitration matters remain ongoing. The group is confident that the terminations were lawful and therefore no provision has been made. Both arbitrations are expected to be completed by February 2022.

The arbitration matter relating to the cancellation of a petrochemical contract also 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.

During the reporting period, Stefanutti Stocks also terminated a mechanical project. The client is disputing the termination, which has been referred to arbitration. The arbitration process is expected to be completed by February 2022. The group is confident that the termination was lawful and therefore no provision has been made against this.

Group entities operating in foreign jurisdictions are continuously subjected to tax audits by local revenue authorities as part of their enforcement processes. The Kenyan Revenue Authority performed an audit on Stefanutti Stocks Kenya Limited for the years 2013 to 2018 and assessments have been issued. The process of disputing the assessments are ongoing and have not been finalised.

### ESKOM – KUSILE POWER PROJECT

As reported in the February 2020 financial year, Eskom has adopted an adverse approach to certification of applications for work done by the Stefanutti Stocks Basil Read JV ("SSBR"), which has required a substantial increase of internal funding for this project. This has increased the initial funding requirement of R400 million to approximately R986 million excluding the initial impact of COVID-19. Consequently, in addition to the provision of R263 million raised at February 2019 for the potential unrecoverable preliminary and general costs, the group raised a further provision of R462 million in February 2020 for potential unrecoverable monthly measured works to complete the building works of the project.

As stated in the SENS announcement dated 8 July 2020, Stefanutti Stocks notes the release of the Eskom briefing document dated 10 June 2020 reflecting the "Kusile Contract Investigations Status" ("briefing document") where it is stated, amongst other things, that Stefanutti Stocks has been overpaid by Eskom in relation to certain projects. Stefanutti Stocks has considered the briefing document and notes, for the benefit of shareholders in particular, that the investigations being carried out by and on behalf of Eskom are not complete. That said, Stefanutti Stocks disputes that it, or the joint operations in which it participates, have been overpaid.

As previously highlighted to shareholders in various announcements and updates since late 2018, the group is pursuing a number of contractual claims and compensation events on the Kusile power project, and 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.

The group advises shareholders as follows in relation to the matters raised with respect to Stefanutti Stocks in the briefing document:

› During the period between 2015 to 2018, payments made by Eskom to SSBR on package 16 were all made consequent to certificates issued by the independent engineer. During that period, representatives of the engineer and Eskom carried out audits of SSBR records and the payment certificates were issued after they had satisfied themselves that the costs claimed were actually and validly incurred in the construction at Kusile.
› Stefanutti Stocks contends that SSBR is owed additional amounts in respect of work done since December 2018 and in respect of which payments have been withheld. SSBR and Eskom have both committed to a claims resolution process which involves the appointment of independent experts to evaluate the causes of delay and the quantum thereof. This process remains ongoing.
› In relation to Package 28, during February 2019, Eskom terminated the contract with Stefanutti Stocks Izazi JV ("SSI") due to its inability to provide access to SSI to be able to complete the relevant works. Based on the works completed, as well as Eskom's inability to provide access, Stefanutti Stocks contends that there are significant amounts due to it. SSI commenced an adjudication process to recover these material amounts in 2018.
› During August 2019 and April 2020, the engineer appointed by the client issued two negative final payment certificates, alleging overpayments had been made to the JV. This prompted the notification of many new disputes which were included in the adjudication process. Adjudication hearings were conducted during November 2020 and February 2021. It is highly probable that these disputes will be referred to arbitration. As several disputes relate to measurement of the works, all parties involved embarked on an independent expert process to resolve these disputes. The parties are still on track to substantially resolve the disputes by February 2022.

# 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 2021 will be held on **Friday, 6 August 2021 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 81 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 4 August 2021, 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, 28 June 2021
- **Record date to receive the Notice:** Friday, 18 June 2021
- **Last date to trade to be eligible to vote:** Tuesday, 27 July 2021
- **Record date to be eligible to vote:** Friday, 30 July 2021
- **For administrative purposes only, the last date for lodging forms of proxy (by 12:00):** Wednesday, 4 August 2021

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, 30 July 2021.

## 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 8 of the Stefanutti Stocks Group Consolidated Annual Financial Statements 2021.

