STEFANUTTI STOCKS GROUP

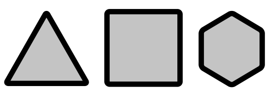
Integrated Annual Report `20

Contents

OUR BUSINESS UNITS

The Stefanutti Stocks Integrated Annual Report 2020 continues using an icon system to represent its three business units.

These icons represent **CONSTRUCTION & MINING, BUILDING** and **MECHANICAL & ELECTRICAL** from left to right.



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.

About this report

SCOPE AND BOUNDARY

The integrated annual report for 2020 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 long-term investors (our 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 29 February 2020, 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, 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 2020 financial statements have been prepared under the supervision of the Chief Financial Officer (CFO), Antonio Cocciante, 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 29 February 2020, 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 account of 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 6) 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 18 August 2020.

Zanele Matlala
Chairman of the board

Russell Crawford
Chief Executive Officer

18 August 2020

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 CFO, AV Cocciante, CA(SA). The extract of financial statements has been audited in compliance with the applicable requirements of the Companies Act.

Antonio Cocciante

Chief Financial Officer

18 August 2020

CERTIFICATE BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I certify that, to the best of my knowledge and belief, Stefanutti Stocks Holdings Limited has, in respect of the financial year ended 29 February 2020, 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

18 August 2020

INDEPENDENT AUDITOR'S REPORT

The unmodified independent auditor's report, which includes an emphasis of matter, can be found on page 10 of the consolidated annual financial statements on the inserted USB as well as on Stefanutti Stocks's website **www.stefanuttistocks.com**. S Truter is the individual responsible for the audit.

COVID-19 response

COVID-19 RESPONSE

Overview

On 31 December 2019, the World Health Organization (WHO) reported a cluster of pneumonia cases in Wuhan City, China. "Severe Acute Respiratory Syndrome Coronavirus 2" (SARV-CoV-2) was confirmed as the causative agent of what is now known as "Coronavirus Disease 2019" (COVID-19). Since then, the virus has been identified as a pandemic and has spread across the world, including to South Africa.

The first known and laboratory confirmed case of COVID-19 in South Africa was reported on 5 March 2020. In efforts to prevent an unimpeded spread of COVID-19 and to provide time for the South African National Department of Health to prepare for the expected, eventual, increase in community transmission cases, a National State of Disaster was declared by President Cyril Ramaphosa on 15 March 2020, in accordance with the provisions of the Disaster Management Act, 2002.

An initial 21-day lockdown was implemented from 27 March 2020, which was extended until the end of April 2020. During this period, all South Africans were confined to their homes except to access healthcare and to purchase essential goods. Only essential services were permitted to operate during this lockdown period. Stefanutti Stocks operations were not classified as essential services, with the exception of certain contract mining projects. All other operations were therefore halted during the lockdown.

On 1 May 2020 South Africa adopted a risk-based strategy combatting and responding to the spread of COVID-19 and commenced with a staggered re-opening of business and the economy. Certain operations of Stefanutti Stocks were permitted to return to work, although all operations were required to adopt a staggered return to work. Stefanutti Stocks operations commenced the return to work and were fully operational from 1 June 2020.

Stefanutti Stocks fully supports the efforts of the South African Government to prevent the spread of COVID-19 and, where this is not possible, to work towards slowing the spread in order to "flatten the curve".

COMPLIANCE WITH COVID-19 REGULATIONS

As the economy has continued to increasingly open up, Stefanutti Stocks has ensured that it has taken all reasonably practical measures to safeguard the health of employees while they are at work and to prevent, as far as it is able, the spread of COVID-19 in its workplaces.

COVID-19 COMPLIANCE MEASURES

In efforts to prevent the spread of COVID-19 in its workplaces Stefanutti Stocks has implemented a number of measures, guided by its statutory obligations as an employer, to identify and control risks to employees. These measures, informed by the required hazard identification and risk assessment on COVID-19 in the workplace have been set out in the required workplace readiness plans and COVID-19 policies.

The measures implemented have been communicated to employees and specific supervisors appointed to ensure that all employees comply with these polices. All persons working for or on behalf of policies Stefanutti Stocks must adhere to these measures when entering and while in their respective workplaces.

Measures taken will be consistently assessed to ensure that they remain appropriate, in line with legislative obligations and based on the best available scientific and medical advice. The types of measures that have been implemented include those to ensure safe social distancing (including minimising the number of employees at the workplace at any one time, while ensuring the safety of personnel), increased hygiene and sanitisation of workplaces and ensuring adequate facilities for employees to frequently wash or sanitise their hands, employee symptom screening and provision of information regarding COVID-19 and the procedures to follow to limit risk of contracting the virus and the provision of appropriate personal protective equipment. Vulnerable employees have been identified and special measures have been taken to safeguard their health while at work, where they are not able to work from home. All employees have been provided with cloth masks and are required to wear these while commuting to and from and while at the workplace.

COVID-19 CASES IN THE WORKPLACE

Stefanutti Stocks has a strict no discrimination policy, which applies equally in respect of any employee who may contract COVID-19. Stefanutti Stocks is committed to working to break any stigma that may be associated with contracting COVID-19 and to encouraging all employees to seek any medical advice they may require and to comply with all self-isolation or quarantine obligations.

In the event of a positive case, all statutory reporting and investigation will be performed and Stefanutti Stocks will provide all required administrative support to the contact tracing procedures of the Department of Health.

Company profile

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

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

The focus areas of the group comprise concrete structures, marine construction, piling and geotechnical services, roads and earthworks, bulk pipelines, open-pit contract mining and 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. Furthermore, the group is also ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certified.

The group operates in South Africa, sub-Saharan Africa, including Botswana, Ghana, Guinea, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Eswatini (Swaziland), Tanzania, the United Arab Emirates and Zambia, 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.

Stefanutti Stocks's headquarters is based in Kempton Park, Gauteng and it employs a global workforce of 9 768 with 6 339 employees throughout South Africa.

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.

VISION

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

MISSION

excellence
in **execution**

Category 9	6 339	9 768
CIDB CONTRACTOR	**EMPLOYEES IN SOUTH AFRICA**	**GLOBAL WORKFORCE**

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

Regional operations in Africa and United Arab Emirates

VALUES

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

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

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

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

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

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

Business model

The 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 arise, 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

HUMAN

Employees, human resource practices, trends

SOCIAL AND RELATIONSHIP

Relationships with and between employees, communities and other stakeholders

NATURAL

Any stock or flow of energy and material that produces goods and services

INPUTS

Human

- 9 768 employed by the group
- Board of directors
- Executive Committee
- Social and Ethics Committee
- Founder's Mentality
- OHSE Forum and HR Forum

Social and relationship

- Transformation Committee
- Emerging contractor development in the VRP
- R0,7 million invested in SED initiatives
- HR Forum

Natural

- Environmental Forum
- Plant initiatives reducing diesel and oil usage
- Improved biodiversity management

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.

OUTPUTS

Human

- Governance structures adhere to King IV
- Employee benefits that include retirement, funeral cover, children's educational cover and medical aid
- Remuneration policy with long-term incentives for key staff
- Various initiatives address skills development and training

Social and relationship

- B-BBEE initiatives
- Dedicated mentorship and support of emerging contractors
- Donating time, skills and materials to support educational facilities

Natural

- Environmental framework
- Environmental initiatives

OUTCOMES

Human

- R2,6 billion paid to employees
- Good corporate governance practices
- Key staff retention
- Engaged and energised staff
- 5 828 employees are deemed PDIs

Social and relationship

- B-BBEE Level 1 Contributor status
- Transformed construction industry and job creation
- Economic growth for communities
- 0,02 LTIFR maintained
- RCR 0,29
- 84 bursary beneficiaries

Natural

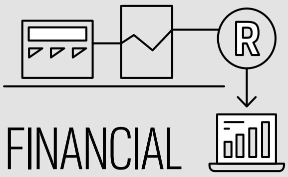
- No major reportable environmental incidents
- ISO 14001 certifications
- Reduced environmental impact
- Water conservation

STAKEHOLDERS IMPACTED

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

FOUNDATIONAL VALUE SYSTEM

CANDOUR, ACCOUNTABILITY, PEOPLE RELATIONS, PROFESSIONALISM, EXCELLENCE, DYNAMIC



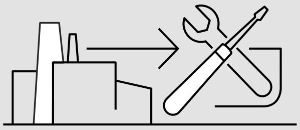
FINANCIAL

Representative of natural, human, social or manufactured capital such as shares, bonds or banknotes

- R712 million equity
- R1,5 billion debt
- Work in progress: R640 million

- R741 million cash on hand
- R751 million cash consumed by operations
- Net tangible asset value per share 193,71 cents

- R8,6 billion contract revenue
- R99 million capital expenditure
- Total assets R6,6 billion
- Interest-bearing debt increased



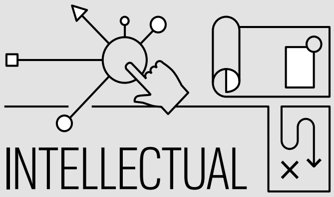
MANUFACTURED

Material goods and infrastructure owned, leased or controlled by the group that contribute to production

- Three operating business units
- R99 million capital expenditure
- R7,9 billion group order book as at 29 February 2020

- Enhancing and maintaining operating capacity

- CIDB 9 rating
- Enhanced geographical footprint



INTELLECTUAL

Value of the company's employee knowledge, skills and proprietary information that can provide a competitive advantage

- Multidisciplinary expertise
- Leading company operating across South Africa, sub-Saharan Africa and the UAE
- Risk monitoring through risk registers
- Internally developed operating ICT system
- Brand
- CIDB Category 9 Contractor
- R17,6 million invested in training

- R7,9 billion group order book as at 29 February 2020
- Combined assurance framework to effectively manage the risks facing the business
- Operational efficiency

- Sustainable performance
- Investor confidence
- Stable and reliable systems and processes
- 32 apprenticeships
- 73 learnership beneficiaries

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.

Stakeholder engagement

EMPLOYEES

Continuous 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 the 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 pension fund and medical aid 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.

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 will conduct 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 will conduct the survey and focus areas will include (as in the past surveys) safety, quality, transformation, productivity, communication, systems and company values among others.

LOCAL COMMUNITIES

Stefanutti Stocks's relationship with local communities can be described as symbiotic and in the current political and socio-economic environment, upfront community engagement is especially vital to ensure successful project delivery. It furthermore 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 also finds that communities have intimate knowledge and a unique relationship with their respective areas/environments and are a source of information in identifying 'unknown' constraints that could potentially directly impact the successful execution and therefore profitability of projects.

To facilitate open communication, various platforms are created on each project where progress updates are presented, while providing an opportunity for all stakeholders to table concerns and queries.

Project Community Liaison Officers are employed on projects with the primary role of day-to-day communication with local community leaders, assisting with recruitment requirements and acting as the community spokespersons.

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

TRADE UNIONS

The main role of trade unions is to ensure the welfare of members such as safeguarding their interests, protecting the reliability of their trade and achieving higher wages by securing economic benefits.

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

Three institutions have also been created to further the goals of reducing industrial relations conflict, and both eliminating unfair discrimination and redressing past discrimination in the workplace: the National Economic Development and Labour Council (NEDLAC), the Labour Court, and the Council for Conciliation, Mediation and Arbitration (CCMA).

1 997 employees belong to trade unions, which represents 41,7% 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.

The Labour Relations Act was passed in 1995, and subsequently experienced major amendments in 1996, 1998 and 2002. Its stated purpose is to "give effect to section 27 of the Constitution" by regulating organisational rights of trade unions, promoting collective bargaining, regulating the right to strike and the recourse to lockouts, as well as providing mechanisms for dispute resolution and the establishment of Labour Court and Labour Appeal Court as superior courts, "with exclusive jurisdiction to decide matters arising from the Act". The Act also addresses employee participation in decision-making, and international law obligations in respect to labour relations.

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

Clients are among the most important sustainability aspects of the business and form one of the three pillars of the Stefanutti Stocks Way. Group culture focuses on developing and maintaining client relationships and providing services and products that are executed and delivered beyond the client's expectations. The group adopts a solutions-driven, teamwork approach when interacting with clients and their professional teams, promoting a candid and professional relationship of inclusivity. Top and senior management develop and maintain client relationships by regular and personalised contact. This lays the foundation for a successful project and a satisfied client.

Clients benefit from the group's diversified service offering which plays a significant role in its future sustainability. Where available, multidisciplinary projects provide business units and their divisions with opportunities to deliver projects to clients, on time and in line with expectations — managed by one execution team with a single point of contact. This capability offers clients a seamless integration of various disciplines, a unified approach to health and safety and streamlined procurement and project commissioning and handover.

In addition, the group strives to ensure that alternative procurement and execution methods are communicated which may lead to a reduction in cost.

Trust is created by having a sound understanding of clients' needs and surpassing their expectations which greatly improves the prospects of obtaining repeat business. These relationships, in conjunction with assisting with complimentary feasibility pricing, allows for early interactions on potential projects and provides invaluable intelligence on market prospects and opportunities.

Measuring client satisfaction is a prerequisite and this is an aspect that will be focused on in the coming year by centralising survey results for better analysis. In addition, the group has embarked on a more robust and standardised approach to undertake these.

Stefanutti Stocks is focused on continually improving customer relations across all sectors of the organisation. Through the effective problem-solving techniques and alternative procurement and execution methods applied on a continuous basis by the company's dedicated and competent employees, its relationships with clients and service providers will strengthen.

SUPPLIERS

Suppliers are an important stakeholder and as a result, the group continually strives to enhance relationships with existing suppliers as well as to identify new suppliers. Stefanutti Stocks initiated a drive to further strengthen its relationships with suppliers. A Vendor Day initiative takes place every four months and sessions are held at each of the main centres in Johannesburg, Pinetown, Cape Town and Eswatini (Swaziland). Key personnel from suppliers and Stefanutti Stocks attend these sessions which are undertaken as informal networking sessions. The group has used the feedback from suppliers and staff to enhance the value of these sessions.

A planned and structured monthly plant supplier meeting schedule is set up and distributed at the beginning of each year, detailing the date and time allocated for each supplier meeting. Suppliers are ranked in terms of key performance criteria which forms part of meeting the objectives. The process results in the management teams of both the supplier and the group's plant departments being informed of focus areas for improvement to ensure progress is made on key performance objectives.

ENTERPRISE DEVELOPMENT (ED) PARTNERS

The group's ED strategy is to establish and maintain solid working relationships with capable black-owned companies (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, challenging projects.

The business unit management teams identify and select the ED partner beneficiaries to synergise with group operations. Refer to page 24 of the sustainability report for more information on the group's ED approach and activities.

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 VRP is discussed in further detail on page 29 of the sustainability report.

THE JOHANNESBURG STOCK EXCHANGE LIMITED (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 take the form of 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 with regard to the group's performance and strategic progress to employees, the media, institutional investors and financial analysts.

General company information in the form of 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 regularly evaluates its material issues in terms of legislative and regulatory requirements and emerging and developing risks. The group categorises these issues in accordance with the material effects they may have on strategic operations. Stakeholder engagement, via formal and informal channels, aids in the process of defining the group's material issues. The group's material issues are discussed below:

Material issues	Stakeholders impacted	Response to issue
GOVERNANCE AND LEADERSHIP: To ensure that there is adequate governance in place throughout the group	› Analysts › Clients › Employees › Investors › Shareholders › Trade unions	› The company has board-appointed committees, namely the ARCO, S&E, REMCO and NOMCO. › The group is committed to adhering to the principles as set out in King IV. › The codes of conduct and ethics are applied throughout the group. The B-BBEE codes are applied across South African businesses. › A leadership pipeline has been identified to ensure proper succession exists.
GOING CONCERN, SOLVENCY AND LIQUIDITY: To ensure that the group is able to continue as a sustainable business	› Analysts › Clients › Employees › Financiers › Investors › Shareholders › Suppliers	The EXCO, ARCO and the board attend to the matters below: › Monitor the group's going concern, solvency and liquidity, specifically given the liquidity shortage experienced by the group during the financial year and the impact of the COVID-19 pandemic on the group's operations; › Review funding required for the future sustainability of the group; › Consider and review material contracts, outstanding debtors, the recovery of such debts; and › Consider and review possible impairments.
EARNINGS GROWTH: To ensure sustainable growth in earnings for the group's stakeholders	› Analysts › Clients › Employees › Financiers › Investors › Shareholders › Suppliers	› The EXCO tracks operational performance against business plan objectives, budgets and financial targets. Corrective action is taken in the event of non-performance by any business unit.
HUMAN CAPITAL: To attract (with appropriate benefits and opportunities), retain (by recognition, development and career prospects), develop and motivate employees to their full potential. To ensure adequate succession planning is in place	› Analysts › Clients › Communities › Employees › Investors › Shareholders › Trade unions	› The human resources function assesses capacity requirements, employment and development of skills, the B-BBEE scorecard, compensation and benefits and the group's corporate culture. › A leadership pipeline has been identified to ensure succession exists. A share scheme to attract and retain employees has been implemented. › Legislative compliance. › Human capital risk assessments have been conducted and mitigation has been identified.
OPERATIONAL: Operational issues associated with securing tenders, assets, credit, fraud and reputation	› Analysts › Clients › Communities › Employees › Investors › Shareholders › Suppliers › Trade unions	› Key performance areas are closely monitored by way of controls and measures that are applied. › Comprehensive ICT systems oversee all areas of the business. › Training is provided on an ongoing basis. › Comprehensive tender completion approval process. › Fraud tip-off line is available.
HEALTH, SAFETY AND ENVIRONMENT: To ensure that the group provides a healthy and safe environment for its employees and subcontractors, while considering the environmental impact of the group's operations	› Analysts › Clients › Communities › Employees › Investors › Shareholders › Trade unions	› A group Health, Safety and Environment Framework has been implemented. › Health and safety training is continuously provided. › On-site rehabilitation of the environment is undertaken to the best of the group's abilities. › The use of energy-saving products and fuel optimisation is applied. Recycling of resources is undertaken where possible. › 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: To ensure ongoing monitoring of compliance with the Competition Act	› All	› Regular training sessions and awareness programmes are provided to employees in respect of the Competition Act and ethical behaviour.

Risk management

The board, assisted by the Audit, Governance and Risk Committee (ARCO) is responsible for the governance, management and monitoring of risk. This includes the determination of risk appetite and tolerance levels and the approval of the risk strategy, policy and framework.

Essential to managing risk is the protection of stakeholder interests and creating sustainable stakeholder value. 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.

All infrastructure, controls, systems and ethical behaviour are utilised and managed within predefined procedures and restrictions, to ensure that risk is minimised, 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.

The Group Risk Officer reports to the ARCO and presents a risk report at each ARCO meeting. 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.

As recommended by King IV, the group has adopted a combined assurance model to ensure that all identified risks are subjected to the appropriate level of management control. Risks are assured both internally and externally as appropriate. 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 on page 49 within the corporate governance report.

Regarding 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. During the reporting period, no incidences of corruption were identified.

Regarding the Coronavirus (COVID-19), the ARCO considered the potential impact of COVID-19 on the company's business and operations. 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 2020 financial year were:

- Going concern, solvency and liquidity;
- Ongoing funding to ensure the group's sustainability;
- Ongoing assessments and risk-based reviews on high-risk areas; and
- Continuous focus on review of major projects.

