

BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS

At AEEI we believe that the strength of our relationships with our key stakeholders is critical to achieving our strategic objectives and creating mutual value for the Company and our stakeholders. As such, our stakeholder management approach involves gaining a thorough understanding of key stakeholders and assessing the matters that are material to them, including risks and opportunities. Our approach manages stakeholders' expectations and how much material matters impact them and the Group.

AEEI appreciates the role of its stakeholders and is committed to nurturing impactful relationships that deliver mutual benefits and encourage transparent, objective and relevant communication. The Group recognises that its business is but one of the stakeholders in the macro socio-economic and environmental system. It is essential for the Group to compete successfully in an increasingly complex and ever-changing business environment and to systematically bring about the change needed for sustainable development. Building and maintaining trust and respect with our various stakeholders has a positive impact on our reputation and

is essential in addressing risks and opportunities. We strive to respond timeously and appropriately to issues raised during our interactions.

Stakeholder engagement involves communicating our strategy, performance, decisions and activities that impact our stakeholders or are of significant interest to them, as well as understanding the needs and perspectives of our stakeholders.

Our stakeholders are integral to our ability to protect, create and grow value, a process that is advanced through relationships with others and balances the needs, interests and expectations of material stakeholders in the best interests of the Company over time.

The views and actions of our stakeholders can impact our ability to execute our strategy and conduct our business activities. Feedback from our stakeholders enables us to develop and update our engagement plan to help us create stronger partnerships and improve our overall relationships. We respond appropriately and timeously to matters that emerge – whether they are regulatory, shareholder-based or other.

WE HAVE IDENTIFIED THE FOLLOWING KEY STAKEHOLDER GROUPS WITH WHOM THE GROUP ENGAGES IN A STRUCTURED MANNER:

KEY STAKEHOLDERS THAT CONTRIBUTE TO OUR VALUE DRIVERS



SHAREHOLDERS, INVESTMENT
COMMUNITY AND CAPITAL
PROVIDERS



EMPLOYEES



REGULATORS



COMMUNITIES AND NGOs



CLIENTS

BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS – continued

BELOW IS AN OVERVIEW OF HOW WE ENGAGED WITH OUR PRINCIPAL STAKEHOLDERS INCLUDING WHAT THEY EXPECT FROM US:



SHAREHOLDERS, THE INVESTMENT COMMUNITY AND PROVIDERS OF CAPITAL

WHO ARE OUR SHAREHOLDERS?

We have a broad shareholder base, which includes our shareholders, the investment community and providers of capital. These are our primary stakeholders as they provide financial capital to sustain our business. Most of our shareholders have taken a medium - to long-term view on their investment in AEEI. We believe that, due to the like-mindedness of our long-term shareholders, we are able to grow our business sustainably.

Our retained earnings are key to running our businesses and making strategic investments.

As at 31 August 2019, we have **1 798 SHAREHOLDERS**

LOCAL: 1 759 SHAREHOLDERS

INTERNATIONAL: 39 SHAREHOLDERS

95%

5%

WHAT THEY EXPECT FROM US:

Engaging with our stakeholders is important to identify their needs and manage their expectations. These include creating sustainable growth, value-add and return on investments, net asset value (NAV), regular dividend payments and growth and a strong balance sheet allocation of capital to businesses with high returns. Experienced leadership, transparent reporting, ethical operations on a sustainable basis, responsible corporate governance and ethics are important to our stakeholders.

PRIMARY CONCERNS:

Shareholders, analysts and providers of capital:

- Sustainability of the business and operational performance
- Acceptable return on investment capital
- Shareholder returns
- Capital management
- Growth of the businesses
- Group strategy, including risks and opportunities
- Access to management
- Reputational damage

HOW WE ADDRESS THESE CONCERNS:

The delivery on our strategy to develop balance in the businesses across all areas supports the return and sustainability of the businesses. Management engages regularly with shareholders, investors and capital providers to maintain awareness of shareholder expectations and understand their needs. The Group reports against its Vision 2020 Vision and well-defined return targets. The Group is in constant communication around the negative media reports and is committed to executing its vision while addressing issues raised by the different interested parties.