The Social and Ethics Committee report is set out on page 51 of the 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 2021, 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 2021 can be found on the inserted USB storage device of the integrated annual report of which this Notice forms part. A copy of the consolidated annual financial statements can also be obtained 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 2021, 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 directors shall retire by rotation at the AGM.

As advised to shareholders on 27 May 2021, DG Quinn retires at this AGM and has not offered himself for re-election.

The following director retires at this AGM and, being eligible, offers herself for re-election: BP Silwanyana. The board has considered her performance, including her attendance at meetings of the board and its committees, and recommend and supports her re-election.

## Ordinary resolution 2: Re-election of director

"RESOLVED THAT, BP Silwanyana, 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 BP Silwanyana is included on page 39 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: Confirmation of appointment of a director

"RESOLVED THAT, the appointment of Y du Plessis as a director of the company be confirmed and approved".

The board appointed Y du Plessis as a director of the company with effect from 1 June 2021. Directors who are appointed as such retire at the first annual general meeting following their appointment, and their appointment is thus subject to confirmation by shareholders at the annual general meeting. The board recommends and supports confirmation of her appointment.

A brief curriculum vitae in respect of Y du Plessis is included on page 39 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 a director

"RESOLVED THAT, the appointment of JM Poluta as a director of the company with effect from 6 August 2021 be approved".

The board has proposed that John Poluta be appointed as a director of the company with effect from 6 August 2021. John has been on the board as an alternate director to Busisiwe Silwanyana since 2017.

A brief curriculum vitae in respect of JM Poluta is included on page 39 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 5: 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 6, 7 and 8: Appointment of Audit, Governance and Risk Committee members

Ordinary resolution numbers 6, 7 and 8 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 6: 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 39 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 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 39 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: Appointment of Audit, Governance and Risk Committee member

"RESOLVED THAT subject to the passing of Ordinary Resolution Number 4, 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 39 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 9: 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 56 to 61 of the integrated annual report.

## Ordinary resolution 10: 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 61 to 62 of the integrated annual report.

### Notes to ordinary resolution numbers 9 and 10

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 11: 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 10 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 28 February 2023, as noted in the table below, 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 28 February 2023, will be as set out in the table below. 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 28 February 2023."

**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 | 959 200/annum |
| 1.2 | Board | Member | 50 900 | 50 900 |
| 1.3 | Audit, Governance and Risk Committee | Chairman | 95 000 | 95 000 |
| 1.4 | Audit, Governance and Risk Committee | Member | 50 900 | 50 900 |
| 1.5 | Remuneration and Nominations Committee | Chairman | 50 900 | 50 900 |
| 1.6 | Remuneration and Nominations Committee | Member | 29 100 | 29 100 |
| 1.7 | Social and Ethics Committee | Chairman | 42 700 | 42 700 |
| 1.8 | Social and Ethics Committee | Member | 22 900 | 22 900 |
| 1.9 | Any other committee to be formed | Chairman | 38 000 | 38 000 |
| 1.10 | Any other committee to be formed | Member | 20 400 | 20 400 |
| 1.11 | Directors' hourly rate (note 4) | | 1 975 | 1 975 |
| 1.12 | Specific project fees (note 5) | | 1 975 | 1 975 |

**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 2021 to the AGM for the financial year ended 28 February 2023.*
7. *No increase in fees have been proposed in the table set above and the fees remain unchanged, as approved by shareholders at the AGM held on 8 August 2018, 8 August 2019 and 9 October 2020.*

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 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 38 and 39 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, 4 August 2021.

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 81 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

21 June 2021

**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, 6 August 2021 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 2021, including the directors' report and the report of the Audit, Governance and Risk Committee | | | |
| 2. To re-elect BP Silwanyana as a director of the company | | | |
| 3. To confirm the appointment of Y du Plessis as a director of the company | | | |
| 4. To approve the appointment of JM Poluta as a director of the company | | | |
| 5. To re-appoint the auditors and the audit partner | | | |
| 6. To appoint B Harie as a member of the Audit, Governance and Risk Committee | | | |
| 7. To appoint BP Silwanyana as a member of the Audit, Governance and Risk Committee | | | |
| 8. To appoint JM Poluta as a member of the Audit, Governance and Risk Committee | | | |
| 9. To approve the company's remuneration policy | | | |
| 10. To approve the company's remuneration implementation report | | | |
| 11. 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) 2021

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 6 AUGUST 2021 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 4 August 2021, 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 4 and 5 August 2021 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, 4 August 2021.