The focus areas for the 2021 financial year will be:

- 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 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 › Identification of opportunities in new markets › New geographical territories › Alternative procurement approaches and methods	Financial capital Human capital Intellectual capital Manufactured capital
	Ability of the group to remain a sustainable business post the COVID-19 pandemic	› Preservation of cash resources during the lockdown period › Continuous contact with clients in respect of cancelled projects › Following Governmental guidelines to ensure safety of group employees › Development of response plans for the post lockdown period	Financial capital Human capital Manufactured capital Social and relationship capital
COMMERCIAL	Diverse number of contracting forms and solutions	› Specialised skills deployed for tenders › Funding expertise acquired	Financial capital Human capital Intellectual capital
INDUSTRY COMPLIANCE	Not attaining B-BBEE rating	› Structured initiatives to increase representation of previously disadvantaged individuals at various management levels › B-BBEE initiatives by business units › Monthly measurement tool implemented by business units › Procurement with qualifying B-BBEE suppliers and subcontractors	Intellectual capital Human capital Financial capital
INDUSTRY VOLATILITY	Exposure to industrial action	› Ongoing liaison with site teams and forging strategic relationships with unions › Constant communication and feedback at sites	Intellectual capital Human capital Financial capital

RISK MANAGEMENT
continued

Risk category	Risk	Mitigation strategy	Affected capital
HUMAN RESOURCES	Scarcity of resources for execution of projects	› Focused actions as part of the expansion strategy	Human capital Financial capital Intellectual capital
LEGAL	Potential non-compliance with legal frameworks	› Ongoing annual training and awareness programmes for all management on Competition Act requirements › Code of Business Conduct and Ethics › Risk management and legal compliance reviews › Reputation management programme › Rigorous health and safety management systems in each business unit › Group forums to improve communication › Monitoring and reporting of all incidents, ensuring corrective action is taken › Reporting against environmental metrics › Ongoing environmental management systems are implemented by each business unit › Identification of Acts applicable to the group and key controls to ensure compliance › Financial management processes, procedures for VAT and income tax compliance › Risk management and compliance reviews	Financial capital Human capital Social and relationship capital Natural capital Intellectual capital Manufactured capital
RESOURCES	Electricity supply	› Uninterrupted power supplies and generators have been installed at all major sites	Natural capital Financial capital Manufactured capital
	Resource utilisation	› Flexible resource arrangements › Proactive redeployment of resources	Human capital Financial capital
MARKET	Loss of market share	› Client relationship marketing strategies › Quality, on-time and within client budget performance › Process of continuous improvements and cost control › Growing market share in selected business areas › Diversification of client base within the business units	Financial capital Social and relationship capital Intellectual capital Human capital
GEOGRAPHICAL	New geographical expansion	› Rigorous estimating and tendering process with restricted levels of authority › Due diligence to ensure understanding of economic, fiscal, social, political and market conditions › Comprehensive, ongoing market research › Focused practical policies and procedures in support of strategy › On-the-ground commitment to gain practical experience of the region › Assistance of advisory firms and consultants › Appropriately skilled management › Focused strategy on tendering for major projects	Intellectual capital Human capital Manufactured capital Financial capital
PRICING	Estimating	› Well-developed estimating systems › Experienced estimators › Regular reviews and updates of rates › Structured and stringent tender finalisation process › Complex, large, new types of projects subjected to particular focus	Intellectual capital Human capital Financial capital Manufactured capital
CONTRACT SELECTION	Contractual terms and conditions becoming onerous	› Commercial skills capacity › Conforming to standard industry contracts › Deviations subject to professional advice inputs and senior management sign offs › Avoidance and/or mitigation of high-risk contracts e.g. fixed price contracts	Intellectual capital Financial capital

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

Chairman's report

Zanele Matlala
CHAIRMAN

Level 1

B-BBEE CONTRIBUTOR STATUS

INTRODUCTION

In the construction sector, the operating environment remained challenging due to factors including a scarcity of large projects, slower payments from customers and increased levels of competition for small and medium projects.

BUSINESS OVERVIEW

Against the backdrop of a difficult trading environment, the group's contract revenue declined significantly compared to the previous year. As a result, operating losses widened further during the year under review. Another contributing factor was an increase in provisions arising from a dispute relating to a public power sector project.

In order to address liquidity challenges, the group has embarked on a restructuring programme, which includes a funding plan. The plan also includes, but is not limited to, the sale of non-core assets, the sale of certain divisions, the restructuring of short-term funding and an evaluation of the optimal business model. The plan also takes the effects of COVID-19 into account.

The year under review was characterised by muted economic growth and declining business confidence. To underline these sentiments, the South African economy fell into technical recession in the last quarter of 2019.

CORPORATE GOVERNANCE

The group is committed to achieving and maintaining a high standard of corporate governance. As discussed on page 43 of this integrated annual report, the board reviews and assesses the application of the King IV principles on an ongoing basis.

B-BBEE

As ever, the group remains committed to implementing the principles of broad-based black economic empowerment (B-BBEE) throughout the business. Progress in this regard is evidenced by the company's B-BBEE status, which improved from a Level 2 to a Level 1 Contributor.

BOARD CHANGES

In August 2019, the group bade farewell to Chairman, Kevin Eborall and CEO, Willie Meyburgh. The members of the board express their sincere appreciation to both Kevin and Willie for their contribution over the course of many years.

With effect from 12 August 2019, I have taken over the duties of Chairman of the board from Kevin.

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

18 August 2020

Performance review

Russell Crawford
CHIEF EXECUTIVE OFFICER

R8,6bn
CONTRACT REVENUE

THE YEAR UNDER REVIEW

Continued adverse market conditions, lack of available work, community unrest, as well as the considerable impact of the Kusile Power Projects, have resulted in a significant reduction, to R8,6 billion (Feb 2019: R9,9 billion), in contract revenue generated from operations.

The group incurred an operating loss of R1,033 billion (Feb 2019: R158 million). The operating loss was impacted by the raising of an IAS37 provision of R462 million, for the potential unrecoverable costs for measured works to complete the Kusile Building Project; the raising of specific provisions to a value of R331 million, for slowing-paying trade receivables due to less frequent and reduced payments from certain local and cross-border clients since the beginning of the financial year; and project losses to a value of R294 million.

During the current reporting period, Eskom adopted an adverse approach to certification of applications for work done, requiring a substantial increase in internal funding for the Kusile Building Project. This has contributed towards an increase of the initial R400 million funding requirement to approximately R986 million, with R725 million relating to the Kusile Building Project.

In accordance with the Restructuring Plan the Lenders have provided the group with total funding of R1,25 billion from July 2019 to date. Included in this amount is R270 million estimated for the impact of COVID-19. These funds have been utilised to meet the group's short-term liquidity requirements, allowing more time for the group to resolve its contractual claims and compensation events on the Kusile Power Project.

Eskom – Kusile Power Projects

The group has considered Eskom's Kusile Contract Investigations Status (briefing document) and Stefanutti Stocks disputes that it, or the joint operations in which it participates, have been overpaid.

Kusile Building Project – Package 16

During the period between 2015 to 2018, payments made by Eskom to the Stefanutti Stocks Basil Read joint venture (SSBR) were all made consequent to certificates being issued by the independently appointed engineer. During that period, representatives of the engineer and Eskom conducted audits of SSBR records and, once they were satisfied that costs claimed were valid and had been incurred in the construction at Kusile, issued payment certificates.

Stefanutti Stocks maintains that SSBR is owed additional amounts in respect of work undertaken since December 2018 and in respect of which payments have been withheld. SSBR and Eskom have committed to a claims resolution process, in which independent experts have been appointed to evaluate the cause of the delay and the quantum thereof. This process remains ongoing.

Package 28

During February 2019 Eskom terminated the contract with the Stefanutti Stocks Izazi joint venture (SSI) due to its inability to provide SSI with the access to complete the relevant works. Based on the works already completed as well as Eskom's inability to provide it with access, Stefanutti Stocks contends that significant amounts are still due to the joint venture. SSI initiated an adjudication process to recover these material amounts in 2018. This process is ongoing and is anticipated to be concluded during the latter part of 2020.

The group is pursuing a number of contractual claims and compensation events on the Kusile power projects, which processes remain ongoing. No further details of the claims have been disclosed on the basis that it may prejudice the group's position in defending the claims brought against it and in pursuing those claims brought against Eskom by the group.

Restructuring Plan

A strategic restructuring team, including a Chief Restructuring Officer, has been appointed to advise on and assist with the development and implementation of a detailed turnaround plan for the group. This includes securing requisite additional short-term funding from the Lenders and the subsequent restructuring of all such short-term funding into appropriate longer-term funding. Shareholders are advised that the Restructuring Plan has been fully developed, including consideration of the potential impact of COVID-19 on the group and its operations. The 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 certain underutilised plant and equipment;
› the sale of certain divisions or subsidiaries;
› internal restructuring initiatives required to restore optimal operational and financial performance;

The group's order book at June 2020 was R8,9 billion from the R7,9 billion reported at February 2020. 52% of the June order book is from outside of South Africa.

- acquiring additional short-term funding of R430 million, of which R270 million relates to the initial impact of COVID-19;
- a favourable outcome from the processes relating to the contractual claims and compensation events on the Kusile Power Projects;
- the restructuring of the short-term funding received to date from the Lenders into a term loan; and
- evaluation of an optimum business model and initiated capital structure analysis including the potential of raising new equity.

In order to improve operational performance and reduce overhead costs, Stefanutti Stocks's management has begun reconfiguring the group's organisational structure, in line with the Restructuring Plan. This includes the reduction of the group's overall headcount.

It is anticipated that the Restructuring Plan will be implemented over the financial years ending February 2021 and February 2022, and, to the extent required, shareholder approval will be sought for relevant aspects of the plan.

The previous short-term funding agreement was converted into a term loan on 1 July 2020, terminating on 28 February 2022. In addition, the Lenders have agreed to provide continued guarantee support for current and future projects being undertaken by the group. This term loan carries the normal terms and conditions applicable to loans of this nature.

Stefanutti Stocks will continue to update shareholders on progress of various aspects of the Restructuring Plan.

COVID-19

Stefanutti Stocks had estimated the initial impact of COVID-19 on the group to be around R270 million. This estimate is made up of:

- unrecoverable overheads and preliminary and general costs due to lost revenue;
- loss of profits, unrecoverable overheads and standing time costs due to project cancellations;
- additional costs incurred, with respect to shutting down and starting-up of projects caused by the national lockdown; and
- lower productivity being achieved in order to comply with the restrictions imposed by the required protocols.

In an effort to mitigate the financial effects of COVID-19 on the business:

- Application has been made to the Unemployment Insurance Fund's Temporary Employment Relief Scheme. Some relief was received for the month of April, and the amounts were paid to all entitled employees. The group has submitted its application for the month of May and will apply for the months of June and July.
- For the month of April, leave pay and guaranteed bonuses were utilised for the remuneration of salaried staff and permanent wage-earners.
- Salary sacrifices were implemented for the months of May, June and July, using a sliding scale, starting from 10% for lower-earning employees, to a maximum of 33% for higher-earning personnel.
- For the same period, non-executive directors, restructuring advisor, legal advisors and forensic specialists have also discounted their fees up to 33%.
- Due to the majority of the South African operations not having worked during the month of April, the December "Builders Break" will be reduced, in an effort to catch-up lost time.

In order to observe social distancing, a significant number of office-based staff continue working remotely from home.

Order book

The group's order book at June 2020 was R8,9 billion from the R7,9 billion reported at February 2020. 52% of the June 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 a more detailed overview of the operational performance, notable projects, sustainability matters and initiatives of the group's business units, please refer to the operational reviews commencing on page 26.

Construction & Mining (C&M)

C&M's contract revenue decreased by R200 million, to R5,1 billion (Feb 2019: R5,3 billion), with an operating loss of R418 million compared against an operating profit of R112 million in February 2019. The operating loss includes a provision of R331 million raised for slow paying trade receivables and project losses in the Roads & Earthworks, Civils and Mining Services divisions.

Two contract mining projects were terminated after year-end, one of which is being disputed by the client. The dispute has been referred to arbitration and, as the group is confident that the terminations were lawful, no provision has been made.

The provision of R331 million for slow trading receivables, was raised due to infrequent and reduced payments, as of the beginning of the financial period, from some local and cross-border clients. The recovery of these amounts continues to receive management's full attention.

Tender enquiries have remained mute, with most tenders targeting the emerging contractor market. However, later in the reporting period some notable tenders were advertised by SANRAL, ACSA and Transnet. Unfortunately, the award of tenders, in particular by government departments and state-owned enterprises, continue to be delayed.

As at February 2020 C&M's order book was R4,6 billion (Feb 2019: R6,5 billion). The termination of the two Mining Services projects resulted in a R2,3 billion reduction in the order book.

Building

The Building Business Unit experienced another difficult year, that was heavily impacted by the Kusile Building Project. The business unit reported an R800 million reduction in revenue to R2,6 billion (Feb 2019: R3,4 billion). The operating loss increased to R490 million from the R251 million reported in February 2019. Included in this loss is the provision of R462 million raised for future costs on the Kusile Building Project and a now complete, loss-making project in the Gauteng Division. The profit of R48 million derived from equity in the United Arab Emirates operation is excluded from this result.

The Mozambique, KwaZulu-Natal and Western Cape Divisions continue to deliver positive results.

Building's order book at February 2020 was R2,3 billion (Feb 2019: R2,7 billion). This excludes the United Arab Emirates order book of R658 million (Feb 2019: R808 million).

Mechanical & Electrical (M&E)

Due to a shortage of available work, M&E's contract revenue decreased to R897 million (Feb 2019: R1,2 billion), with an operating loss of R25 million (Feb 2019: operating loss of R19 million). The operating loss has been impacted by project losses of R35 million and R9 million in the Oil & Gas and Mechanical Divisions. Both loss-making projects were completed during the reporting period.

A lack of available work for the Mechanical Division and the Electrical & Instrumentation Division, resulted in the divisions being downsized, and should opportunities fail to materialise, further restructuring will be required.

The arbitration pertaining to the cancellation of a petrochemical contract has been 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, and therefore no provision has been made.

Subsequent to year-end, the group terminated a mechanical project. The client is disputing the termination, which has been referred to arbitration.

The group is confident that it will be able to successfully defend its rights to terminate, therefore no provision has been made.

As at February 2020 M&E's order book was R328 million (Feb 2019: R537 million).

INDUSTRY-RELATED MATTERS

Community unrest

Community unrest continues to escalate and negatively affect the group's results, disrupting numerous projects, resulting in the loss of 381 workdays and R15,1 million worth of damage to plant and equipment. The group's efforts to collaborate – with clients and the communities within which it operates – in order to mitigate the threats of community unrest and find a win-win solution that allows the project to be constructed without disruptions, are not always successful. If a solution is not found, construction companies and their respective clients will continue to be adversely affected by community unrest.

Voluntary Rebuild Programme

Stefanutti Stocks and the other signatories to the Settlement Agreement are facing several challenges with regard to the successful implementation of the Settlement Agreement objectives. The remaining signatories have requested a Supervisory Committee meeting with the relevant ministers to resolve these challenges.

Civil claim

With respect to the civil claim received from the City of Cape Town for the Green Point Stadium, a trial date had been set for the first quarter of 2020, however, on request of the client, this trial has been postponed.

The matter will now be dealt with in an arbitration, which is anticipated to be heard in the first quarter of 2021.

The group remains confident 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

Difficult trading conditions, a suppressed construction sector and general lack of confidence in the country has resulted in 10 senior managers and 67 professionals leaving the group, the large majority of which have emigrated. Most of these avoidable resignations were bursary students that had progressed through the group's young engineers and quantity surveyors' programmes.

The group continues to focus on retaining its current skilled workforce and to attract best-in-class candidates when required.

Currently the group employs 199 professionally registered individuals, of whom 91 are designated and 33 are female. During the year 145 candidates were working towards gaining the qualifications and experience required to register professionally. Of these 107 are designated and 37 are female.

There are currently 84 bursary students, of whom 59 are designated and 32 are female.

Total headcount of South African operations reduced by 1 238, from 7 577 to 6 339. This is in line with the reduction in revenue.

The cross-border headcount increased from 3 169 to 3 429. This 8% increase resulted in a 9% reduction in revenue. This was as expected and as a result of the decision to undertake certain building trades in-house, in particular within regions marked by low skills levels and where subcontractors are scarce.

Health and safety

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

The group's lost-time injury frequency rate (LTIFR) at February 2020 was 0,02 (Feb 2019: 0,02) and the recordable case rate (RCR) improved to 0,29 (Feb 2019: 0,36).

The group as a whole upgraded its safety management system to ISO 45001:2018. The three business units had to be aligned to achieve this. The outcome of the audit recommended certification and noted several positive findings that demonstrate the group's commitment to its mission of "Excellence in Execution".

Skills development

The company's skills development score improved from 92% to 121%, with a verifiable training spend on designated groups of R74 million.

Environmental management

The group continues to benefit from the work undertaken by its Environmental Forum, which previously defined the six key areas that are most significant to operations. These are carbon emissions, energy, materials, waste, water and credible information. They are measured and reported on from project level, then consolidated through the business unit to group. All initiatives are developed to avoid, reduce, recycle and re-use, wherever possible or practical.

The group reviews its environmental policy statement and objectives annually, and these are communicated throughout all of Stefanutti Stocks's operations.

In addition, the group acknowledges its on-going obligation to continuously improve its systems with the aim of achieving the highest possible environmental performance in the industry.

To this end, the group has obtained its ISO 14001:2015 certification.

Quality management

The group successfully achieved certification for Quality Management under ISO 9001:2015 in February 2020.

An inhouse quality module was built to capture all non-conformance within the group's operations, to reduce work having to be redone and encourage "do it right the first time", in line with the group's mission.

Customer satisfaction surveys are conducted regularly in an effort to continually improve customer relations across all sectors of the organisation.

Transformation

The group is a Level 1 B-BBEE Contributor, measured in terms of the Construction Sector scorecard. This is an improvement from the Level 2 achieved in the previous reporting period.

Ownership

The group's black ownership increased from 18% to 58%. Its black women ownership decreased from 4% to 2%.

Management control

43% of the company's exercisable voting rights are held by black people, 43% of whom are black women. Furthermore, 28% of the group's top executive management are black.

Employment equity

The group's employment equity score improved significantly from 51% to 70%.

Preferential procurement

The preferential procurement score improved year-on-year from 91% to 96%.

Enterprise development

The company's score remained at 100%.

Socio-economic development (SED)

The company improved its score to 120%, investing over R2,1 million on SED initiatives.

RISK MANAGEMENT

Essential to managing risk is the protection of stakeholder interests and creating sustainable stakeholder value. In order to achieve this, 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 the upside as well as the risk that potential opportunities present. Risk is managed within predefined processes and procedures to ensure that it is minimised and managed within specific risk parameters.

The group has implemented a project to standardise its risk processes both in respect of financial control and reporting, as well as the day-to-day project based operating procedures. In addition, management of various components of risk – from the strategic level down to the detailed risks at each individual project – have also been standardised and streamlined.

The management of risk is supported by an internally developed and supported bespoke IT system that monitors and reports against identified risk areas specific to the group's operations – from tendering through project execution, quality, health and safety, and financial reporting.

The group will focus on, among others, the following risk areas for the 2021 financial year:

- going concern, solvency and liquidity;
- ongoing funding to ensure the group's sustainability;
- managing the impact of the COVID-19 pandemic;
- ensuring the successful completion of all current projects;
- securing new work;
- managing high-impact site operations.

In the current uncertain times and fast changing business climate, the group is ensuring that it is able to respond quickly and effectively to all developing risk and opportunities.

CHANGES TO THE BOARD OF DIRECTORS

In August 2019, Mr Willie Meyburgh and Mr Kevin Eborall both retired as directors of the company, and from their respective positions of Chief Executive Officer (CEO) and Chairman. Ms Zanele Matlala, previously chairman of the group's Audit, Governance and Risk Committee, was appointed as Chairman of the board. I was appointed to the position of CEO, effective 12 August 2019.

I would like to thank both Willie and Kevin for their solid guidance and support throughout the many years that they contributed to and were a part of the Stefanutti Stocks Group. I wish them well in their future ventures.

I would like to take this opportunity to welcome and congratulate Ms Zanele Matlala on the position of Chairman and director of the board. I look forward to working closely with you, for the benefit of the group and all of its employees.

OUTLOOK AND STRATEGY

The lack of available work, coupled with the effects of COVID-19, will result in severe short- and medium-term pressure on the group's turnover and operating margins, across all of its operating regions.

The medium-term outlook will depend largely on the government driven stimulus packages and private sector investment in the different regions.

A more positive medium-term outlook for the South African market relies heavily on government upholding its promise to roll out the National Development Plan, together with the opening of the economy without further delay. Potential opportunities in the local market include surface mining related services in iron-ore and coal, as well as selected open-pit mining contracts, predominantly in coal. Further opportunities exist in marine, pipelines, water and sanitation treatment plants as well as warehouse, factories and transport infrastructure.

Cross-border opportunities exist in transport infrastructure, commercial building, factories, pipelines, canals and water and sanitation treatment plants.

The United Arab Emirates continues to offer opportunities in the fit-out and related building markets.

The group will focus on the successful implementation of its restructuring plan, and pursuing a favourable outcome of the Kusile Power Station project claims processes being undertaken, and the collection of all outstanding slow-paying receivables and a reduction in loss-making projects.

APPRECIATION

The financial year ending February 2020 has proved to be Stefanutti Stocks's most challenging year to date.

I would like to thank the board for their guidance and extend a special thank you to my executive team, for their valuable support, dedication and leadership under extremely difficult conditions. I would also like to thank every single employee for their contribution, dedication and loyalty to Stefanutti Stocks.

It is a huge honour to take over the reins of Chief Executive Officer from Willie, who has been a driving force within the group since its listing and has been instrumental in building the group into what it is today. I wish him and his family well in his retirement.