SHAREHOLDERS, THE INVESTMENT COMMUNITY AND PROVIDERS OF CAPITAL (continued)

HOW WE ENGAGE WITH THEM:

A strategic, integrated business management and reporting approach that addresses economic, social and environmental issues, and reviews of business performance is done on a regular basis. We engage through formal and informal interactions and these channels include:

- Annual general meeting
- Annual and interim results presentations
- SENS announcements
- Pre-results and post-results feedback
- Integrated report
- Sustainability information
- Investor analyst reports
- Roadshows
- Site visits
- Media – print, television, radio broadcasts and social media
- Ad hoc meetings (as requested)
- Investor conferences
- Our website – www.aeei.co.za

HOW WE DELIVERED VALUE TO THEM:

Consistent financial performance and organic growth: Revenue increased by 239% from R701m to R2.4bn. Headline earnings increased by 316% from R119m to R496m. Headline earnings per share increased by 316% from 24.24c to 100.89c. Normalised headline earnings increased by 300% from R123m to R540m. Total assets to year-end grew to R7.4bn. A final dividend of 6 cents per share was declared to shareholders, which equates to a total annual dividend of 17 cents for the financial year. Net cash generated from operating activities increased by 9% from R131m to R143m. Dividends to shareholders for the 2019 financial year-end equate to R83.5m. NAV per share increased from 1 152.98c to 1 304.15c.

Strong Board and experienced executive management team: Maintained the diversity on our Board and our executive management team and also retained skills.

Sustainable growth strategy: Delivery across all our strategic focus areas. Our performance and outlook of our strategic focus areas can be found on page 28.

Transparent reporting: We maintained transparency in our reporting to provide investors with complete and relevant information to make informed decisions. This is reflected in our achievements and external awards received – refer to page 15 for more information.

Vision 2020 Vision strategy to ensure sustained financial performance and responsible investments to ensure growth and to manage the risks and opportunities in our markets.

The responsible allocation of capital, sound corporate governance practices, transparent executive remuneration and a stable dividend policy.

BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS – continued



INVESTING IN OUR EMPLOYEES

WHO ARE OUR EMPLOYEES?

We appreciate and understand the needs of our employees; without them we would not have a sustainable business. Our employees are important to our business. Our staff complement is as follows:

MALE	FEMALE	BLACK
72.47%	27.53%	80.78%

Employment was created for **3 406 CONTRACTORS** during the year.

WHAT OUR EMPLOYEES EXPECT FROM US:

Our employees expect open and effective communication across all levels. They expect skills training, career development opportunities, performance management, recognition, market-related remuneration and security of employment. Transformation that enables diversity and inclusivity is important to them. They expect a safe, inspiring and positive working environment with access to employee wellness programmes. In some divisions, our employees expect formal recognition agreements with trade unions.

PRIMARY CONCERNS:

- Competitive market-related remuneration and equal pay
- Clear career paths and opportunities for career development, including skills training
- Health and safety
- Secondary and tertiary education programmes
- Transformation and diversity
- Preferred procurement from B-BBEE-accredited companies
- Employee wellness programmes
- Corporate social investment and socio-economic development in communities
- Employee engagement and communication – the importance of open and honest feedback

HOW WE ADDRESS THESE CONCERNS:

The Group has an ethical approach to doing business, including fair treatment and market-related remuneration of employees.

The Group has an annual strategic session to discuss organisational direction and input for the business strategy. The Group introduced a new performance evaluation system with benchmarking and evaluation measures to identify further skills development plans.

We remain committed to health and safety standards and procedures and ensuring that working conditions are acceptable. The companies in the Group continued to make a substantial investment in skills development and maintained a good working relationship with trade unions. The Group is committed to transformation and diversity. Socio-economic development (SED) and corporate social investment (CSI) projects focus on company-specific areas of support. Bursary programmes are in place to assist with secondary and tertiary education.