› 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 Wynand Louw (wynand.louw@Computershare.co.za; cell: +27 (0)82 906 7963) or Benjamin Janse van Vuuren (benjamin.jansevanvuuren@computershare.co.za; cell: +27 (0)82 496 8416) 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 dialing 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

**"BU"**
Business unit

**"C&M"**
Construction & Mining

**"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

**"EXCO"**
Executive Committee

**"FSP"**
Forfeitable Share Plan

**"HEPS"**
Headline earnings per share

**"HR"**
Human resources

**"ICT"**
Information communication technology

**"IFRS"**
International Financial Reporting Standards

**"ISO"**
International Standards Organisation

**"JSE"**
JSE Limited

**"JSE Listings Requirements"**
Listings Requirements of the JSE Limited

**"King IV"**
King IV Report on Corporate Governance for South Africa 2016

**"LDC"**
Limited duration contract

**"LID"**
Lead Independent Director

**"LTI"**
Long-term incentives

**"LTIFR"**
Lost time injury frequency rate

**"M&E"**
Mechanical & Electrical

**"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

**"OHSE"**
Occupational health, safety and environment

**"Operating profit/loss"**
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"**
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

**"SED"**
Socio-economic development

**"SHE"**
Safety, health and environment

**"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 2021

**"the next year"**
The financial year ending 28 February 2022

**"the previous year"**
The financial year ended 29 February 2020

**"Total assets"**
Total non-current and current assets

**"Total remuneration"**
Total fixed package plus short-term incentivisation

**"UAE"**
United Arab Emirates

**"VAT"**
Value-added tax

**"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 21 June 2021: ZJ Matlala* (Chairman); HJ Craig*; B Harie*;
BP Silwanyana*; JM Poluta* (alternate to BP Silwanyana); DG Quinn*;
RW Crawford (CEO); Y du Plessis (Acting 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

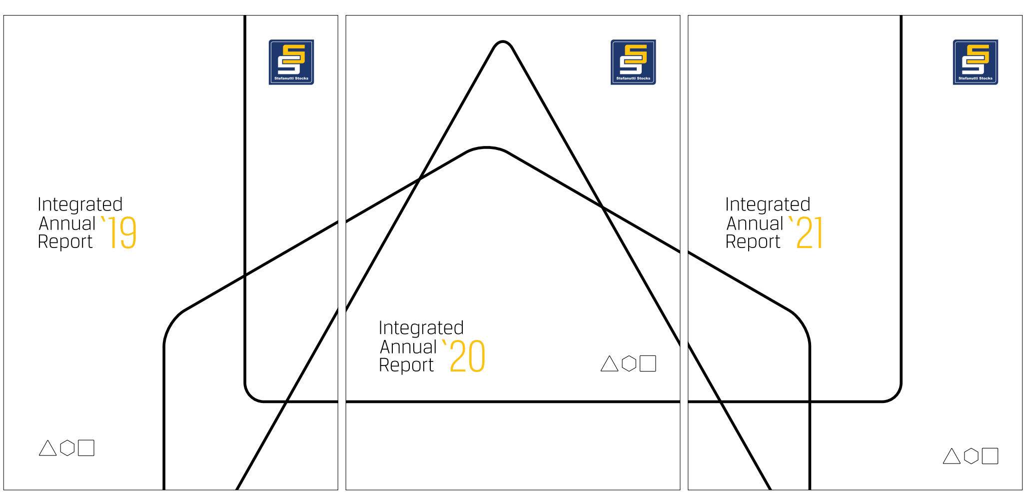
Telephone number: +27 11 268 6231

## Bankers

Absa Bank Limited
Banco Comercial e de Investimentos
Banco Internacional de Moçambique
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
Société Générale Moçambique
Stanbic Bank Botswana Limited
Stanbic Bank Zambia Limited
Standard Bank Eswatini
United Bank for Africa Zambia Limited

## Website

**www.stefanuttistocks.com**


Integrated
Annual `19
Report
Integrated
Annual `20
Report
Integrated
Annual `21
Report

Stefanutti Stocks

www.stefanuttistocks.com