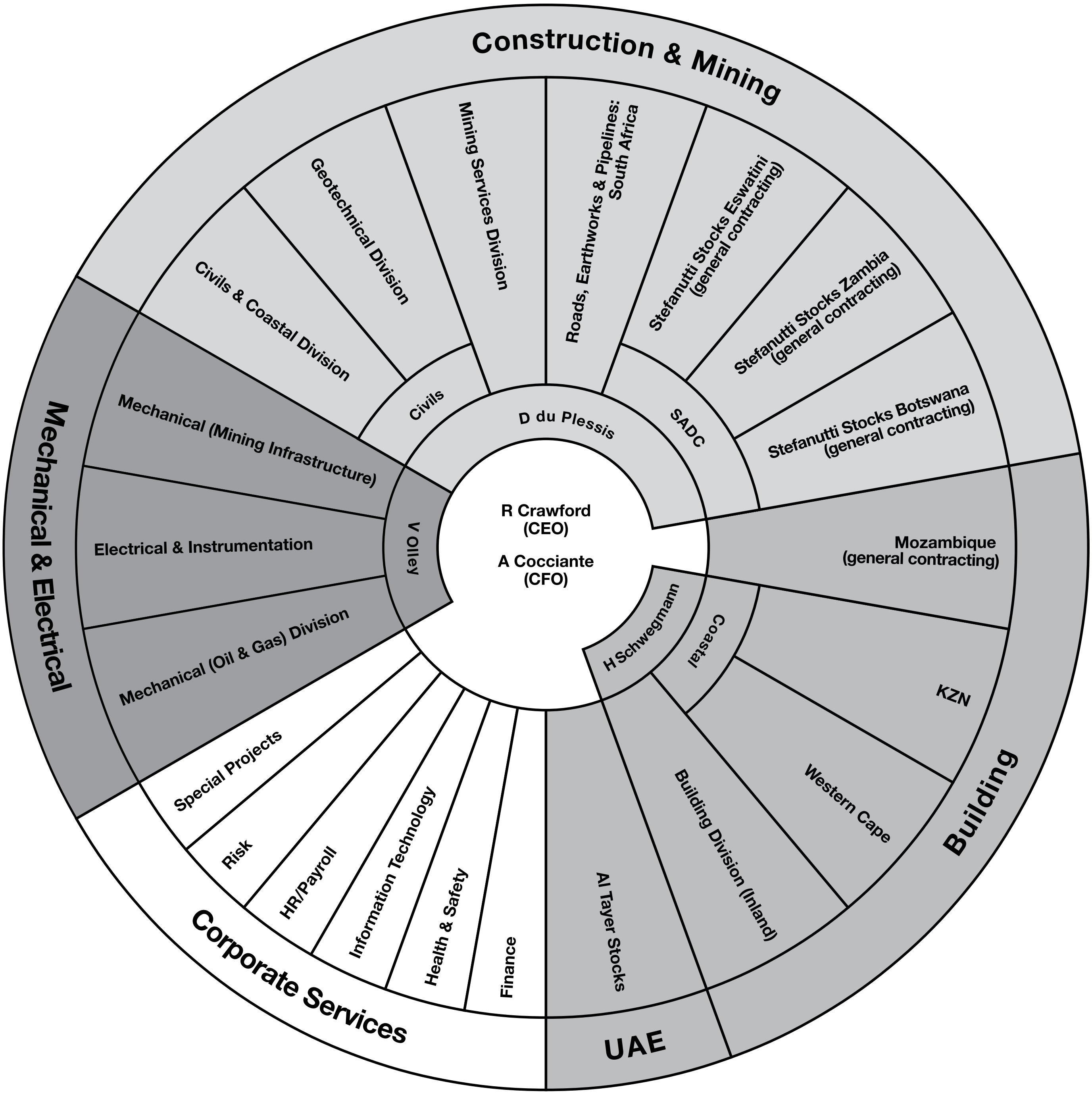
Lastly, I would like to thank the group's shareholders, lender group, business partners, suppliers, clients and other stakeholders for their ongoing support.

Russell Crawford
Chief Executive Officer

18 August 2020

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

Antonio Cocciante
CHIEF FINANCIAL OFFICER

The group's contract revenue was R8,6 billion, impacted by continued adverse market conditions and the Kusile Building Project.

FUNDING AND RESTRUCTURING PLAN

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 Restructuring Plan or Plan).

The Restructuring Plan has been fully developed, including having regard to the potential impact of the Coronavirus (COVID-19) on the group and its business. The 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 divisions/subsidiaries;
- internal restructuring initiatives required to restore optimal operational and financial performance;
- the securing of additional short-term funding of R430 million, of which an estimate of R270 million relates to the negative effects of the initial impact of the national lockdown due to COVID-19;
- 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 optimum business model and associated capital structure analysis including the potential of raising new equity.

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

In accordance with the Plan, the Lenders have provided the group with the following funding:

- 26 July 2019: R120,0 million
- 5 November 2019: R391,0 million
- 19 December 2019: R227,5 million
- 25 February 2020: R77,9 million
- 22 May 2020: R109,2 million
- 2 June 2020: R146,0 million
- 1 July 2020: R180,0 million

Total received to date: R1 251,6 million

Including the initial estimated impact of COVID-19 and the additional funding required for the Kusile power project as noted below, the total funding requirement for the group is R1 256 million.

In line with the Restructuring Plan, management has started to reconfigure the group's organisational structure to improve operational performance and decrease overhead costs, including the reduction of the group's overall headcount.

RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2020

	2020	2019
Contract revenue (Rbn)	**8,6**	9,9
Operating loss (Rm)	**(1 033)**	(158)
Adjusted operating (loss)/profit (Rm)	**(187) ***	105 **
Loss after tax (Rm)	**(1 072)**	(111)
HEPS (cents)	**(622,48)**	(70,12)
Cash on hand (Rm)	**741**	881
Net tangible asset value (R per share)	**1,94**	7,70
Interest-bearing debt to equity ratio (%)	**206,9**	36,5
Total year-end order book (Rbn)	**7,9**	10,6

* *Excluding the IAS 37 provision of R462m, provisions raised for slow paying receivables and impairment of goodwill.* ** *Excluding the IAS 37 provision of R263m.*

The Restructuring Plan is anticipated to be implemented over the financial years ending February 2021 and February 2022 and, to the extent required, shareholder approval will be sought for relevant aspects of the Plan. The previous short-term funding agreement was converted into a term loan on 1 July 2020, which loan terminates on 28 February 2022, and in addition, the Lenders have agreed to provide continued guarantee support for current and future projects being undertaken by the group.

The funding provided by the Lenders has assisted in relieving the group's liquidity pressures even though current liabilities exceed current assets, by R998 million at 29 February 2020. In addition thereto, uncertainties surrounding the COVID-19 pandemic and contingent liabilities as noted in note 25 of the Consolidated Annual Financial Statements 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 on 1 July 2020 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.

FINANCIAL PERFORMANCE

During the current reporting period, Eskom has adopted an adverse approach to certification of applications for work undertaken by Stefanutti Stocks on a building project (Kusile Building Project), which has required a substantial increase of internal funding for this project. This has increased the group's initial funding requirement of R400 million to approximately R986 million excluding the estimated impact of COVID-19. Of this requirement, R725 million relates to the Kusile Building Project. Consequently, in addition to the provision of R263 million raised at February 2019 for the potential unrecoverable preliminary and general costs, the group has now raised a further provision of R462 million for potential unrecoverable monthly measured works to complete the project. The group is pursuing a number of contractual claims and compensation events on the project, and due to the complexity of the claims, the processes remain ongoing. Refer to the CEO's report for further details on this project.

The continued adverse market conditions, as well as the substantial impact of the Kusile Building Project, has reduced contract revenue from operations to R8,6 billion (Feb 2019: R9,9 billion).

The group incurred an operating loss of R1 033 million (Feb 2019: R158 million) after taking into account:

Provision for future costs — Kusile power project (refer above)	R462 million
Specific provisions for slow paying trade receivables	R331 million
Specific project losses	R294 million
Impairment of goodwill	R53 million
Provision for Kenya tax liability	R43 million

Excluding the IAS 37 provision, provisions raised for slow paying receivables and impairment of goodwill, the group's operating loss is R187 million compared to the operating profit of R105 million of the prior year, excluding the IAS 37 provision of R263 million raised in that year.

Due to less frequent and reduced payments being received from certain local and cross-border clients since the beginning of the financial year, the group has raised a provision for these slow paying receivables.

The United Arab Emirates operation contributed R48 million (Feb 2019: R66 million) towards the share of profits of equity-accounted investees. This year's contribution is a reflection of more normalised trading conditions.

Finance costs increased to R126 million (Feb 2019: R101 million) as a result of the extended funding made available from the Lenders and an interest accrual included in the provision for the Kenyan tax liability of R18 million. Due to the increased funding requirements, interest paid will increase in the next financial year.

The group has not provided for a deferred tax asset on the losses pertaining to the South African trading entity for the current year.

In addition, an accrual for a potential tax liability in Kenya has been raised. 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 is performing an audit on Stefanutti Stocks Kenya Limited for the years 2013 to 2018. An assessment has been received in September 2019 for the 2013 tax year for which an appeal has been lodged. The audit is ongoing and assessments for following years have not been issued. The total value of the assessment including interest and penalties amounts to R43 million.

Earnings and headline earnings per share are reported as a loss of 640,35 cents (Feb 2019: 65,99 cents) and a loss of 622,48 cents (Feb 2019: 70,12 cents) respectively.

With the ongoing reduction of available work in the local mechanical and electrical market, goodwill of R30 million relating to the Skelton & Plummer (Pty) Ltd and Apollo E&I (Pty) Ltd acquisitions has been impaired. Continuing losses within the Roads & Earthworks Division also necessitated an impairment in goodwill of R23 million.

The effect of the weakening Rand on the translation of certain foreign operations resulted in R52 million profit (Feb 2019: R58 million) being recognised in other comprehensive income.

FINANCIAL POSITION

Capital expenditure for the year amounted to R99 million (Feb 2019: R109 million), of which R67 million was for maintaining operations (Feb 2019: R41 million). In terms of IFRS 16, an additional R305 million (Feb 2019: R70 million) worth of plant and equipment has been capitalised. These items are not owned by the group but are in fact rented from suppliers, with limited liability.

CHIEF FINANCIAL OFFICER'S REPORT
continued

ABRIDGED CASH FLOWS (Rm)

29 FEBRUARY 2020		28 FEBRUARY 2019
881	**OPENING CASH BALANCE**	**916**
(314)	CASH (CONSUMED)/GENERATED FROM OPERATIONS	**115**
(437)	WORKING CAPITAL CHANGES	**246**
(6)	NET INTEREST AND DIVIDEND INCOME	(10)
(60)	TAXATION PAID	(97)
(67)	INVESTING ACTIVITIES MAINTAINING	(41)
(32)	INVESTING ACTIVITIES EXPANDING	(68)
149	OTHER INVESTING ACTIVITIES	**14**
601	FINANCING ACTIVITIES	(242)
26	EXCHANGE RATE EFFECTS AND OTHER	**48**
741	**CLOSING BALANCE**	**881**

The amount of uncertified work included under contracts in progress and reflected within current assets, has increased to R640 million from R507 million reported at the end of February 2019, due to an increasing trend by some clients, both in the public and private sectors, to delay the certification of work and payments. Trade receivables have decreased by 4% while debtors days have increased from 68 days to 75 days.

Total interest-bearing liabilities have increased from R637 million at February 2019 to R1 510 million primarily due to the additional term loan funding of R839 million received from the Lenders by February 2020 and R300 million IFRS 16 assumed plant rental liability. Due to the termination of a contract mining project subsequent to year-end, unutilised plant and equipment capitalised under IFRS 16 will be returned to the suppliers as it is no longer required. Therefore, of the R300 million assumed liability, R272 million will be reversed in the following financial year.

Due to the increase in interest-bearing liabilities, the debt/equity ratio has increased from to 36,5% to 206,9%, Should the IFRS 16 liability be excluded, the debt/equity ratio would be 165,7%.

Contributing to the adverse market conditions facing the industry, are the well documented and ongoing delays in payments from clients. This has had a significant impact on the group's trade and other receivables as well as payments to suppliers and subcontractors. This resulted in an increase in working capital of R437 million (Feb 2019: R246 million decrease) negatively impacting on cash consumed from operations to R751 million (Feb 2019: R361 million cash generated from operations). The group's overall cash position has decreased to R741 million (Feb 2019: R881 million).

Other investing activities predominantly comprises the sale of plant and equipment.

OPERATIONS

Construction & Mining's contract revenue decreased to R5,1 billion (Feb 2019: R5,3 billion) with an operating loss of R418 million (Feb 2019: operating profit of R112 million). The operating loss includes provisions raised for slow paying trade receivables and losses incurred on projects in the Road & Earthworks, Civils and Mining Services Divisions. The material loss making projects in each of the Roads & Earthworks and Civils Divisions are complete.

Subsequent to year-end, two contract mining projects were terminated by the group of which one client is disputing the termination, which has been referred to arbitration. The group is confident that the termination was lawful and therefore no provision has been made.

The Building Business Unit's contract revenue reduced to R2,6 billion (Feb 2019: R3,4 billion), the operating loss increased to R490 million (Feb 2019: operating loss of R251 million), which predominantly includes the provision raised for future costs on the Kusile power project as noted above, and a project loss in the Gauteng Division which is now complete. The profit of the equity-accounted United Arab Emirates operation is excluded from this result.

Mechanical & Electrical's contract revenue decreased to R897 million (Feb 2019: R1,2 billion) with an operating loss of R25 million (Feb 2019: operating loss of R19 million). The operating loss has been impacted by project losses incurred on a project in each of the Oil & Gas and Mechanical Divisions. Both loss-making projects were completed during the year.

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

Subsequent to year-end, Stefanutti Stocks terminated a mechanical project. The client is disputing the termination, which has been referred to arbitration. The group is confident that the termination was lawful and therefore no provision has been made.

DIVIDEND

The group did not declare a dividend for the current financial year (2019: 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.

Antonio Cocciante
Chief Financial Officer

18 August 2020

Five-year financial review

		2020	2019	2018	2017	2016
PROFIT INFORMATION						
Contract revenue	R'million	**8 586**	9 875	10 364	9 058	9 669
Operating (loss)/profit	R'million	**(1 033)**	(158)	(506)	(106)	392
Operating (loss)/profit margin	%	**(12,0)**	(1,6)	(4,9)	(1,2)	4,0
(Loss)/profit	R'million	**(1 072)**	(111)	(547)	(150)	186
Net (loss)/profit margin	%	**(12,5)**	(1,1)	(5,3)	(1,7)	1,9
Headline earnings	R'million	**(1 041)**	(118)	115	19	157
FINANCIAL POSITION						
Total assets	R'million	**6 645**	6 448	6 345	6 567	6 512
Total equity	R'million	**712**	1 732	1 790	2 442	2 609
Total liabilities	R'million	**5 933**	4 717	4 555	4 125	3 904
Cash (consumed by)/generated from operations before working capital movements	R'million	**(314)**	114	560	342	470
ASSET MANAGEMENT						
Return on assets	%	**(16,4)**	(1,7)	(8,5)	(2,3)	4,0
Return on equity	%	**(86,5)**	(6,3)	(26,0)	(5,4)	7,3
Net asset turn	times	**1,3**	1,5	1,6	1,4	1,5
SHAREHOLDERS' RATIOS						
(Loss)/earnings per share	cents	**(640)**	(66)	(318)	(79)	104
Headline earnings per share	cents	**(622)**	(70)	68	11	90
Dividend per share	cents	**–**	–	–	–	–
STOCK EXCHANGE STATISTICS						
Market capitalisation – close	R'million	**41**	489	342	826	649
Market value per share						
– At year-end	cents	**22**	260	182	439	345
– Lowest closing for the year	cents	**8**	140	182	340	298
– Highest closing for the year	cents	**260**	420	460	490	740
Weighted number of shares		**167 244**	167 836	170 749	172 750	174 780
Total volume traded during the year		**120 798 448**	69 714 276	27 445 523	29 850 220	36 873 503
Rand value traded during the year	'000	**50 472 917**	167 822	81 974	125 732	178 176

Operational reviews

CONSTRUCTION & MINING

MANAGING DIRECTOR: DEREK DU PLESSIS

ORDER BOOK

R4,6bn

2020

2019

R6,5bn

LTIFR

0,00

2020

2019

0,00

CONTRACT REVENUE (Rm)

5 128

2020

2019

5 314

OPERATING (LOSS)/PROFIT (Rm)

(418)

2020

2019

112

TURNOVER BY SECTOR (%)

Sector	%
SURFACE MINING RELATED SERVICES	33
TRANSPORT INFRASTRUCTURE	28
BULK EARTHWORKS AND GEOTECHNICAL	11
WATER, SANITATION AND PIPELINES	10
ENERGY GENERATION	9
INDUSTRIAL PLANTS, OIL AND GAS	9

STRATEGIC FOCUS

- Improve employment equity performance
- Full systems integration, Buildsmart/CCS
- Focus on cash
- Develop closer alliances and improve relations with communities — less reliance on employer
- Excellence in Execution — reduce substandard and rework
- Improve tendering strategy and hit rate — more focused and detailed, early engagement
- Continue to streamline overhead structures
- Employ best-in-class, strip out non-performers

CAPABILITIES

Roads & Earthworks

- Bulk earthworks
- Road construction and rehabilitation
- Crushing and screening
- Asphalt manufacture and paving
- Agricultural land preparation and infrastructural development
- Water infrastructure
- Rail construction and infrastructure
- Large diameter welded steel pipe installation
- In situ concrete lining of pipelines
- High-density polyethylene (HDPE) and ductile cast-iron pipelines installation
- Mechanical and electrical installations for pump stations

Mining Services

- Bulk materials 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)
- Open-pit contract mining

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

- Airports infrastructure
- Balance of plant infrastructure for renewable energy projects
- Dam construction
- General contracting (cross-border)
- Selected project design and construction

PERFORMANCE AND OUTLOOK

Construction & Mining's (C&M) contract revenue decreased to R5,1 billion (Feb 2019: R5,3 billion) with an operating loss of R418 million (Feb 2019: R112 million).

The year was characterised by difficult trading conditions and increasingly competitive markets with companies in the sector tendering at very low or negative margins, due to competitive pricing on a scarcity of available projects. Existing uncertainties, including community disruptions and concerns about power utility Eskom, have been further exacerbated by the onset of the global outbreak of the COVID-19 pandemic.

The Roads & Earthworks Division's performance was impacted by two loss-making projects (concluded during the financial year), and further compounded by non-payment from a debtor, resulting in the division recording a loss for the period.

Tender activity in the public sector has remained subdued, as larger projects are still fragmented into multiple, smaller contracts. In addition, the division's current projects have been severely hampered by community disruptions, leading to reduced margins. As a result of tough prevailing market conditions, the division has downsized.

Positive strides were made during the year as Roads & Earthworks intensified its focus on strengthening and tightening its financial controls. Furthermore, the division reported a 0,00 lost time injury frequency rate (LTIFR).

The mining sector presented some opportunities during the year, which also attracted new competitors to the market. Encouragingly, the second half of the financial year saw an increase in tender activity, with the South African National Roads Agency Ltd (SANRAL) advertising several larger projects; Airports Company South Africa (ACSA) advertising two tenders, for OR Tambo and Cape Town International Airports; and Provincial Departments of Roads and Transport advertising new road infrastructure tenders.

It is hoped that these tenders will materialise timeously into contract awards to benefit the division and boost the sector. The division will continue to focus on the private mining sector and pursue cross-border opportunities to bolster the order book in the current vacillating economic environment.

The Mining Services Division has faced challenging conditions in the mining sector, bad debt impairments on two projects, as well as losses on a further two projects. In addition, the possibility of mergers or sales of major mining houses has created added uncertainty in the market. Notwithstanding, opportunities remain in the coal market and the division has secured a fair order book. The Materials Handling department performed well, meeting revenue budgets and exceeding profit forecasts. The Tailings department outperformed difficult conditions during the year, beating revenue and profit expectations. Unfortunately, the Contract Mining department underperformed with losses and bad debt impairments.

Mining Services and mining contractors in the sector will be impacted by the requirements of the new Mining Charter, as mining rights holders will need to procure goods and services from companies that qualify as 51% black owned, women owned, and youth owned.

The combined Civils & Coastal Division produced a satisfactory result for the year after placing added focus on the execution of projects. The civils market has stabilised during the financial year, and the division has had fewer costly work stoppages and delays in terms of budget or payment constraints. A greater proportion of private sector work in the order book, has also reduced the impact of these challenges.

The KwaZulu-Natal market provided good opportunities for coastal operations, by way of public sector contracts for SANRAL's N2/N3 upgrade, the Transnet DCT Pier 2 upgrade, and private sector work in the petrochemical and pulp and paper industries.

In Gauteng, Civils continues to successfully execute work for Eskom. In light of the ongoing power generation issues in the country, and notwithstanding the uncertainty in the power sector, more opportunities within the sector should materialise.

The division has successfully concluded projects for Johannesburg Roads Agency (JRA) and anticipates future work opportunities by way of road and bridge upgrades. Civils in Gauteng also focused on growing its presence within the mining sector, which has limited opportunity for repeat business, and specialised concrete repair, which shows good potential for repeat business and future growth.

An increase in cross-border opportunities (water, marine, mining and oil and gas infrastructure) could further benefit the Civils & Coastal Division.

With an increasing number of large contract tenders and projects during the year under review, it is anticipated that this trend will continue. It should also be noted that there are fewer bidders for larger projects than there are for smaller contracts, which favours the division.

Going forward, the division's success in the water sector, despite fewer available projects, positions the business to benefit from the expected upturn in this sector in South Africa and cross-border. While there has been a lack of work activity in the mining sector, this reflects a downturn in the sector rather than a reduced market share for the division. Although marine works contributed little to the order book for the year, the recent award of two new contracts offer good scope and the opportunity for future growth.

The Geotechnical Division is operating in a shrinking local market, characterised by a diminished value of work. In addition, the highly competitive geotechnical market has been compounded by the poorly performing South African economy. The division has at times had to severely reduce its already low pricing in order to remain competitive. In terms of bidding on infrastructure work, the division has seen some momentum building, however, no awards have as yet been made.

Notwithstanding the existing challenges, the division's key projects are progressing well, and continue to either meet or exceed the budgeted margins. Furthermore, the division has established good relationships with its clients, positioning the business favourably to secure additional contracts.

Going forward, Geotechnical will target emerging contractors. Its proven capabilities, particularly in utilising large piling rigs, gives the division an advantage when bidding on larger infrastructure projects.

The division will leverage its position to unlock the potential of the cross-border market, in which very few competitors with the required capabilities and equipment, remain active.

The Eswatini (Swaziland) Division performed well under difficult conditions and managed to meet its turnover and profit budget while remaining cash positive. The division operates within an active construction sector where attractive opportunities are mostly in the private sector. There are limited public sector projects available due to the country's financial constraints and its aims to reduce a deficit and control expenditure.

In spite of the difficulties, the division stands to benefit from the country's efforts to promote investment and grow its economy organically over the medium to long term. The division has secured a decent order book of work to execute in the coming year.

The Zambia Division performed according to expectations and met its forecast budget by overcoming the lengthy suspension of two primary road projects and a scarcity of infrastructure opportunities. The division faced tough trading conditions with the government remaining under financial strain and a strong Chinese presence in public sector projects.

A number of opportunities in the private sector and mining houses will remain a key focus for the division. Zambia did well to deliver profitability and its quality standards will serve to enhance its reputation as it strives to be the general contractor of choice in the country. The division has restructured operations to meet its overhead requirements.

The Botswana Division's performance has improved on the previous year. Projects are performing well, and the division enters the new financial year with a solid order book.

Looking ahead, the division could see major project opportunities coming to fruition from across the construction sector of Botswana. However, it is known that these opportunities can take up to 18 months to materialise into project awards, which weighs heavily on the construction industry. Positively, it is anticipated that, with the conclusion of elections and new leadership in place, the business environment will improve. Botswana seems committed to stimulate growth and investment with a number of mega projects that could come to market

C&M's order book at February 2020 was R4,6 billion (Feb 2019: R6,5 billion).

NOTABLE PROJECTS

Roads, Earthworks & Pipelines is currently executing the **Qumza Highway** project – an upgrade of 2,8km of the existing Qumza Highway for the Buffalo City Metropolitan Municipality. The contract is valued at over R200 million and sees the collaboration between contractor, client and community, working towards a common goal which is to deliver a quality project to the people of Buffalo City and surrounding areas. While the upgrade was planned for completion towards the end of March 2021, it is anticipated that the project will be completed six months ahead of schedule.

The **F49 and C25 pipeline** projects were secured from Rand Water, marking the first new contract awards made by the water utility in two years. The scope of the two projects involve the replacement of existing steel bulk water pipelines. Valued at R85 million, the F49 pipeline measures 3,8km of 1 024mm diameter and is located in the West of Johannesburg. The C25 pipeline is valued at R58 million, measures 3,2km in length with a 1 024mm diameter and is located in the South of Johannesburg.

The **Universal Coal Kangala** project is still performing well in its seventh year of operation. At the client's request, the mine's production was significantly ramped up, doubling the initial planned output. As the coal is being depleted the mine is ramping down production. Once the legal requirements have been met, the client plans to continue mining its coal reserve on an adjacent property. Universal Coal is the subject of a take-over bid by an Australian company, and it is unclear how this would affect future work prospects.

The **Black Royalty Minerals (BRM) Chilwavhusiku** contract commenced at the end of 2017 and continues to perform well. Production is mainly targeting export coal and depending on the available reserves, BRM plans to continue for another year.

SANRAL awarded the **N17 Pedestrian Bridges** contract, to construct pedestrian bridges over the N17 freeway in Johannesburg, to the Civils Division. The project commenced in December 2015 and comprised three bridges located at Kwa-thema, Ergo and Regents Park. At the Fulton Awards, the project received a highly commended recognition for excellence in concrete. This complex project had to be executed over a busy freeway and in close proximity to local communities. The hands-on Civils project team overcame these and other technical challenges efficiently for the duration of the construction of the bridges. On completion, the bridges were handed over to a highly satisfied client.

TOP PROJECTS BASED ON VALUE EXCLUDING VAT

Project name	Duration	Project value	Location
NOOITGEDAGT/COEGA SCHEME	24 months	R347 million	Eastern Cape, RSA
QUMZA HIGHWAY	28 months	R210 million	Eastern Cape, RSA
NXUBA PRE-CAST FACTORY PROJECT	14 months	R183 million	Eastern Cape, RSA
BUFFALO CITY – ROUNDHILL	24 months	R150 million	Eastern Cape, RSA
XHORA DAM	33 months	R105 million	Eastern Cape, RSA
CHILWAVHUSIKU MINE, BRM	60 months	R771 million	Gauteng, RSA
F49 PIPELINE	13 months	R85 million	Gauteng, RSA
DURBAN POINT PROMENADE	18 months	R297 million	KwaZulu-Natal, RSA
SAPPI VULINDELA MAIN CIVILS	20 months	R211 million	KwaZulu-Natal, RSA
REMIX PLANT AT BLUFF CWWTW	17 months	R115 million	KwaZulu-Natal, RSA
KANGALA MINE	84 months	R1,7 billion	Mpumalanga, RSA
KCW COMPLETION WORKS (50%)	36 months	R657 million	Mpumalanga, RSA
SOUTH 32 DMO & VDD	60 months	R581 million	Mpumalanga, RSA
EXXARO GG6 STOCKYARDS/SS 80% CIVENG 20% JV (80%)	24 months	R211 million	Mpumalanga, RSA
SASOL COOLING TOWER	28 months	R207 million	Mpumalanga, RSA
MOTOTOLO PHASE 2 (75%)	10 months	R150 million	Mpumalanga, RSA
ZANDVLIET WWTW	46 months	R311 million	Western Cape, RSA
BANK OF BOTSWANA	41 months	R900 million	Botswana
PALAPYE WATER TREATMENT WORKS	36 months	R400 million	Botswana
PALAPYE – BOTSWANA (70%)	30 months	R282 million	Botswana
MAUN AIRPORT UPGRADE	18 months	R140 million	Botswana
MORAPULE MINING INFRASTRUCTURE	9 months	R65 million	Botswana
FISH	36 months	R2,8 billion	Swaziland
ICC	36 months	R2,0 billion	Swaziland
SWAZIMED HOSPITAL	22 months	R200 million	Swaziland
BHULENI SHOPPING MALL	18 months	R60 million	Swaziland

The **Nxuba Pre-cast Factory** project in Somerset East included the supply of 47 concrete towers to support wind energy generating units for Nordex Acciona. Each tower reaches 100m high and is made from 799 pre-cast concrete tower segments. The wind farm is expected to generate over 460GWh in clean, renewable energy per year, and will avoid about 500 000tCO_2e in atmospheric emissions annually. The scope of work included the installation of essential services, all equipment and construction work necessary for an operational pre-cast factory, as well as all casting, reinforcement and assembly of the tower segments. This innovative project was a notable success and ran from September 2018 to April 2020.

The **Olifants River Bridge Crossing** project was awarded by SANRAL in 2016. The contract was executed by the Coastal Division, which constructed a 100m-long arch bridge over the Olifants River and upgraded a section of the N7 national road near Trawal in the Western Cape. The project's scope consisted of the construction of the new Olifants River bridge, the rehabilitation of the existing Olifants River bridge, and roadworks that connect and run across the old and new bridges. The project won a prestigious Fulton Award for excellence and innovation in the use of concrete, as well as a SAICE Award for technical excellence.

The **Durban Point Promenade** project was executed in a joint operation with the eThekwini Municipality and Malaysian parastatal UEM Sunrise. The project commenced in January 2018 and was completed in May 2020 by dividing construction into two zones that were constructed simultaneously. The promenade is an iconic 700m-long structure that involved virtually all of the civil engineering disciplines as well as high-end architectural building work. The team had to overcome the challenging design of the deck, but the end result delivered an aesthetically beautiful promenade.

The **Zandvliet Wastewater Treatment Works** is for the provision of new enlarged inlet works, two new screw pump stations, four new primary settling tanks, a primary sludge pump station, a sludge dewatering building, four holding tanks, pipelines, access roads and some minor services including water connection and site drainage. The project is technically challenging and requires the innovative use of a variety of engineering applications before its completion, which is expected by May 2022.

The **M2 Bridges Rehabilitation** project was awarded by Johannesburg Road Agency (JRA) in January 2019. The contract was for the rehabilitation of a critically damaged section of the M2 highway that runs alongside the Johannesburg CBD. The critical highway bridges were located at Kazerne and Selby and having temporarily closed this section to traffic, the JRA used the opportunity to resurface the section of highway between the two bridges. The project's scope included the demolition and reconstruction of the east and west carriageways for the Kazerne and Selby bridges, the design of new bridges, and the milling and resurfacing of the road from Kazerne to Selby. The project was challenging due to the closed M2 highway being one of the busiest roads in the country, which required the project's completion in just eight months instead of 24 months. Despite such severe constraints, the division delivered for the client, completing the project on time and within budget.

The **V&A Swing Bridge** project was awarded to replace the existing swing bridge at the V&A Waterfront with a larger, more modern swing bridge. The R25 million project was executed in two phases: first the below-ground civil work and in the second phase the mechanical and electrical components and the offsite fabrication of steelwork was completed. The new bridge accommodates twice the amount of traffic compared to its predecessor and separates the outgoing and incoming foot traffic. Challenges on the project included transporting the huge individual sections of the bridge to site on a barge as well as the client's constraints relating to protected heritage structures in the vicinity. These and other challenges were overcome, and the project was completed in July 2019.

Located in the Ezulwini Valley in Eswatini, the **Swazimed Hospital** project is for the construction of an all new, 154-bed private hospital. The contract was awarded as a joint operation for clients Swazimed and the Clinix Group. The contract has a value of R220 million, and the planned completion date is April 2021.

In Lusaka, Zambia, the **Ridgeway Hotel Refurbishment** project to refurbish all of the hotel's 154 rooms included the dining and bar areas and the reception lobby. In order to keep the hotel operational during the refurbishment, the work was coordinated by the management team in phases. Valued at R65 million, the project for the Southern Sun group was successfully completed in just nine months.

The **Majuba Wet drains** project in Mpumalanga comprised emergency works that required the installation of wet drains up to 5m deep. The wet drains were required for the new ash disposal area and will absorb and redirect ground water from the ash disposal area. While this type of work was new to the teams, they completed a total of 8 000m in February 2020 – on time, in just nine days.

SUSTAINABILITY MATTERS

Skills development and training

C&M is a leading and innovative construction business. To maintain its high standards of quality and to uphold its commitments to employees the business unit spent a total of R14,1 million on skills development and training during the year under review.

With a total headcount of 4 863 in South Africa, C&M trained a total of 2 694 employees (6 897 interventions), of whom 2 447 were from designated groups and 349 were female. Safety and success go hand in hand and to this end, a total of 1 440 employees (2 176 interventions) received safety training, of whom 1 321 were from designated groups and 202 were female.

The business unit employed 116 candidate professionals from various fields. Of these 30 (26%) were female and 85 (73%) were from designated groups. Four were registered as professionals during the year, of these two were female and all four were from designated groups.

The accredited Stefanutti Stocks Academy provided employees with internal training, focusing on operator, tailings operations and construction skills training. The academy is ISO 9001:2008 certified and accredited with the Mining Qualifications Authority (MQA) and Construction Education and Training Authority (CETA).

During the year under review a total of 409 operators received training at the academy. Of these 100% were from designated groups and 18% were female. In addition, 129 employees (415 interventions) received training on various construction skills courses, with all 129 from designated groups, 20 of whom were female. A further 109 employees received tailings operations training, of whom 105 (96%) were from designated groups.

In addition, the academy provides apprenticeship trade test preparation training, which is accredited by the Manufacturing Engineering and Related Services Sector Education and Training Authority (merSETA). Two of the 22 registered apprentices qualified during the year, 17 (77%) were from designated groups and one of whom was female.

C&M spent R1,3 million on bursaries and had 41 bursar students of whom 17 (42%) were female and 24 (58%) from designated groups. In addition, 13 were full-time technical students, of whom 12 were from designated groups and six were female. The remaining 28 employees were awarded part-time bursaries, 12 of whom were from designated groups and 11 were female.

Five interns began a programme during the year under review, and four interns remain in the programme. All were from designated groups and two were female.

The Knowledge Transfer Programme was initiated in 2015 and focuses on sharing the knowledge of experienced individuals among employees. Due to budget constraints, the programme was put on hold during the year. Before being postponed, three sessions took place and of the 14 delegates who attended, nine were from designated groups and one was female.

During the year under review, 21 employees, all of whom were from designated groups, were enrolled in the NQF 3 Construction Health and Safety Learnership. 15 (71%) of these were female and a total of 20 completed the programme. A further 39 employees are enrolled in the NQF 4 Supervision of Construction Processes. Of these, 30 (77%) are from designated groups and 18 have completed the programme. Two employees enrolled in the NQF 5 at the beginning of the year, only one of whom is continuing.

Initiatives

Proactive incident management by C&M's safety health and environment (SHE) department has seen a reduction of incidents. The recordable case rate (RCR) decreased from 0,42 in the previous year to 0,40 in the current year. Successful initiatives such as a hand and finger awareness campaign were implemented, significantly reducing the number of injuries. Awareness campaigns included road safety, silly season and alcohol abuse.

In response to the outbreak of the COVID-19 pandemic in March 2020, C&M was swift in launching awareness campaigns and several informative sessions were hosted by a medical professional from an external service provider. Action plans for the sites were immediately implemented. With concerns around the health of employees and the negative impact of the virus on production at sites, contingency measures were carefully considered.

The Eswatini Division initiated the highly effective "Don't Walk Past" safety awareness campaign, which had a positive impact on C&M as a whole. The division launched the initiative in response to a spate of minor injuries and it encourages employees to rectify unsafe acts and conditions immediately.

C&M's safety performance has improved compared to previous years, a tribute to various awareness campaigns and behaviour-based safety initiatives. The business unit is aiming to achieve a further 15 000 000 lost time injury-free hours, by using the initiatives, targets and objectives during the year ahead.

The business unit conducts site observations to rapidly assess and address unsafe conditions on site. A culture of near hit reporting has been well established, which allows management to analyse and report on unsafe acts.

As a result of significant efforts to improve proactive incident management, C&M achieved 25 000 000 lost time injury-free hours and a 0,00 LTIFR.

C&M has been OHSAS 18001 certified since 2012, demonstrating the effectiveness of its high-performance safety management system.

Regrettably, the Mining Services Division experienced a fatality in the year, which was a result of a rear-end collision on a haul road between two sizeable vehicles. In response, C&M conducted a full root cause investigation over several days and corrective and preventative measures were immediately implemented on all Mining Services sites.

C&M's Leadership Engagement is a proactive incident management measure conducted at director level. Leadership Engagement consists of an information session between a small group of employees. Discussions deal with matters of health, safety, environment, quality and production as well as any personal issues raised by employees. Outcomes are recorded and trend analyses help to identify areas for improvement.

The business unit continues to place emphasis on environmental awareness initiatives. The launch of the Green Wednesday awareness campaign stimulates conversations about the environment and environmental stewardship on sites. The positive results include an environmentally considerate workforce that supports sustainability and environmental protection.

To reduce C&M's sewage waste, waterless mobile toilets have been piloted on various projects. The toilets decompose human waste into a dry, inert solid by way of a natural, environmentally friendly process. As a result, less hazardous waste is generated by projects, which helps to alleviate the pressure on the sewerage infrastructure system, while also eliminating the risk of pollution from conventional liquid-based mobile toilets. This pilot initiative will be refined and rolled out in due course.

With improvements in the quality of its environmental data, the business unit has developed new environmental reports on Systems at Stefanutti Stocks (S@S). The Waste Report and the Site Environmental Report enable a deeper analysis of environmental performance at a project level. This facilitates informed decisions and helps to reduce environmental impacts on specific sites.

As the group's largest business unit, C&M has the highest carbon footprint and it therefore investigated how the newly promulgated Carbon Tax Act will impact the company's activities and compliance obligations. After conducting a sufficient analysis, measures were put in place to ensure compliance with the Act and its regulations and inform stakeholders within the business about the financial and operational changes arising from carbon tax.

In preparation for the ISO 9001:2015 group certification, it was fortunate that system documentation had previously been aligned in recent years, which streamlined the audit. Group documentation including the framework manual and relevant core procedures were drafted, reviewed, approved and then rolled out to the respective divisions. C&M achieved the ISO 9001:2015 group certification without any non-conformities being identified during the audit processes.

C&M has introduced a number of new systems to support the business unit's overall quality system. Notably Docwize, a virtual document warehouse, as well as significant improvements to its customer satisfaction modules.

AWARDS, ACCREDITATIONS AND ACHIEVEMENTS

Awards

- FEM awarded Construction & Mining BU Kusile Civil Works site – Regional Construction Sector third place
- Sibanye Gold awarded Mining Tailings Operations – Best performance on leading and lagging indicators

Accreditations

Group certification has been obtained for ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018

Achievements

BUSINESS UNIT LEVEL

- C&M achieved 25 000 000 LTI-free hours
- C&M's LTIFR is 0,00

DIVISIONAL LEVEL

- Eswatini achieved 8 000 000 LTI-free hours
- Civils achieved 6 500 000 LTI-free hours
- Roads, Earthworks and Pipelines achieved 7 700 000 LTI-free hours
- Zambia achieved 2 500 000 LTI-free hours
- Mining Tailings Operations achieved 2 100 000 LTI-free hours
- Nigeria Division achieved 2 000 000 LTI-free hours
- Coastal Division achieved 5 200 000 LTI-free hours

Operational reviews

BUILDING

MANAGING DIRECTOR: HOWARD SCHWEGMANN

ORDER BOOK

R3,0bn

2020

2019

R3,5bn

LTIFR

0,04

2020

2019

0,04

CONTRACT REVENUE (Rm)

2 561

2020

2019

3 353

OPERATING LOSS (Rm)

(490)

2020

2019

(251)

TURNOVER BY SECTOR (%)

FACTORIES AND WAREHOUSES	OFFICE AND COMMERCIAL	RESIDENTIAL	SHOPPING AND RETAIL	ENERGY GENERATION
50	**33**	**12**	**4**	**1**

STRATEGIC FOCUS

- Management of cash and cash collection
- Differentiate ourselves from 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

CAPABILITIES

- Commercial buildings
- Airports
- Data centres
- Industrial buildings
- Distribution facilities
- Hospital and health facilities
- Schools and education facilities
- Shopping centres
- Social housing and residential
- Turnkey and alternate procurement
- Student accommodation

PERFORMANCE AND OUTLOOK

The building sector in South Africa experienced another challenging year, as weak infrastructure investment translated to a scarcity of large projects coming to market and greater pressure on margins. Contract revenue decreased to R2,6 billion (Feb 2019: R3,4 billion). For the year under review, the Building Business Unit reported an operating loss of R490 million (Feb 2019: R251 million). This loss includes a R462 million provision for potential unrecoverable measured works to complete the Kusile Building project. Excluded from this result is the profit of the equity-accounted United Arab Emirates operation.

Regarding the Kusile Building Project, in addition to the provision of R263 million raised at February 2019 for the potential unrecoverable preliminary and general costs, the group has now raised a further provision of R462 million for the potential unrecoverable monthly measured works to complete the project. The group is actively pursuing its contractual rights in terms of the dispute resolution process, as set out in the contract.

Unfortunately, there has been an increase in work disruption by local communities as well as so-called "business forums" on a number of projects. This continues to negatively impact the financial results of the business unit. This illegal process has continued for several years and the government seems unable to provide a solution. These disruptions inevitably create a negative impression among foreign investors, and this in turn contributes to reduced work opportunities for the business unit.

Building once again experienced mixed results across its operations, with good performances from KwaZulu-Natal (KZN), Western Cape, Mozambique and the United Arab Emirates and a poor performance from Gauteng.

To mitigate risk, the business unit was more selective regarding the types of work being procured, which in itself put pressure on revenue. As a consequence, revenue reduced, putting pressure on the overhead cost, which resulted in reduced margins.

The KZN Division delivered a reasonable performance despite facing headwinds, that included reduced turnover and slightly reduced margins. The division executed a number of successful projects, including the Mercedes-Benz South Africa (MBSA) Body Shop in East London. Turnover was lower and was impacted by holding costs after two significant projects – namely MSC Durban Cruise Terminal and Midway Shopping Centre – commenced later than scheduled, and other projects were either delayed or cancelled.

The Western Cape Division delivered another good performance, as margins were maintained, despite slightly reduced turnover. The division completed a number of projects during the year while replacement work was either delayed or cancelled. The division was successful on two framework projects although various delays on these projects led to holding costs and missed opportunities. The division is continuing with the R600 million Newlands Cricket Ground, a major project secured and initiated in early 2019.

The Gauteng Division experienced another challenging year, resulting in reduced turnover coupled with a loss. Included within the Gauteng Division is the Kusile Building Project, which includes the provision of R462 million together with a loss on the Houghton Hotel project as well as holding costs, retrenchments costs and an under-recovery of overheads due to the reduced turnover, all factors contributing to the loss. This division was revitalised and re-energised by restructuring the business. A new leadership team was appointed in September 2019. There were also positive outcomes on social housing projects and collections of long overdue debtors. The division completed the inhouse Northern Views development, which is currently selling and transferring a number of units.

In the year prior to the national elections in Mozambique, the building and construction sector was subdued and this led to delays in foreign investment into new projects and awards. Meanwhile, in the oil and gas segment in Maputo, key players EXXON Mobil, CCSJV and SAIPEM initiated their entry into the market. The division's outlook remains favourable after the early stages of the liquefied natural gas infrastructure projects in Northern Mozambique.

The Mozambique Division performed well despite an unpredictable market. The division's positive performance and contribution to operating profit came after being awarded the Cervejas De Moçambique Greenfields Brewery in 2018. The division expected several targeted projects in the pipeline to be secured before the end of July 2020, but due to COVID-19 across the world, these projects have been delayed.

The equity-accounted investee Al Tayer Stocks (ATS) in the United Arab Emirates delivered another good result, in line with expectations. The Fit-Out Division of ATS was awarded the very prestigious Fit-Out Contractor of the Year Award.

Building's order book at February 2020 was R2,3 billion (Feb 2019: R2,7 billion) excluding the United Arab Emirates order book of R658 million (Feb 2019: R808 million).

TOP PROJECTS BASED ON VALUE EXCLUDING VAT

Project name	Duration	Project value	Location
MBSA BODY SHOP (56%)	18 months	R406 million	Eastern Cape, RSA
DEVLAND SOCIAL HOUSING	44 months	R306 million	Gauteng, RSA
CARNIVAL CITY SOCIAL HOUSING	24 months	R250 million	Gauteng, RSA
WHISTLING THORNS RESIDENTIAL ACCOMMODATION	17 months	R242 million	Gauteng, RSA
MIDWAY SHOPPING MALL	20 months	R600 million	KwaZulu-Natal, RSA
NEDBANK OFFICE BLOCK (80%)	24 months	R514 million	KwaZulu-Natal, RSA
MSC DURBAN CRUISE TERMINAL	16 months	R180 million	KwaZulu-Natal, RSA
NEWLANDS CRICKET GROUND DEVELOPMENT	27 months	R550 million	Western Cape, RSA
THE JUNCTION MALL SHOPPING CENTRE	17 months	R276 million	Western Cape, RSA
SHOPRITE CILMOR DC PHASE 3	16 months	R210 million	Western Cape, RSA
KLEIN D'ARIA OFFICE BLOCKS	18 months	R149 million	Western Cape, RSA
ABINBEV MAPUTO MAIN BUILDING	12 months	R694 million	Mozambique
VALE INFRASTRUCTURE	14 months	R102 million	Mozambique
USAID WAREHOUSES	15 months	R98 million	Mozambique
COFRE DOS TRIBUNAIS	12 months	R49 million	Mozambique

NOTABLE PROJECTS

The **MBSA Body Shop** in East London was successfully completed on schedule and handed over to a satisfied client during November 2019. The 15-month turnkey build consists of a 46 000m² production space and a 2 000m² office block. The R720 million project featured innovative, time-saving precast solutions that reduced build costs and improved the quality of the end product. This prestigious project was executed using the business unit's capabilities in Building Information Modelling (BIM) that greatly assisted with the coordination of services within the building.

The **Midway Crossing Shopping Centre** project is located halfway between Pinetown and Umhlanga and conveniently accessible via the GO!Durban public transport system. This R600 million contract entailed 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 a targeted allocation of R57 million to involve subcontractors and suppliers from surrounding areas. A major challenge for the team to overcome was a 700mm diameter municipal water main running across the site. The construction sequence had to be revised which resulted in the delay being minimised by the project's resourceful team. The shopping centre will serve the community by being 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 R180 million. The new passenger terminal will be 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 the related external, roadways and all other related services. The terminal building has a retractable partition to make use of the space for events or conferences during off-season periods. While negotiating 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 at the end of March 2021.

The Western Cape Division commenced work on the **Newlands Cricket Ground Development** in February 2020. The contract consists of 30 000m² of offices including education facilities, a gym, indoor sports facilities and about 25 000m² of parking. This prestigious 24-month contract, valued at about R550 million, is being constructed within the boundaries of the Newlands Cricket Ground. A number of upgrades are being done to the existing stadium as well as the sundry building around the stadium. The project is scheduled for completion in August 2021.

Work on phase three of the **Shoprite Cilmore Warehouse** continued in Cape Town. The build is valued at R150 million and has an expected duration of 12 months. The scope of work includes the client's regional and national head office as well as an extension to the existing cold storage facility. The Western Cape Division has now been on site for five years during which it has successfully executed a number of projects for Shoprite. The division has built a strong and positive working relationship with the client and consultants, which led to the award of this notable development.

The **Durban Christian Centre** project, valued at about R121 million, achieved practical completion in March 2020. The building's total internal floor area spans 5 853m² and includes an auditorium and a grandstand measuring 3 253m²; a 1 780m² chapel; and 820m² of back-of-house building work. The overall structure has six major splayed buttresses supporting three aluminium clad arches in a trapezoidal form. The centre can accommodate up to 3 500 congregants and is enclosed by facades of extensive glazed curtain walling and sunscreens.

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.

AB InBev awarded the new **Cervejas De Mocambique Greenfields Brewery** to the Mozambique Division in December 2018. The contract commenced in March 2019 and saw additional awards of civil and site services works. The brewery comprises over 20 individual buildings and brewing-related mechanical plant support structures. The largest single structure is the pack hall and full bottle store building which spans 19 000m².

Phased construction of the brewery buildings allowed the international mechanical installation teams to take occupation and install the plant. After finalising finishing and commissioning, the client's production teams took over and the plant's first marketable beer was produced in January 2020, with production reaching full capacity thereafter. After a successful execution, the division will look to secure additional works on the project.

SUSTAINABILITY MATTERS

Skills development and training

A key focus area for the business unit continues to be the training and development of employees. This approach also aligns with Building's transformation, employment equity and succession planning strategies.

For the year under review, Building's total direct spend on all employees amounted to R2,1 million, of which R1,3 million was directed to management development. A total of 88% of the business unit's employees who received training were from designated groups, as were 83% of employees who received managerial training.

In terms of the business unit's training spend, the focus for the year was once again on specialised skills training. This included job-specific computer training, tertiary training towards formal qualifications, as well as leadership assessments and safety, health, environment and quality (SHEQ) training.

In order to create a successful and sustainable human resource foundation, the Building Business Unit is actively mentoring and developing the future generation of leaders and frontline managers

Within the business unit, a total of 20 full-time bursaries were awarded to qualifying recipients, of whom 90% were from designated groups and 35% female.

In addition, 16 part-time bursaries were awarded to existing employees, 88% of whom were from designated groups and 50% female. Building offered a further seven experiential learning opportunities, with 100% of participants being from designated groups, 57% of whom were female.

For the year under review, a total of seven learnerships were entered into, of which 100% of recipients were from designated groups and 29% were female. In terms of the business unit's 17 mentorships, 16 (94%) were employees from designated groups and five (31%) were female.

In Mozambique, skills development and training courses were offered with the assistance of an external service provider. This training initiative commenced in 2018 and comprises 33 staff members ranging from site foremen (NQF level 4), to site agents (NF level 5) and team leaders (M Module) who are provided with training in practical construction skills.

Initiatives

To embrace the advancements in construction technology, Building continues to grow its BIM capabilities, a powerful tool to improve the management of large and complex projects. To this end, the Building Business Unit has employed additional resources in order to assist and manage BIM. To date, the business unit has utilised its BIM capabilities on six projects.

The business unit also enhanced its safety culture by way of an enhanced approach to management visibility, leadership engagement, regular site visits and various interactions across all employment levels.

In terms of Building's health and safety performance, the goal was to maintain its LTIFR with a targeted performance of 0,05. The business unit exceeded this target with a LTIFR of 0,04 to match the previous year's performance. This was achieved after a number of interventions, including leadership engagements at executive level and a behavioural change programme at lower levels.

Building's lost time incidents (LTIs) increased from one incident in 2019, to two in 2020. The 12-month hours worked and average employees per month have also increased from 5 179 653 hours worked per month by an average of 2 363 employees, to 5 813 141 hours worked per month by an average of 2 652 employees.

The business unit aligned its various divisional safety, environmental and quality systems in order to obtain the necessary group certifications for ISO 9001:2015 as well as ISO 14001:2015 and ISO 45001:2018.

The business unit is mindful of the environmental impact of the construction industry, and has partnered with the Green Building Council South Africa, which promotes green building practices for a more environmentally friendly property sector.

AWARDS, ACCREDITATIONS AND ACHIEVEMENTS

Awards

The business unit achieved a number of health, safety and quality awards:

AL TAYER STOCKS

› Fit-Out Contractor of the Year

The following awards were received from the Regional Master Builder Association:

KZN REGION

› First place: Mercedes-Benz South Africa (MBSA) Body Shop – Building KZN (sites with a value between R450 million and R750 million)
› Highly commended contract: Durban Christian Centre (DCC) – Building KZN (sites with a value between R100 million and R250 million)
› Overall winner: Excellence in Construction Commercial Buildings above R70 million: Park Square – Building KZN
› Overall winner: Excellence in Construction Industrial/Civil above R70 million: MBSA – J Site – Building KZN
› Overall winner: Excellence in Construction Commercial/Industrial Alterations above R40 million: MBSA – Building 34 – Building KZN
› Overall winner: Excellence in Construction Subcontractors and/or Service Provider: MBSA – ASRS Sorter Building – Building KZN
› Highly commended: Excellence in Construction Commercial Buildings above R70 million: Hirt & Carter/Triumph and Uniprint Park – Building KZN

- Second place: Contribution to a safer construction environment by displaying commitment and excellence in health and safety – Building KZN
- Overall winning company in the Master Builders Association awards: Building KZN
- Safety person of the year: Joel Pillay

The National Master Builder Association made the following award:

- Second place: MBSA Body Shop – Building KZN (sites with a value between R450 million and R750 million)

The South African Institution of Civil Engineering (SAICE) made the following award:

- Highly commended for technical excellence: Park Square – Building KZN

The South African Institute of Steel Construction (SAISC) made the following award:

- Category winner for the role as Main Contractor: Durban Christian Centre – Building KZN
- Winner: 2019 Fulton Award for Innovation in Concrete Projects – Mozambique division

ACCREDITATIONS

Stefanutti Stocks Building accreditations:

- ISO 9001:2015
- ISO 14001:2004
- BS OHSAS 18001:2007

Stefanutti Stocks Building KZN accreditations:

- ISO 9001:2015
- ISO 14001:2015
- ISO 45001:2018

Stefanutti Stocks Building Western Cape accreditations:

- ISO 9001:2015
- ISO 14001:2015
- BS OHSAS 18001:2007

Al Tayer Stocks accreditations:

- ISO 9001:2015
- ISO 14001:2015
- ISO 45001:2018

A 5-Star Master Builder Association rating was awarded to the following projects:

- Klein D'Aria
- Shoprite Cilmor Phase 3
- Western Cape Plant Yard
- Newlands Cricket Ground

Achievements

DIVISIONAL LEVEL

- Building Gauteng – achieved 7 700 000 LTI-free hours
- Building KZN – achieved 18 600 000 LTI-free hours
- Building Western Cape – achieved 4 100 000 LTI-free hours
- Building Mozambique – achieved 4 600 000 LTI-free hours

Operational reviews

MECHANICAL & ELECTRICAL
MANAGING DIRECTOR: VINCE OLLEY

ORDER BOOK

R328m
2020
2019
R537m

LTIFR

0,00
2020
2019
0,05

CONTRACT REVENUE (Rm)

	2020	2019
Contract revenue (Rm)	**897**	1 209

OPERATING LOSS (Rm)

	2020	2019
Operating loss (Rm)	**(25)**	(19)

TURNOVER BY SECTOR (%)

52	**48**
SURFACE MINING RELATED SERVICES	INDUSTRIAL PLANTS AND OIL AND GAS

OPERATIONAL REVIEWS – MECHANICAL & ELECTRICAL
continued

STRATEGIC FOCUS

- Effective continued leadership and senior management engagement with frontline site personnel to ensure operational excellence
- Continue to deliver all projects on time
- Ensure that projects remain cash positive
- Embed the Stefanutti Stocks Way
- Early detection of problems to allow management intervention and correction
- Provide mentoring and training to personnel

CAPABILITIES

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

PERFORMANCE AND OUTLOOK

A shortage of work in the surface mining infrastructure markets affected both South African as well as cross-border operations, negatively impacting on the financial performance of the Mechanical & Electrical Business Unit (M&E) as well as its order book. In these difficult conditions M&E's revenue decreased to R897 billion (Feb 2019: R1,2 billion). Two loss-making contracts, in the Oil & Gas Division and the Mechanical Division respectively, resulted in an operating loss of R25 million (Feb 2019: operating loss of R19 million).

On a positive note, M&E secured projects in the South African coal, iron ore and platinum mining sectors. The business unit also executed work on oil and gas projects, which included tank building contracts. In addition, during the year M&E completed cross-border mining contracts in Ghana.

The Oil & Gas Division successfully concluded major shutdown projects in Secunda, Mpumalanga and also completed work for Astron Energy. The division is, in joint operation with a specialist international company, in the process of fabricating and installing fuel storage tanks for Transnet. It is also constructing an ammonia tank for Sasol in Sasolburg.

The Oil & Gas Division's arbitration relating to the cancellation of a petrochemical contract, had to be postponed due to a fundamental change in the client's defence. The financial impact thereof cannot be quantified at this stage.

The Mechanical Division completed a project for Kumba Iron Ore at Sishen in the Northern Cape during the year and secured further work in the area from the mining company. Projects for Exxaro at Grootegeluk are nearing completion.

M&E's order book at February 2020 was R328 million (Feb 2019: R537 million).

NOTABLE PROJECTS

The **Ahafo Mill Expansion** project in Ghana was successfully completed during the year. The contract was awarded in joint operation with Wayoe Engineering and Construction Limited, M&E's local partner in Ghana. The components of the project included the supply and erection of three large carbon leach tanks, which are used to extract minerals from mined ore.

During the project the team had to manage a key challenge, which saw approximately 240 containers with fabricated construction components shipped from South Africa to Ghana. A team of mechanical specialists were assembled to perform the installation, alignment and commissioning of the large bore mill and cone crusher.

The **Kolomela DMS Upgrade** project was awarded to M&E and completed during the year under review. The scope of this multidisciplinary project included civils work, which was subcontracted to a local operator, as well as mechanical, electrical and instrumentation work. The contract was challenging as it was a brownfield upgrade, which had to be executed within an existing operating plant. Nevertheless, the project was successfully completed and complemented by an excellent safety record.

The successful execution of the Kolomela DMS upgrade project led to M&E being awarded the **Kolomela Southern Stacker Upgrade** project in Postmasburg for Kumba Iron Ore. The project is another upgrade of an existing plant, featuring a multidisciplinary scope of work and includes local participation. The contract progressed according to plan and has been successfully completed.

M&E made significant progress during the year in the **Exxaro GG2 and GG6** projects which are located at Grootegeluk in the Limpopo province. This brownfield project forms part of Exxaro's Grootegeluk 6 coal mine expansion and includes work performed in two phases. The scope of work encompasses the removal and replacement of old equipment and materials, the supply and erection of new equipment including 1 100 tonnes of steel and plate work, as well as 3 500m of piping.

The **Amandelbult Chrome Recovery** project in the North West province was secured in 2018 by M&E's empowerment partner C Elik Engineering Proprietary Limited (C Elik). C Elik is an emerging black-owned enterprise and its participation in executing the work was an important aspect of the project. C Elik performed its role in the contract by fabricating 590 tonnes of structural steel, 180 tonnes of plate work and installing 16 000m of HDPE and carbon steel piping.

In the **Venetia Surface Infrastructure** project for De Beers, both the Mechanical and Electrical Divisions are working in a consortium, together with the group's overall project team. The scope of work incorporates numerous structural steel buildings, as well as all associated electricals and controls.

The **Sasol Secunda shutdown** project saw the Oil & Gas Division successfully complete a number of challenging projects during the year. The work included the removal of a redundant process column as well as cutting and replacing the top section of two existing columns. In addition, the work called for the welding together of two column sections measuring 2,6m in diameter – a specialised task that required specific welding as well as quality accreditation for execution. In order to achieve the shutdown schedule and to ensure that the plant returned to service on time, an extensive planning process was undertaken, together with Megchem and Sasol operations.

During the year M&E made progress on Transnet's **Sapref R Tanks** project, located in Durban, KwaZulu-Natal. Oil & Gas are building two petrochemical storage tanks with VJ Tanks, the division's joint operation partner from Oman. The storage tanks measure 36m in diameter and are 20m high with an aluminium dome roof and internal floating decks. The floating roofs were designed in North America and, due to the complex design requirements, fabricated in Asia. The civils work required on the project is being performed by the Civils Division.

TOP PROJECTS BASED ON VALUE EXCLUDING VAT

Project name	Duration	Project value	Location
NH3 TANKS	20 months	R140 million	Free State, RSA
SAPREF R TANKS	14 months	R90 million	KwaZulu-Natal, RSA
NATCOS	12 months	R35 million	KwaZulu-Natal, RSA
EXXARO GG2 AND GG6	27 months	R470 million	Limpopo, RSA
PLANT MAINTENANCE CONTRACT	12 months	R200 million	Mpumalanga, RSA
ASTRON	10 months	R85 million	Western Cape, RSA

Sasol's **NH3 Tanks** project in Sasolburg was awarded to M&E during the year under review. The scope of the project includes all civil, mechanical, instrumentation and electrical work, and will be executed by M&E and the Civils Division. Good progress in building the civil tank base has been made – this is a unique tank that will be used to store ammonia at -45ºC. This double shell tank, which is a tank within a tank, has an external shell measuring 29m in diameter. The tank has to be made from a specially modified carbon steel due to the very low temperatures required for storing ammonia. M&E is working closely with Linde, the main contractor, in order to deliver this exciting project.

Progress is also being made on a piping installation project in Cape Town at the **Crude Flex** project for Astron Energy. The scope of the project is to install interconnecting piping systems between multiple tanks that are located across the refinery. The pipe spools were fabricated at M&E's pipe fabrication workshop in Johannesburg and then transported to the refinery to be installed. It was a requirement of the project that work be done in an operating plant under permit conditions.

SUSTAINABILITY MATTERS

Skills development and training

M&E's apprenticeships and bursary programmes continue to be a focal point and fall under the business unit's skills development plan. M&E focuses on developing trades that align with operational requirements including those of electricians, welders and diesel mechanics.

The business unit currently has seven apprentices who are actively working towards the completion of their respective trades. Six are expected to qualify before the end of 2020, and the seventh by the middle of 2021. Six of the seven trainees are from designated groups, two of whom are female.

During the year under review, M&E signed seven part-time bursary contracts with employees. Four of these were under Practical Project Management Programmes, one for a Postgraduate Diploma in Financial Accounting, and the remainder in the legal sphere.

Initiatives

M&E's drive for increased participation in tank farm market projects gained further traction during the year, when the award of the Transnet R Tank contract with Transnet was followed by the award of the NH3 Tank contract for Sasol. To enhance progress, M&E's management capacity has been further strengthened in this area and both contracts are proceeding well. It is anticipated that additional tank farm tenders could be secured in the year ahead.

Once again, emphasis was placed on marketing M&E's proprietary high rate clarifiers during the year. This focus has led to a number of contracts being awarded for M&E's clarifiers and thus the marketing of this product to the mining sector remains an ongoing focus.

M&E secured several cross-border projects during the year, which aligned with the business unit's strategy. Its cross-border competence has grown due to its involvement in a number of projects and this provides a strong foundation for taking on additional work of this nature. To this end, securing further cross-border contracts remains a strategic objective.

AWARDS, ACCREDITATIONS AND ACHIEVEMENTS

Awards

The Mechanical Division received awards for the following:

- The Kolomela UHDMS Project team received a trophy from Kumba for the contractor with the best safety performance.
- The Exxaro GG6 Expansion project was awarded a trophy for outstanding SHE performance.
- The Exxaro GG2 Expansion project was awarded the following:
  - a trophy for outstanding SHE performance
  - a certificate of achievement for 630 LTI-free days
  - winner of the Exxaro Mine House Keeping Competition
  - recognition for achieving clear safety file audits for 2019

The Oil & Gas Division received an award for the following:

- Recognition award from Sasol Group Technology for Commitment to Safety on the LV237 Replacement – Shutdown project.

Accreditations

- OHSAS 18001 recertification audit conducted by Dekra was successful
- System development and transition from OHSAS 18001 to ISO 45001 resulted in a successful TUV audit contributing to group certification
- New system development and implementation of ISO 14001 resulted in a successful TUV audit contributing to group certification. This is M&E's first ISO 14001 certification
- Group ISO 9001:2015 certification successfully achieved

Achievements

- The Oil & Gas Division achieved an LTIFR of 0,00
- The Electrical & Instrumentation Division maintained its LTIFR of 0,00
- Electrical & Instrumentation's Sasol shutdown projects were completed LTI-free
- The Mechanical Division's Exxaro GG6 Expansion project received a certificate of achievement for 360 LTI-free days

Board of directors

A

ZANELE MATLALA (56)

INDEPENDENT NON-EXECUTIVE CHAIRMAN

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

Appointed: February 2012

Length of service: eight 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.

B

HOWARD CRAIG (60)

INDEPENDENT NON-EXECUTIVE

Qualifications: BSc (Civil Engineering), GDE

Appointed: April 2015

Length of service: five years

Stefanutti Stocks board committee memberships: REMCO Chairman, NOMCO member, S&E member

External board committee memberships: Director, Chairman ARCO and Governance Committee of PPP Holdings (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.

C

BHARTI HARIE (49)

INDEPENDENT NON-EXECUTIVE

Qualifications: BA, LLM

Appointed: April 2018

Length of service: two 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 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.

D

JOHN POLUTA (48)

INDEPENDENT NON-EXECUTIVE

Qualifications: BCom, BAcc, CA(SA)

Appointed: July 2017

Length of service: two 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). Investment analyst with two leading stock broking firms.

E

DERMOT QUINN (68)

INDEPENDENT NON-EXECUTIVE

Qualifications: BScEcon, CA(SA)

Appointed: June 2015

Length of service: five 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).

F

BUSISIWE SILWANYANA (47)

INDEPENDENT NON-EXECUTIVE

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

Appointed: April 2018

Length of service: two years

Stefanutti Stocks board committee memberships: S&E Chairman, ARCO member

External board committee memberships: YeboYethu (RF) Limited, Finbond Mutual Bank

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.

Executive Committee

G

RUSSELL CRAWFORD (56) *

CHIEF EXECUTIVE OFFICER

Qualifications: National Higher Diploma Civil Engineering

Appointed: August 2019

Length of service on the board: one year

Stefanutti Stocks board committee memberships: S&E member and attends meetings of all other board committees by invitation

Skills and experience: Over 30 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).

H

ANTONIO COCCIANTE (50) *

CHIEF FINANCIAL OFFICER

Qualifications: BCom (Hons), CA(SA)

Appointed: June 2015

Length of service on the board: four 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).

I

DEREK DU PLESSIS (62)

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.

J

VINCE OLLEY (57)

MANAGING DIRECTOR MECHANICAL & ELECTRICAL

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

Appointed: March 2012

Skills and experience: 29 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.

K

HOWARD SCHWEGMANN (58)

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 39 years: 21 years with Group Five, three years with JT Ross and 15 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.

L

MIKE SIKHAKHANE (54)

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.

M

MARK SNOW (60)

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.

* *Member of board of directors.*

Corporate governance report

CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS AS AT 18 AUGUST 2020

MEMBERS: ZJ Matlala (Chairman), HJ Craig, B Harie, BP Silwanyana, JM Poluta (alternate to BP Silwanyana), DG Quinn, RW Crawford (CEO), AV Cocciante (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:
N/A

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 in the integrated annual report

NOMCO

MEMBERS:
ZJ Matlala (Chairman), HJ Craig, B Harie, DG Quinn

ANNUAL MEETINGS:
1

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:
3

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

Notes

1. K Eborall retired at the AGM on 12 August 2019.
2. Z Matlala stepped down as ARCO Chairman and was appointed as board Chairman on 12 August 2019.
3. DG Quinn appointed as a member and Chairman of ARCO on 12 August 2019.

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

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

APPLICATION OF KING IV

The four governance outcomes set out by the King IV Report on Corporate Governance for South Africa, 2016 (King IV) are as follows: ethical culture, good performance, effective control and legitimacy, all of which are endorsed and supported by the group. The discussion that follows explains how the group has applied these principles.

The application of the King IV principles is assessed and reviewed on an ongoing basis.

LEADERSHIP

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

The board has a clear understanding that strategy, risk, performance and ultimate sustainability of the group are inseparable. To ensure that the group and its businesses operate within acceptable risk parameters, it subscribes to good corporate governance principles in order to create stakeholder value and maintain sustainable growth.

The formally adopted board charter articulates the board's responsibilities and terms of reference and is reviewed annually. The charter ensures that the directors maintain effective control over the strategic, financial and compliance matters of the group. The board, in turn, is accountable to shareholders. By exercising good judgment, strong leadership and acting with integrity, the group is better positioned to be sustainable in the long term. The group also has a code of business ethics and conduct which applies to all board members and employees.

In line with King IV, performance evaluations of the board and committees are conducted every two years and as an extension to the formal evaluations, the Chairman has individual discussions with each board member. In June 2019, an internal self-evaluation effectiveness review was conducted in respect of the board, and the Audit, Governance and Risk Committee (ARCO), the Remuneration Committee (REMCO) and the Social and Ethics (S&E) Committee. The outcome of the review indicated that the board and committees are operating effectively, with only minor areas for improvement.

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

The board agendas and meeting structures focus on strategy, performance monitoring, governance and related matters. A group annual strategy session is held, in which all board members participate. They help guide the development of the company's strategy by reviewing all key group policies, which are approved either at a sub-committee or board level. The board approves the budgets, and performance against these budgets is monitored at each board meeting and the necessary remedial actions are taken.

Conflicts of interest

At each board meeting, all directors are required to notify and disclose their conflicts of interest to the company as a standard agenda item. Post 29 February 2020 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 standards of integrity, ethics and professional behaviour by which the group must abide, are contained in its code of business ethics and conduct. The manner in which stakeholders must be treated and managed is described in the code. The group's stakeholders include customers, business partners, suppliers, government and communities. The management, implementation and execution of codes of conduct and ethics policies are delegated and managed by ARCO. These are underpinned by the group's values as disclosed on page 5. The entire group subscribes to the code, which is continually reviewed to ensure that it meets operational requirements and forms a vital element of the group's employment policies and procedures. A summary of the code of business ethics and conduct is displayed on the group's intranet and the group's website.

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

The group has adopted a zero-tolerance approach to any unfair or unethical business practices in the conduct of its business. The group's whistleblowing facility is administered by Tip-offs Anonymous, which guarantees the anonymity of the complainant.

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

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

Share dealings

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

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

Supplier contracts

All subcontractors are alerted to the group's code of business ethics and conduct and are required to confirm that they will abide by the company's ethical and business standards conveyed in the code during the initial phases of any project.

RESPONSIBLE CORPORATE CITIZENSHIP

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

The S&E Committee 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. The ultimate responsibility in these matters remains with the board, regardless of any delegated authority.

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.

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

The board debates and approves the strategy prepared by management at its annual board strategy session. This covers 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. Key policies and financial budgets that support the group's strategy are approved and monitored against agreed performance measures and targets, at each meeting.

The group's material issues are constantly evaluated and these are categorised according to the material effects they may have on strategic operations. Stakeholder engagement takes place through various formal and informal channels to help guide and define the group's material issues.

Separate reports throughout this report 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.

The board protects the integrity of the integrated annual report and all other related reports issued by the group. During the approval process of the integrated annual report, the board assesses and confirms management's grounds for establishing materiality, which supports the base of deciding material information to be disclosed.

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

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

All of these committees ensure that reporting framework requirements are met which follows relevant legal and statutory requirements as well as the six capitals model consisting of human capital, social and relationship capital, natural capital, financial capital, manufactured capital and intellectual capital. Further information on the capitals can be found on page 6.

Report assurance is performed in conjunction with the external auditors who focus mainly on the financial aspects. There is limited external assurance on non-financial aspects.

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

All Executive Committee (EXCO) members take part in the bi-annual roadshows where the group's performance and strategy are presented and 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. Such presentations, webcasts, corporate actions and reports on performance, as well as any other information deemed relevant, are also published on the company's website. Interaction with the media also takes place on an ad hoc basis.

PRIMARY ROLE AND RESPONSIBILITIES OF THE BOARD

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

Board charter

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

In addition to the responsibilities set out in the Companies Act and King IV, the board's other duties as detailed in the charter include:

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

The group's management is available to all non-executive directors who have unfettered access, after notifying either the CFO or CEO of whom they wish to contact and the subject matter of the engagement. Board members are able to access the external auditors if required, which protocol is contained in the board charter.

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

Professional advice

The board charter provides that all directors may 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 (2019: eight directors). Russell Crawford was appointed as CEO on 12 August 2019, following the retirement of Willie Meyburgh on the same date. Board Chairman, Kevin Eborall retired at the annual general meeting (AGM) on 12 August 2019 and Zanele Matlala was appointed as board Chairman with effect from such date.

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

The board composition is reviewed annually by REMCO and the board, and also in the event of a resignation or retirement. The board continually monitors its size to ensure it has adequate capacity. During the review process, any shortfalls in skills and experience are identified and addressed. The size and composition of the board 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's board diversity policy supports the principles and aims of diversity at board level, specifically with respect to gender, race, culture, age, field of knowledge, skills and experience. This policy has been incorporated as part of the company's board charter. The board considers these diversity indicators in the composition of the board, including any new board appointments.

Each board member offers a wide range of relevant knowledge, expertise, commercial and technical experience and business acumen that allows each of them to exercise independent judgement in board deliberations and decision-making. Refer to page 40 for a brief curriculum vitae for each of the directors.

Board Chairman

The board is chaired by Independent Non-executive Director, Zanele Matlala, who has been with the group since February 2012 as a non-executive director. Her Chairman's report is set out on page 14.

The roles of the Chairman and CEO are 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 of 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 however as the current incumbent, Zanele Matlala is fairly new to the role (since 12 August 2019), her performance will be reviewed during the financial year ended 28 February 2021.

Independence

The directors' independence is assessed annually taking into consideration the JSE Listings Requirements, the Companies Act as well as King IV.

During the year under review, their independence was confirmed by REMCO in terms of 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.

As standard practice, the board reviews the independence of non-executive directors who have been on the board for more than nine years looking at their performance as directors and factors that may influence or impact their independence. Currently, there are no directors who have been on the board for more than nine years.

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

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

One-third of the board (other than the executive directors) is subject to retirement and re-election by rotation annually in terms of the company's MOI, and the retirement roster, which the REMCO and board reviews.

Kevin Eborall retired by rotation at the company's AGM held on 12 August 2019 and did not offer himself for re-election, having served on the board since 2007. Zanele Matlala was re-elected at the 2019 AGM.

Non-executive directors are required to retire at 70, unless resolved otherwise by the board, on the recommendation of the NOMCO. Executive directors retire at 65.

Howard Craig and Bhartie Harie retire by rotation and has offered themselves for re-election.

Willie Meyburgh retired at the 2019 AGM and Russell Crawford was appointed as CEO of the group on the same date.

MEETING ATTENDANCE

Board member	Board	ARCO	REMCO	S&E
Chairman	ZJ Matlala	DG Quinn	HJ Craig	BP Silwanyana
Number of meetings	12	4	4	3
KR Eborall [1]	3/3	3/3 ^	3 REMCO/1 NOMCO	n/a
ZJ Matlala [2]	12/12	3/3	2/2	n/a
W Meyburgh (CEO) [3]	3/3	3/3 ^	3/3 ^	2/2
RW Crawford (CEO) [4]	9/9	1/1 ^	2/2 ^	1/1
AV Cocciante (CFO)	11/12	4/4 ^	4/4 ^	3/3 ^
HJ Craig	10/12	n/a	3/4	2/3
B Harie	11/12	4/4	4/4	n/a
JM Poluta (alternate to BP Silwanyana)	9/12 †	4/4	n/a	n/a
DG Quinn	11/12	3/4	4/4	n/a
BP Silwanyana	12/12	4/4	n/a	3/3

n/a Not applicable. ^ By invitation. † Permanent invitee.

1. KR Eborall (retired as board Chairman on 12 August 2019). 2. ZJ Matlala (appointed as board Chairman on 12 August 2019). 3. W Meyburgh (CEO) (retired 12 August 2019). 4. RW Crawford (CEO) (appointed 12 August 2019).

5. ZJ Matlala stepped down as ARCO Chairman on 12 August 2019 and DG Quinn was appointed as ARCO Chairman on that date.

Succession planning

REMCO is responsible for reviewing the formal succession plans for the Chairman, CEO, CFO, board of directors and senior management annually. The board receives REMCO's findings and recommendations for further consideration and action. REMCO also regularly reviews and gives guidance to the board on the succession plans of the group.

Plans are in place for emergency cover situations.

New appointments

NOMCO regularly assesses the need for new appointments to the board, and directors are appointed through a formal process. The appropriate background checks, screening and due diligence processes are performed on any proposed new director before being shortlisted for nomination. NOMCO recommends candidates and the board formally approves them.

When appointing a new board member, a formal panel interview is undertaken with the candidate, checking and confirming that the candidate has adequate time and capacity available to fulfil the duties required of a member of the board.

Directors appointed subsequent to the last AGM are confirmed at the coming AGM. The board appointed Russell Crawford as CEO on 12 August 2019. His appointment as a director will be submitted to shareholders for confirmation at the AGM to be held on 9 October 2020.

Non-executive directors have letters of appointment that 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.

Continuous development and training

REMCO-approved group-specific induction programmes which are presented to all newly appointed directors. This programme assists new directors to fully appreciate and understand the complexities of the group's businesses and be able to make informed contributions to board deliberations as soon as possible. This induction process is coordinated by the company secretary. Site visits and presentations on specific technical topics supplement board development. Training continues to be addressed and enhanced.

Development training programmes are provided to directors when necessary and are structured around their duties, responsibilities, powers and potential liabilities.

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

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

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

The board has constituted various committees to assist it with meeting its duties and responsibilities and to effectively establish its decision-making process. The committees provide accurate, relevant and timely information to the board. All company-related information, records and documentation are available to all committee members.

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

The following committees have been formally constituted by the board:

- ARCO
- REMCO
- NOMCO
- S&E

The membership, duties, purpose, and reporting procedures for each board committee and the formalised terms of reference define the extent of their decision-making powers, delegated authorities and tenure. The committees do not have a fixed tenure and remain established for so long as the relevant legislation applies.

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

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

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

Committee cross-memberships exist, so meetings are coordinated accordingly with an annual programme which gets distributed at the beginning of the 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.

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

Subsidiaries

Subsidiary oversight is managed by way of the process of delegated authority, which is in place between the holding and operating companies to ensure adherence to the group's overall subscription to the principles of ethical leadership and good corporate governance.

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.

In June 2019, an internal self-evaluation effectiveness review was conducted in respect of the board, ARCO, REMCO and the S&E Committee. The outcome of the review indicated that the board and committees are operating effectively, with only minor areas for improvement.

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 CEO has been given the delegated authority by the board to run the business of the group and oversees the management of operations and finances of the group. This formal delegation of authority is reviewed annually.

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

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

The board also conducts a performance evaluation of the CEO and annually 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 63 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.

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

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

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

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

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

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

Strategies to exploit opportunities and mitigate risks are developed. 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 assessment 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.

Complete integration of all ICT technologies is still not fully in place, but the group is working towards standardising processes and procedures within the businesses.

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

A balance is struck, when assessing ICT requirements, between keeping current systems and replacing longstanding systems with new, cloud-based ones. The resultant shift is from a capital cost model to a service-based operational expense model. As a result of this benefit, the ICT function has been able to decrease the capital requirement for equipment, while benefiting from new technologies for back up, disaster recovery and storage.

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 group wide.

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, where applicable.

The group's information architecture ensures availability of information while protecting the confidentiality and integrity thereof. The leveraging of information to sustain and enhance the group's intellectual capital is an ongoing process.

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

The group's compliance with legislative and regulatory requirements which includes the Companies Act, the JSE Listings Requirements, the King IV recommendations and other applicable legislation is monitored by the ARCO. Included within the code of business conduct and ethics is a compliance policy, which is communicated to all new employees during company inductions. Access to the policy is readily available on the group-wide intranet. Those laws applicable to the group and 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 has 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 is anticipated to be heard during February 2021. The group remains confident that it can defend this claim and therefore no provision has been made.

Eskom – Kusile Power Project

During the current reporting period, 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 has now raised a further provision of R462 million 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. This process is ongoing and is anticipated to be concluded during the latter part of 2020.

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 is set out on page 56.

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

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

All group employees are made aware of the importance of risk management and internal control systems. This communication imparts a clear and unequivocal understanding of their roles and obligations.

The internal control systems provide adequate assurance of the integrity and reliability of the annual financial statements, they safeguard and maintain accountability of the group's assets and detect and minimise significant fraud, potential liability, loss, material misstatement and other irregularities while complying with applicable laws, regulations and reporting standards.

A combined assurance model has been adopted to ensure that all risks identified are subjected to the required level of management control and the necessary internal and external assurance. The ARCO reviews the risk areas included in the scope of the external audit plan as well as the internal audit plan to ensure there is not duplication across the two disciplines.

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

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

While non-compliance with group procedures was not material, they were discussed with management and the existing controls were reinforced with the relevant staff. Management has applied new controls and enhancements to existing controls, where necessary.

To ensure its independence the Internal Audit function reports directly to the ARCO. An area of key focus of the Internal Audit function relates to the assessment and testing of internal controls within the group. No reports of any significant breakdowns in the effectiveness of the group's control framework were received during the year.

Please refer to the ARCO report on page 53 of this integrated annual report.

Internal audit

The ARCO reviews and approves the internal audit plan which ensures that all recognised areas of risk are covered and duplications are eliminated. The internal audit charter is unchanged and there were no material amendments to the Internal Audit function's role, duties and reporting line of the Group Internal Audit Manager.

Please refer to the ARCO report on page 53 of this integrated annual report.

Assurance

While the group's consolidated and separate financial statements are externally assured, this integrated annual report as well as any non-financial information has not been independently assured. The group reviews all internal and external assurances already in place and coordinates this with its risk management procedures and has implemented a combined assurance model as illustrated in the infographic on page 50.

COMBINED ASSURANCE MODEL

First line of defence

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

Second line of defence

The group's second line of defence is supplied by divisional management and 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. Legal compliance, health, safety and quality assurance are included in this line of defence.

Third line of defence

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 third line of defence. The Audit Committee is predominantly responsible and is supported by internal audit, external audit, as well as certain specialised areas of assurance such as ISO auditors for quality, environment as well as health and safety audits.

The board assesses the output of the group's combined assurance with objectivity and professional scepticism, and by 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.

CORPORATE GOVERNANCE REPORT
continued

COMBINED ASSURANCE MODEL

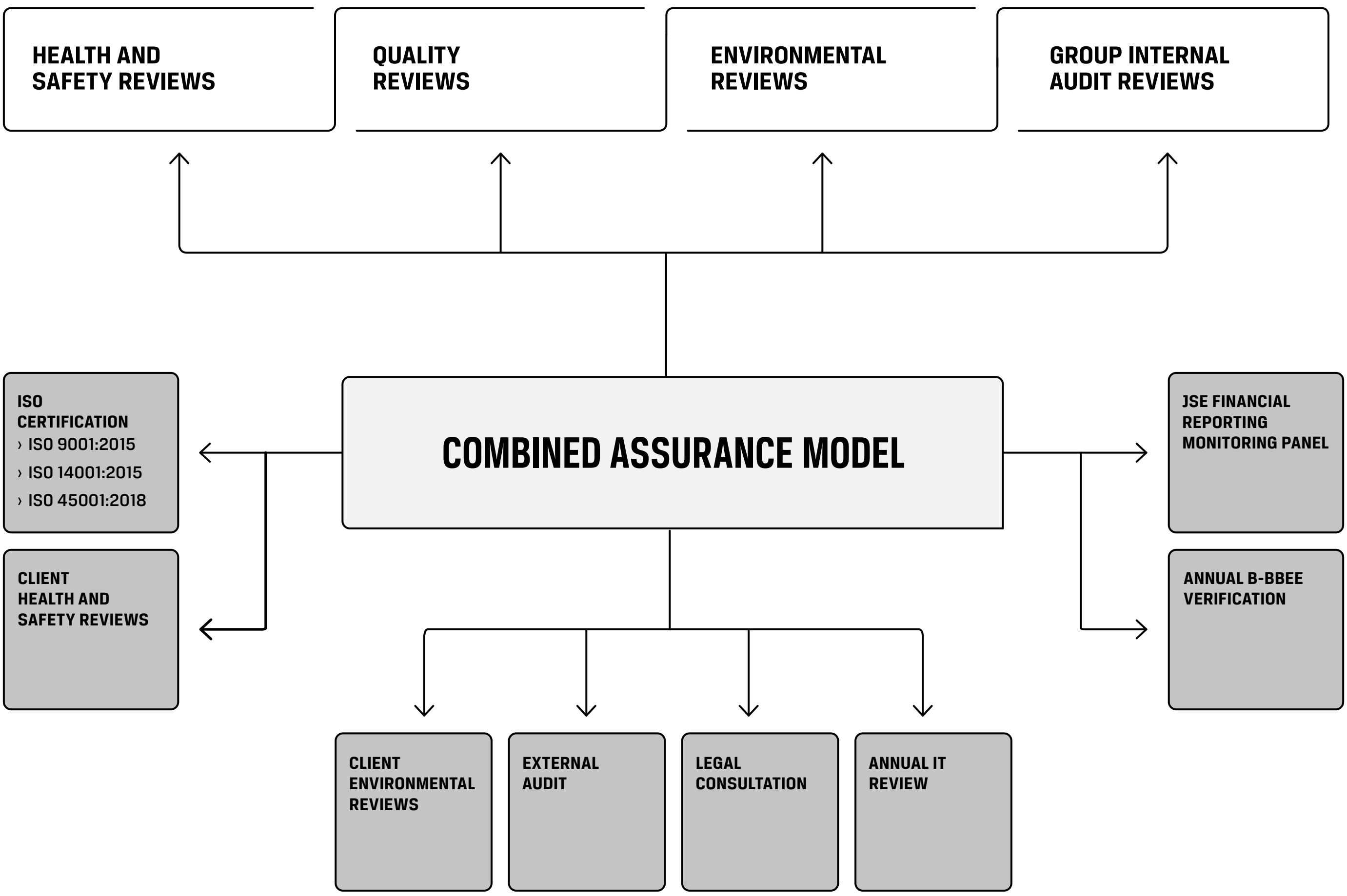
1ST LINE OF DEFENCE
- Board
- EXCO
- Senior management

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 40. Ms Silwanyana is also a member of the ARCO, which improves communication and ensures cooperation between these committees.

MEETINGS

The committee met three times 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

18 August 2020

FOCUS AREAS

2020

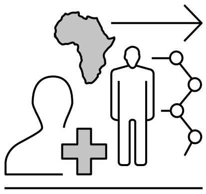
- Approval of annual work plan for the committee
- Reviewing and monitor progress of group B-BBEE scorecard against Construction Sector Charter
- Resetting EE targets, based on restructuring of business units and growth prospects
- Monitoring non-EE appointments at a senior level
- Monitoring community relations around project sites
- Reviewing environmental monitoring trends and setting of appropriate targets
- Monitoring adequate stakeholder engagement in terms of the stakeholder framework and policy
- Continue focusing on enterprise development
- Reviewing the company's status relative to King IV regarding the areas of responsibility of the committee
- Engaging with the group safety forum on safety trends and improvement of strategies

2021

- Monitoring of stakeholder engagement and addressing material issues relevant to these stakeholders
- Driving a health and safety culture in respect of COVID-19 at the workplace
- An ongoing focus on EE and B-BBEE in order to maintain the group's B-BBEE Level 1 Contributor status
- Resetting of EE targets, based on the restructuring of group
- Review of environmental matters specifically with regards to legal compliance, carbon tax, ISO 14001:2015 maintenance and increase environmental awareness
- The tracking and performance of trend analysis to increase efficiencies on customer relations
- Monitor labour relations and ongoing community relations adjacent to working sites

Sustainability highlights

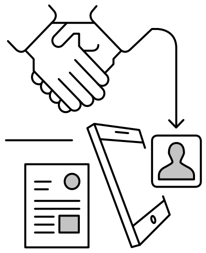
The full sustainability report can be found on the group's website www.stefstocks.com.



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 29 February 2020 was **9 768** (2019: 10 746) employees, excluding temporary employment service employees with **6 339** (2019: 7 577) local employees and **3 429** (2019: 3 169) based beyond South African borders. A further **495** (2019: 1 140) were local temporary employment service employees.

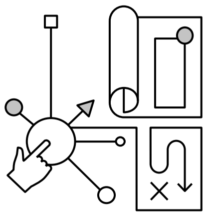


DEVELOPING OUR PEOPLE

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.

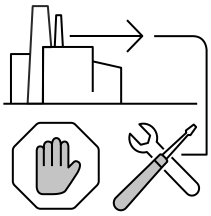
The Academy will continue to focus on these areas. The group invested **R17,6 million** (2019: R20,8 million) in skills development and training. The above value excludes employees' salaries while receiving training.



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.

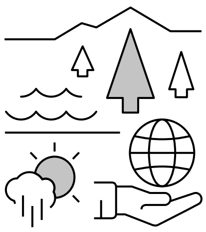
The group's current scorecard, dated August 2019, is based on the Revised Construction Codes of Good Practice. The status of Stefanutti Stocks improved from a Level 2 to a **Level 1 Contributor**.



HEALTH AND SAFETY

In the spirit of the Founder's Mentality principles, the group adopted 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. By following this approach, there has been a significant reduction in injuries compared with previous years.

The group's lost time injury frequency rate (LTIFR) at February 2020 was at **0,02** (2019: 0,02) and the recordable case rate (RCR) was **0,29** (2019: 0,36).



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. Stefanutti Stocks's values and approach to environmental management and sustainability are favourable, positioning the business at the forefront of that movement.

Stefanutti Stocks reached a milestone during the year by obtaining a group **ISO 14001:2015** certification. The group further achieved its **ISO 9001:2015** certification with participation from South African and Eswatini operations.

Audit, Governance and Risk Committee report

The audit, governance and risk committee (ARCO or the committee), appointed in respect of the 2020 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 2020 financial year and shareholders appointed its members at the AGM, which was held on 12 August 2019. Shareholders will be requested to approve the appointment of the committee members for the 2021 financial year at the AGM that is scheduled for 9 October 2020.

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).

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 40.

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:

- Monitored compliance with the Code of Business Conduct and Ethics of the company in liaison with the S&E Committee;
- Identified certain specific focus areas, as set out on page 55;
- Evaluated the independence of the external auditors with regards to tenure and individual partner rotation as well as their performance and recommended their reappointment;
- Reviewed the quality of the external audit function with regards to audit quality indicators as indicated in reports by regulators;
- Confirmed the accreditation of the external auditors and the audit partner with the JSE with regards to tenure as well as individual partner rotation;
- Noted the JSE requirements regarding mandatory audit firm rotation (MAFR) and partner rotation;
- The committee has considered and evaluated the key audit matters as set out in the independent auditor's report and is satisfied that the matters have been correctly disclosed in the integrated report and consolidated annual financial statements;
- Reviewed the draft audited financial statements and integrated report, the preliminary announcement and interim statements;
- Reviewed the company's solvency and liquidity and going concern status;
- Reviewed the company's Funding Plan and Restructuring Plan with their underlying assumptions, more fully discussed on page 68;
- 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 external audit plan, strategy and fees payable to the external auditors;
- Reviewed the external audit findings and reports;
- Approved any non-audit services performed by the external auditors and the policy in this regard;
- Reviewed internal audit policies, plans, reports and findings and noted the independence of the internal audit function;
- 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, the risk register and recommended risk mitigation measures;
- Considered the tax risk report and significant tax matters;
- Oversaw insurance arrangements;
- Considered reports on major contracts;
- Oversaw ITC governance;
- Advised and updated the board on issues ranging from accounting standards to published financial information;
- Received feedback from the JSE Thematic Review on adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers;
- 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;
- Considered changes to the JSE Listings Requirements;
- Considered the JSE Proactive Monitoring Reports (issued 18/02/2020; 6/11/2019; 22/10/2019) and the impact thereof on the annual financial statements;
- Ensured ongoing company compliance with the JSE checklist; and
- Coronavirus (COVID-19) – the ARCO considered the potential impact of COVID-19 on the company's business and operations. Based on reports and assurances provided by management, the ARCO was satisfied with the overall approach being followed to mitigate this risk.

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.

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.

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.

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;
- Internal financial controls;
- Fraud risks;
- ICT 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, assistance in due diligence reviews and the secondment of a trainee on the group's consolidation software.

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. 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;
- ICT general computer controls, system development life cycle, change management and backup and disaster recovery; and
- Contract execution (site) 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 2021 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; and
- Consider and review possible asset impairments.

The focus areas for the coming year include:

- COVID-19 and the effect on the sustainability of the group;
- Going concern;
- Solvency and liquidity;
- Funding requirements and repayments;
- Debtors recoverability;
- Material contracts; and
- Working capital requirements and movement.

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 CFO, Antonio Cocciante, 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 competent to assist the CFO with the needed support. 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 29 February 2020, the committee is of the view that in all material respects they comply with the relevant provisions of the Companies Act and IFRS, the JSE Listings Requirements as well as the SAICA Financial Reporting Guides (as issued by the Accounting Practices Committee) and fairly present the consolidated and separate financial position as at 29 February 2020, and its financial performance and cash flows for the 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 and accordingly the committee has recommended the integrated report for the year ended 29 February 2020 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

18 August 2020

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 2020 (FYE 2020).

Members from REMCO, together with the CFO, engaged directly with the group's major shareholders, including both those who voted for and those who voted against the remuneration policy at the 2019 Annual General Meeting (AGM).

This was done in the early part of the current calendar year, by way of telephonic communication.

The matters raised by shareholders have been considered and appropriately addressed in the remuneration policy.

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 2019 AGM was held on 12 August 2019, and ordinary resolutions 8 and 9 to approve the company's remuneration policy, and remuneration implementation report were tabled then. Refer to the table: Voting Results — Annual General Meeting — February 2019.

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 2020.

The REMCO's role and responsibilities include:

- 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 for company and operational directors and monthly paid employees;
- 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 – FEBRUARY 2019

	Remuneration policy		Remuneration implementation report	
Votes for:	80 404 577	73,06%	81 850 621	74,38%
Votes against:	29 644 713	26,94%	28 193 169	25,62%
Total shares voted:	110 049 290	100,00%	110 043 790	100,00%
Votes abstained:	418 149		423 649	

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 2019 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 2020.
  - Long-term Incentives (LTI)
    i. No long-term incentive awards were earned by the executive directors relating to performance for FYE 2020;
- The following change was made to EDIS:
  - Due to the reduction in peer group companies falling from six to five for FYE 2020, the ranking measures for total shareholder return performance against peers has had to be amended as follows:
    i. **Stretch target**: achieve ranking number one (previously one or two)
    ii. **Target:** achieve ranking number two or three (previously three of four)
    iii. **Threshold:** achieve ranking number four (previously five or six)
- Noted that the LTI measure for total shareholder return (TSR) of the company for FYE 2020 achieved a ranking of 6 out of 6 (FYE 2019: 1 out of 7) 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);
- With effect from 1 March 2020, an average annual increase of 6% was granted, on a sliding scale, to all salaried staff, with the lowest income bands receiving 6,5%, medium income bands receiving 6% and the highest income bands receiving 5,5%;
- The average annual increase for hourly paid employees, determined under the various industry bargaining councils between July and November 2019, was 6%.
- With effect from 1 March 2020, the Executive Committee received no annual increase.
- 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;
- The review and approval of the role and function of the board Chairman; and
- The approval of 21st Century as external advisors to the committee and positive finding as to their independence.

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

2. Areas of focus for FYE 2021

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.

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 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;
- 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 dependent 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	25%
	Sustainability and compliance	35%
	Stakeholders alignment	25%
	Financial	15%
CFO	Governance	45%
	Stakeholders alignment	40%
	Financial	15%

Financial performance measures

Financial performance measures account for 70% of possible STI payable to executive directors.

- 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 2020 (FYE 2019: 3,0%);
- On achievement of the targeted OP of 3,0%, an award of 100% (multiplied by 70%) 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 70%) 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 2019: 250% of TFP).

Personal performance measures

Personal performance measures account for 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 following change was made to the TSR metric for the FYE 2020.

- Due to the reduction in peer group companies falling from six to five for FYE 2020, the ranking measures for total shareholder return performance against peers has had to be amended as follows:
  i. **Stretch target:** achieve ranking number one (previously one or two)
  ii. **Target:** achieve ranking number two or three (previously three of four)
  iii. **Threshold:** achieve ranking number four (previously five or six)

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 2020, based upon the reported FYE 2020 results (FYE 2019: Nil).

The LTI measure for Total Shareholder Return of the company for FYE 2020 achieved a ranking of 6 out of 6 (FYE 2019: 1 out of 7) 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 2019: Nil).

The tables showing the breakdown of the annual remuneration of directors for the years ended 29 February 2020 and 28 February 2019 are set out in note 24 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.

LTI PERFORMANCE MEASURES FOR FYE 2020

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.

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.

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 his 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 29 February 2020 and 28 February 2019 are reflected in note 24 of the consolidated annual financial statements.

The proposed fee is payable from the AGM for financial year ended 29 February 2020 to the AGM for the financial year ended 28 February 2022 and is set out in the notice of AGM. No increase in fee has been proposed (2019 AGM: No increase).

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

5. Directors' service contracts

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

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

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

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

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

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

6. Voting on remuneration

At the AGM of shareholders scheduled for 9 October, 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 9 October 2020, 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 71.

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 2020.

The total employee and company contributions of Mr Crawford, Mr Meyburgh and Mr Cocciante, to the company pension fund, were R198 000, R189 000 and R309 000 respectively.

B. Variable remuneration

STI

i. Financial performance

No STI payments under the EDIS were made to executive directors for FYE 2020 (FYE 2019: Nil). Mr Crawford was paid an amount of R1 695 000 in FYE 2020, earned as an Operational Director under the DPSIS scheme (FYE 2019: R3 635 131). Financial performance measures account for 70% 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 2020 reported results reflecting a normalised operating margin of -9,3%.

ROE

No amounts were earned by the CEO and CFO under the ROE metric, based upon a -116,0% ROE for FYE 2020.

ii. Personal performance

Personal performance measures account for 30% of possible STIs payable to executive directors.

Achievement of personal performance objectives set for the CEO and CFO, were 60% (FYE 2019: 45%) and 70% (FYE 2019: 50%) respectively. However, no payments were made to the executive directors, as the OP metric (-9,3%) fell below the minimum threshold (1,0%).

The total STI earned by the executive directors for FYE 2020 was RNil (FYE 2019: 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

CALCULATION OF EXECUTIVES' STIs

	R'000 FYE Feb 2020 TFP	Financial performance scorecard	R'000 Financial STI	Financial weighting %	Personal weighting %	R'000 FYE Feb 2020 final STI	% of TFP	Max STI % of TFP
RW Crawford (CEO) [2]	2 284	Nil	Nil	70	60	Nil	0	250
W Meyburgh (CEO) [1]	2 995	Nil	Nil	Nil	Nil	Nil	0	0
AV Cocciante (CFO)	3 675	Nil	Nil	70	70	Nil	0	250

REMUNERATION DISCLOSURE OF EXECUTIVE DIRECTORS

R'000s	Basic salary	Other benefits	Post-employment benefits	Short-term incentives	Long-term incentives	**Total 2020**	Total 2019
RW Crawford (CEO) [2]	2 086	130	198	Nil	Nil	**2 414**	–
W Meyburgh (CEO) [1]	2 679	333	189	Nil	Nil	**3 201**	6 078
AV Cocciante (CFO)	3 366	50	309	Nil	Nil	**3 725**	3 713

1 W Meyburgh retired 12 August 2019. *2 RW Crawford was appointed 12 August 2019.*

iv. Awards

For the three years ending February 2020, no forfeitable shares vested with the executive directors under the FSP (FYE 2019: Nil).

2. Changes to EDIS

No changes were made to EDIS. Refer to page 59 for the change in the TSR metric under the EDIS.

3. Policy compliance

Remuneration paid for FYE 2020 is in compliance with the company's remuneration policy.

SECTION D: OTHER

1. Interest of directors in contracts

Directors are required to notify the company of their interests in contracts and this is a standard agenda item at each board meeting. There have been no material changes post 29 February 2020 to date.

Information regarding related-party transactions is set out in note 24 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 Executive Committee members who are not executive directors respectively.

3. Directors' shareholding

The beneficial holdings at 29 February 2020 and 28 February 2019, held by the directors of the company in the issued shares of the company are set out in note 24 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 his 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

18 August 2020

Shareholders' diary

Financial year-end	**29 February 2020**
Reporting period	**1 March 2019 to 29 February 2020**
Reporting period of previous report	**1 March 2018 to 28 February 2019**
Announcement of annual results	**30 July 2020**
Integrated report posted	**28 August 2020**
Annual general meeting	**9 October 2020**
Announcement of interim results	**November 2020**

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

	29 February 2020 R'000	28 February 2019 R'000
Contract revenue	**8 585 926**	9 875 023
Other income	**111 526**	59 527
Operating and administration expenses	**(9 112 759)**	(9 877 335)
Net expected credit losses	**(345 688)**	(1 657)
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION (EBITDA)	**(760 995)**	55 558
Depreciation and amortisation	**(218 923)**	(213 549)
Impairment of goodwill	**(52 995)**	–
OPERATING LOSS BEFORE INVESTMENT INCOME	**(1 032 913)**	(157 991)
Investment income	**30 306**	43 960
Share of profits of equity-accounted investees	**46 196**	68 075
OPERATING LOSS BEFORE FINANCE COSTS	**(956 411)**	(45 956)
Finance costs	**(126 067)**	(101 129)
LOSS BEFORE TAXATION	**(1 082 478)**	(147 085)
Taxation	**10 430**	35 764
LOSS FOR THE YEAR	**(1 072 048)**	(111 321)
OTHER COMPREHENSIVE INCOME	**51 962**	58 483
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))	**51 962**	58 483
TOTAL COMPREHENSIVE INCOME	**(1 020 086)**	(52 838)
LOSS ATTRIBUTABLE TO:		
Equity holders of the company	**(1 070 943)**	(110 761)
Non-controlling interest	**(1 105)**	(560)
	(1 072 048)	(111 321)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Equity holders of the company	**(1 016 040)**	(42 372)
Non-controlling interest	**(4 046)**	(10 466)
	(1 020 086)	(52 838)
EARNINGS PER SHARE (CENTS)	**(640,35)**	(65,99)
DILUTED EARNINGS PER SHARE (CENTS)	**(640,35)**	(65,99)

Consolidated statement of financial position

AS AT

	29 February 2020 R'000	28 February 2019 R'000
ASSETS		
NON-CURRENT ASSETS	**2 606 385**	2 451 850
Property, plant and equipment	**1 591 318**	1 501 945
Equity-accounted investees	**342 361**	280 449
Goodwill and intangible assets	**405 930**	457 585
Deferred tax assets	**266 776**	211 871
CURRENT ASSETS	**4 038 663**	3 996 410
Inventories	**192 049**	187 924
Contracts in progress	**639 545**	506 568
Trade and other receivables	**2 354 560**	2 340 777
Taxation	**79 620**	38 755
Bank balances	**772 889**	922 386
TOTAL ASSETS	**6 645 048**	6 448 260
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES	**711 666**	1 731 752
Share capital and premium	**1 007 718**	1 007 718
Other reserves	**228 435**	178 790
(Accumulated loss)/retained earnings	**(506 249)**	559 436
Equity holders of the company	**729 904**	1 745 944
Non-controlling interest	**(18 238)**	(14 192)
NON-CURRENT LIABILITIES	**896 398**	419 366
Financial liabilities	**479 627**	313 890
Excess billings over work done	**294 823**	25 000
Provisions	**121 948**	79 942
Deferred tax liabilities	**–**	534
CURRENT LIABILITIES	**5 036 984**	4 297 142
Other current liabilities	**1 020 655**	281 684
Trade and other payables	**1 965 066**	2 101 707
Excess billings over work done	**1 053 733**	1 145 970
Provisions	**885 103**	679 948
Taxation	**80 051**	46 218
Bank overdraft	**32 376**	41 615
TOTAL EQUITY AND LIABILITIES	**6 645 048**	6 448 260

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	(Accumulated loss)/retained earnings R'000	Attributable to equity holders of the company R'000	Non-controlling interest R'000	Total equity R'000
BALANCE AT 28 FEBRUARY 2018	1 013 379	(8 560)	118 961	–	670 197	1 793 977	(3 726)	1 790 251
Treasury shares acquired	(5 661)	–	–	–	–	(5 661)	–	(5 661)
Total comprehensive income	–	68 389	–	–	(110 761)	(42 372)	(10 466)	(52 838)
Loss	–	–	–	–	(110 761)	(110 761)	(560)	(111 321)
Other comprehensive income	–	68 389	–	–	–	68 389	(9 906)	58 483
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	–	–	–	–	(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**

Consolidated statement of cash flows

FOR THE YEAR ENDED

	29 February 2020 R'000	28 February 2019 R'000
CASH FLOWS FROM OPERATING ACTIVITIES	**(817 975)**	253 822
Cash (consumed by)/generated from operations	**(751 406)**	360 553
Investment income	**29 740**	40 530
Finance costs	**(65 952)**	(92 820)
Dividends received	**29 952**	42 105
Taxation paid	**(60 309)**	(96 546)
CASH FLOWS FROM INVESTING ACTIVITIES	**120 385**	(76 790)
Expenditure to maintain operating capacity		
Property, plant and equipment acquired	**(13 847)**	(22 586)
Proceeds on disposals of property, plant and equipment	**103 276**	22 995
Repayment/(advance) of associate loan	**12 993**	(9 234)
Expenditure for expansion		
Property, plant and equipment acquired	**(28 367)**	(67 965)
Net cash inflow due to business combinations	**46 330**	–
CASH FLOWS FROM FINANCING ACTIVITIES	**531 218**	(260 322)
Treasury shares acquired	**–**	(5 661)
Proceeds from long- and short-term financing	**821 603**	63 507
Repayment of long- and short-term financing	**(290 385)**	(318 168)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(166 372)**	(83 290)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**880 771**	915 891
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**26 114**	48 170
CASH AND CASH EQUIVALENTS AT YEAR-END	**740 513**	880 771

Notes to the summary of the financial statements

FOR THE YEAR ENDED 29 FEBRUARY

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

GOING CONCERN STATEMENT

FUNDING AND RESTRUCTURING PLAN

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 Restructuring Plan or Plan).

Shareholders are advised that the Restructuring Plan has been fully developed, including having regard to the potential impact of the Coronavirus (COVID-19) on the group and its business. The 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 divisions/subsidiaries;
› 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 relates to the negative effects of the national lockdown due to the COVID-19;
› 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 optimum business model and associated capital structure analysis including the potential of raising new equity.

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

In accordance with the Plan, the Lenders have provided the group with the following funding:

› 26 July 2019: R120,0 million
› 5 November 2019: R391,0 million
› 19 December 2019: R227,5 million
› 25 February 2020: R77,9 million
› 22 May 2020: R109,2 million
› 2 June 2020: R146,0 million
› 1 July 2020: R180,0 million

Total received to date: R1 251,6 million.

Including the estimated impact of COVID-19 and the additional funding required for the Kusile power project as noted below, the total funding requirement for the group is R1 256 million.

In line with the Restructuring Plan, management has started to reconfigure the group's organisational structure to improve operational performance and decrease overhead costs including the reduction of the group's overall headcount.

The Restructuring Plan is anticipated to be implemented over the financial years ending February 2021 and February 2022 and, to the extent required, shareholder approval will be sought for relevant aspects of the Plan. The previous short-term funding agreement was converted into a term loan on 1 July 2020, which loan terminates on 28 February 2022, and in addition, the Lenders have agreed to provide continued guarantee support for current and future projects being undertaken by the group.

Stefanutti Stocks will continue to update all shareholders on progress on 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 by R998 million at 29 February 2020. In addition thereto, uncertainties surrounding the COVID-19 pandemic and contingent liabilities as noted in note 25 of the Consolidated Annual Financial Statements, 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 on 1 July 2020 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.

Notes to the summary of the financial statements continued

FOR THE YEAR ENDED 29 FEBRUARY

1. BASIS OF PREPARATION

The consolidated annual financial statements for the group have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 29 February 2020 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 28 February 2019. The effects of IFRIC 23 – Uncertainty Over Income Tax Treatments did not have an impact on the results of the group as the principles of IFRIC 23 have been applied in principle in prior periods.

2. HEADLINE EARNINGS PER SHARE

Cents per share	**29 February 2020 R'000**	28 February 2019 R'000
HEPS – Basic	**(622,48)**	(70,12)
HEPS – Diluted	**(622,48)**	(70,12)

	2020	2019
WEIGHTED AVERAGE NUMBER OF SHARES USED		
Basic	**167 243 684**	167 836 344
Diluted	**188 080 746**	188 080 746

	29 February 2020		28 February 2019	
	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		**(1 070 943)**		(110 761)
Adjusted for:				
Profit on disposal of plant and equipment	**(11 946)**	**(7 948)**	(9 465)	(6 922)
Bargain purchase gain		**(15 169)**		–
Impairment of goodwill		**52 995**		–
Headline earnings		**(1 041 065)**		(117 683)

3. SEGMENT INFORMATION

	Construction & Mining R'000	Building R'000	Mechanical & Electrical R'000	Other segments and eliminations R'000	Total R'000
29 FEBRUARY 2020					
Contract revenue	**5 127 919**	**2 560 816**	**897 191**	**–**	**8 585 926**
Intersegment contract revenue	**66 475**	**35 644**	**44 635**	**–**	**146 754**
Net expected credit loss on financial assets	**(344 637)**	**(673)**	**(354)**	**(24)**	**(345 688)**
Depreciation and amortisation	**(183 151)**	**(21 221)**	**(13 951)**	**(600)**	**(218 923)**
Impairment of goodwill	**–**	**–**	**–**	**(52 995)**	**(52 995)**
Reportable segment operating profit/(loss)	**(417 580)**	**(489 877)**	**(25 062)**	**(100 394)**	**(1 032 913)**
Investment income	**19 941**	**6 426**	**2 061**	**1 878**	**30 306**
Finance cost	**(58 825)**	**(26 725)**	**(2 104)**	**(38 413)**	**(126 067)**
Share of (losses)/profits of equity-accounted investees	**–**	**46 584**	**(1 290)**	**902 ***	**46 196**
Taxation	**(12 635)**	**42 982**	**(16 622)**	**(3 295)**	**10 430**
Reportable segment profit/(loss)	**(469 099)**	**(420 610)**	**(43 016)**	**(139 323)**	**(1 072 048)**
Reportable segment assets	**4 045 827**	**1 586 122**	**477 766**	**535 333**	**6 645 048**
Equity-accounted investees	**–**	**314 026**	**22 408**	**5 927***	**342 361**
Reportable segment liabilities	**3 333 139**	**1 286 916**	**171 147**	**1 142 180**	**5 933 382**

** This investment was reported under the Construction & Mining segment in the prior year and has been reclassified to Corporate Services.*

Notes to the summary of the financial statements continued

FOR THE YEAR ENDED 29 FEBRUARY

3. SEGMENT INFORMATION CONTINUED

	Construction & Mining R'000	Building R'000	Mechanical & Electrical R'000	Other segments and eliminations R'000	Total R'000
28 FEBRUARY 2019					
Contract revenue	5 313 875	3 352 578	1 208 570	–	9 875 023
Intersegment contract revenues	16 560	15 864	84 273	–	116 697
Net expected credit loss on financial assets	794	(2 579)	135	(7)	(1 657)
Depreciation and amortisation	(172 263)	(21 880)	(16 420)	(2 986)	(213 549)
Reportable segment operating profit/(loss)	112 029	(250 906)	(19 036)	(78)	(157 991)
Investment income	22 435	17 548	2 981	996	43 960
Finance cost	(46 274)	(34 526)	(1 179)	(19 150)	(101 129)
Share of (losses)/profits of equity-accounted investees	1 536	67 506	(967)	–	68 075
Taxation	(43 260)	74 077	6 343	(1 396)	35 764
Reportable segment profit/(loss)	46 546	(127 357)	(11 064)	(19 446)	(111 321)
Reportable segment assets	3 482 984	1 915 686	542 666	506 924	6 448 260
Equity-accounted investees	5 033	279 686	(4 270)	–	280 449
Reportable segment liabilities	2 295 149	1 820 214	362 005	239 140	4 716 508

GEOGRAPHICAL AREAS

The group operates mainly in the geographical areas of South Africa (local), Africa and the United Arab Emirates (foreign).

	29 February 2020					28 February 2019				
	Local	**Foreign**				Local	Foreign			
		Africa			**UAE**		Africa			UAE
	R'000	**Mozambique R'000**	**Swaziland R'000**	**Other R'000**	**R'000**	R'000	Mozambique R'000	Swaziland R'000	Other R'000	R'000
Contract revenues from external customers	**6 491 284**	**907 791**	**663 993**	**522 858**	**–**	7 559 370	497 390	896 226	922 037	–
Non-current assets (excluding deferred tax)	**1 677 079**	**279 541**	**58 367**	**51 117**	**273 505**	1 586 179	276 732	60 712	89 514	226 842

4. DISAGGREGATED REVENUE INFORMATION

Revenue from contracts with customers can be further disaggregated as follows:

	Construction & Mining R'000	Building R'000	Mechanical & Electrical R'000	Total R'000
29 FEBRUARY 2020				
Within South Africa	**4 055 758**	**1 620 689**	**814 837**	**6 491 284**
Outside South Africa	**1 072 161**	**940 127**	**82 354**	**2 094 642**
	5 127 919	**2 560 816**	**897 191**	**8 585 926**
Private	**3 037 692**	**2 269 224**	**897 191**	**6 204 107**
Public	**2 090 227**	**291 592**	**–**	**2 381 819**
	5 127 919	**2 560 816**	**897 191**	**8 585 926**
28 FEBRUARY 2019				
Within South Africa	3 870 323	2 658 418	1 030 629	7 559 370
Outside South Africa	1 443 552	694 160	177 941	2 315 653
	5 313 875	3 352 578	1 208 570	9 875 023
Private	3 378 798	2 634 320	1 208 570	7 221 688
Public	1 935 077	718 258	–	2 653 335
	5 313 875	3 352 578	1 208 570	9 875 023

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 29 February 2020 will be held on Friday 9 October 2020 at 12:00, entirely through electronic communication as permitted by the Memorandum of Incorporation of the company and the Companies Act, 71 of 2008, 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.

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 79 of this notice of AGM. 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 7 October 2020, to participate in the AGM. Details on how to register to participate in the AGM are set out in Annexure A to this notice of AGM.

IMPORTANT DATES

Record date to receive the Notice:
Friday, 21 August 2020

Last date to trade to be eligible to vote:
Tuesday, 29 September 2020

Record date to be eligible to vote:
Friday, 2 October 2020

For administrative purposes only, the last date for lodging forms of proxy (by 12:00):
Wednesday, 7 October 2020

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, 2 October 2020.

NB: Section 63(1) of the Companies Act — Identification of meeting participants.

Kindly note that meeting participants (including proxies or representatives) are required to provide reasonably satisfactory identification before being entitled to participate or vote in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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 29 February 2020, have been distributed as required and will be presented to shareholders.

The consolidated annual financial statements of the company for the year ended 29 February 2020 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 29 February 2020, 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.

The following directors retire at this AGM and, being eligible, offer themselves for re-election: Mr Howard Craig and Ms Bharti Harie. The board has considered their performance, including their attendance at meetings of the board and its committees, and recommend and support their re-election.

Ordinary resolution 2: Re-election of director

"RESOLVED THAT, Howard Craig, who retires by rotation in terms of the Memorandum of Incorporation of the company and who is eligible and available for re-election, be re-elected as a director of the company."

A brief curriculum vitae in respect of Mr Craig is included on page 40 of this integrated annual report of which this notice forms part.

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution 3: Re-election of director

"RESOLVED THAT, Bharti Harie, 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 Ms Harie is included on page 40 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: Confirmation of appointment of director

"RESOLVED THAT the appointment of Mr Russell Crawford as a director of the company be confirmed and approved."

The board appointed Mr Crawford as a director on 12 August 2019. Directors who are appointed as such retire at the first Annual General Meeting following their appointment, and their appointment is thus subject to the confirmation and approval of shareholders at the Annual General Meeting.

The board and the Nominations Committee have considered Mr Crawford's appointment and recommends and supports the confirmation of his appointment by shareholders in terms of ordinary resolution number 4.

A brief curriculum vitae in respect of Mr Crawford is included on page 40 of this integrated 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 S Truter (IRBA No: 506557) 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, 8 and 9: Appointment of Audit, Governance and Risk Committee members

Ordinary resolution numbers 6, 7, 8 and 9 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: DG Quinn, B Harie, BP Silwanyana and JM Poluta (alternate to BP Silwanyana) all of whom are independent non-executive directors.

Ordinary resolution 6: Appointment of Audit, Governance and Risk Committee member

"RESOLVED THAT DG Quinn 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 DG Quinn is included on page 40 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 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 40 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 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 40 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: Appointment of Audit, Governance and Risk Committee member

"RESOLVED THAT JM Poluta be appointed as a member of the company's Audit, Governance and Risk Committee with effect from the end of this meeting in terms of section 94(2) of the Companies Act."

A brief curriculum vitae in respect of JM Poluta is included on page 40 of this integrated annual report of which this notice forms part.

Percentage of voting rights required to pass this resolution: 50% plus one vote.

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 29 February 2020 to the AGM for the financial year ended 28 February 2022.*
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 and 8 August 2019.*

Ordinary resolution 10: 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 11: 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 10 and 11

Shareholders are reminded that in terms of the JSE Listings Requirements and the King IV Report on Corporate Governance for South Africa, 2016, should 25% or more of the votes cast be exercised against one or both of these non-binding ordinary resolutions, the company undertakes to engage with shareholders:

- to ascertain the reasons for the dissenting votes,
- where these concerns are legitimate and credible, and
- undertake to review, clarify or amend the remuneration policy and/or processes as necessary.

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 annual general meeting until the date of the annual general meeting of the company for the year ended 28 February 2022, as noted in the table on page 72, 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 2022, will be as set out in the table on page 72. 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 2022."

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 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 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

The directors whose names appear under the board of directors on pages 40 and 41 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

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, 7 October 2020.

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 79 of this notice of AGM.

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

18 August 2020

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 annual general meeting of the company to be held entirely electronically on Friday 9 October 2020 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 29 February 2020, including the directors' report and the report of the Audit, Governance and Risk Committee			
2. To re-elect HJ Craig as a director of the company			
3. To re-elect B Harie as a director of the company			
4. To confirm the appointment of RW Crawford as a director of the company			
5. To re-appoint the auditors			
6. To appoint DG Quinn as a member of the Audit, Governance and Risk Committee			
7. To appoint B Harie as a member of the Audit, Governance and Risk Committee			
8. To appoint BP Silwanyana as a member of the Audit, Governance and Risk Committee			
9. To appoint JM Poluta as a member of the Audit, Governance and Risk Committee			
10. To approve the company's remuneration policy			
11. To approve the company's remuneration implementation report			
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) 2020

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 9 OCTOBER 2020 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 7 October 2020, 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 7 and 8 October 2020 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, 7 October 2020.
- 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:

ANNEXURE A
continued

- 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

"BIM"
Building Information Modelling

"BU"
Business unit

"C&M"
Construction & Mining

"CEO"
Chief Executive Officer

"CFO"
Chief Financial Officer

"CIDB"
The Construction Industry Development Board

"Companies Act"
Companies Act, No. 71 of 2008, as amended

"Competition Act"
Competition Act, No. 89 of 1998, as amended

"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"
Operating profit before investment income

"Operating profit margin"
Operating profit as a percentage of contract revenue

"PDI"
Previously disadvantaged individuals

"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"
Profit attributable to equity holders of Stefanutti Stocks as a percentage of average capital and reserves attributable to equity holders of Stefanutti Stocks

"RSA"
Republic of South Africa

"S&E"
Social and Ethics Committee

"SED"
Socio-economic development

"SHE"
Safety, health and environment

"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 29 February 2020

"the next year"
The financial year ending 28 February 2021

"the previous year"
The financial year ended 28 February 2019

"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

"VFL"
Visible Felt Leadership

"VRP"
Voluntary Rebuild Programme

"WACC"
Weighted average cost of capital

Corporate information

Company information

Stefanutti Stocks Holdings Limited

Share code: SSK ISIN: ZAE000123766

JSE Sector: Construction Year-end: 29 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 18 August 2020: ZJ Matlala* (Chairman); HJ Craig*; B Harie*; BP Silwanyana*; JM Poluta* (alternate to BP Silwanyana); DG Quinn*; RW Crawford (CEO); AV Cocciante (CFO)

* *Independent non-executive directors.*

Company Secretary

WR Somerville

2nd Floor, PPI House, 9A Sturdee Avenue, Rosebank, Johannesburg

Telephone number: +27 11 326 0975

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

50 Smits 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

Banco Unico

First National Bank, a division of FirstRand Bank Limited

Nedbank Limited

Nedbank (Swaziland) Limited

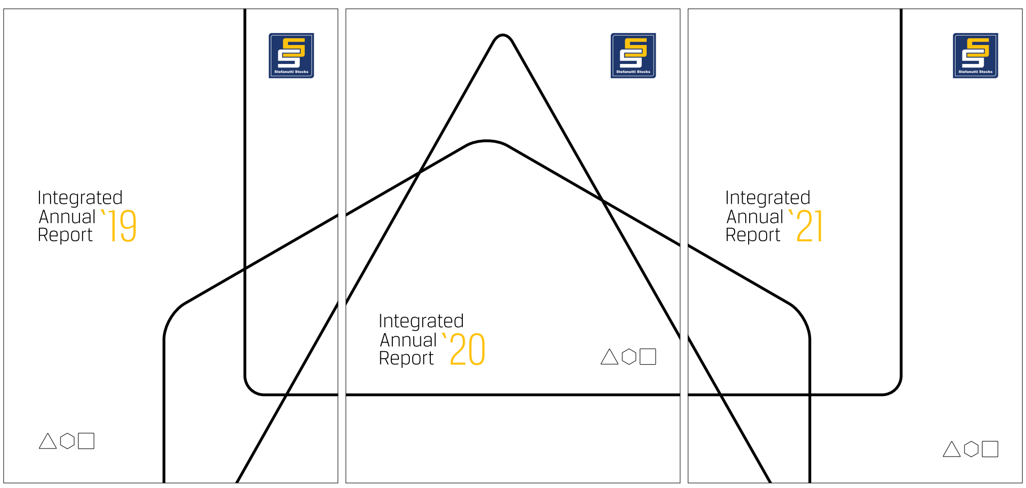
Société Générale Moçambique

Stanbic Bank Zambia Limited

Standard Bank Swaziland

Website

www.stefanuttistocks.com



SIGIL DESIGN BUREAU

WWW.STEFANUTTISTOCKS.COM