INVESTING IN OUR EMPLOYEES (continued)

HOW WE ENGAGED WITH OUR EMPLOYEES:

We engaged with all levels of employees through a variety of regular and ongoing initiatives for both collective and individual interfaces and we have an open-door policy. Work performance reviews are linked to individual development plans. Senior employees are included in our results presentations. Our employees participate at business unit events and the Annual Group Awards Ceremony, where top achievers in different categories are recognised. Feedback and input from our employees assist us in understanding and responding to their concerns and needs. Communication channels include:

- Open-door policy
- Newsletters, electronic communication and notice boards
- CEO's communiqué and direct communication between managers, teams and individuals
- Regular internal meetings with trade union representatives
- Operational performance reviews and feedback sessions
- Company website
- Induction programmes
- Performance evaluation, including job grading and job specification requirements
- Training and development
- Union interaction
- Anonymous whistle-blowing hotline

HOW WE DELIVERED VALUE TO OUR EMPLOYEES:

Career development and succession plans continue to be implemented in order for us to achieve our strategic objectives and to ensure that we have the right skills for employees to succeed. This assists us to identify and establish a pipeline of young leaders. Career mobility remains a challenge at certain levels due to low attrition rates. During the year, the Group continued with its resource planning in the business units as this will identify scarce skills and enable headcount planning, career advancement as well as training and development.

Candidates for new vacancy positions are sourced from within the Group prior to being advertised externally and preference is provided for in terms of transformation and gender and race diversity. Continued progress is being made in delivering on our Transformation Plan and Strategy, inclusive of persons with disabilities. A decline in the number of misconduct incidents and Commission for Conciliation, Mediation and Arbitration (CCMA) referrals demonstrates an improvement in employee relations. Employee well-being programmes continued throughout the year. Standardised job profiles and performance evaluations were created in some business units to enhance consistency, fairness and assessing and developing employees.

A pension/provident fund is in place to assist employees towards investing for their future retirement. Group risk insurance, which is linked to the provident fund, provides a lump-sum payment in the event of the disability or death of an employee. Funeral cover is provided either through the existing retirement funds or as part of the collective bargaining council agreements. Share ownership schemes are in place in a number of the subsidiaries and associate companies.

BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS – continued



CLIENTS

WHO ARE OUR CLIENTS?

Our clients are our customers, service providers and joint-venture partners.

WHAT THEY EXPECT FROM US:

Our customers are increasing their demand for “smart green solutions” as well as innovative business solutions and services; delivery of quality products; long-term security of supply; planned procurement; professional services; technical expertise; the development, manufacture and distribution of innovative sustainable products; timeous payments; leveraging off our B-BBEE credentials; adherence to regulatory requirements; good corporate governance; and ethics.

PRIMARY CONCERNS:

Customers: Quality ethical products, sustainability of our businesses, delivery and standards, cost competitiveness, brands, B-BBEE and transformation, innovative products and solutions

Service providers: Fair treatment and sustainability, and fair payment terms. Long-term sustainable support for small black-owned supplier companies

Joint-venture partners: Financial performance, transparency, growth and leadership

HOW WE ADDRESS THESE CONCERNS:

Customers: Meet and exceed customer needs and expectations with broader product ranges and innovative solutions, including technical expertise. Focus on manufacturing excellence, long-term security of supply and cost efficiencies

Service providers: Timeous and fair payment terms and sustainability. Engaged with suppliers on product innovation. Maintained supportive relationships with small black-owned businesses to ensure their sustainability

Joint-venture partners: The Group is committed to ethical business practices and respects the interests of all our partners

HOW WE ENGAGED WITH THEM:

In a competitive, fast-changing environment, we continue to foster relationships and understand our clients’ needs and expectations. We continuously work towards understanding our customers, service providers and joint-venture partners. We take an ethical approach to doing business and are committed to open, clear and transparent business practices, alignment on standards, requirements, service, objectives and customer satisfaction. B-BBEE scores meet key clients’ requirements and vice versa.

We engage with them through various forums including:

- quality and performance reviews;
- contract negotiations and ongoing interactions in the ordinary course of business;
- customer visits;
- supplier audits;
- industry forums;
- service level agreements; and
- meetings, including site visits, one-on-one engagements and telephonic and electronic interaction.

HOW WE DELIVERED VALUE TO THEM:

We continued to provide professional services, technical expertise, innovative business solutions, quality products and services and timeous delivery and payment. We ensured long-term continuity of supply and adhered to regulatory compliance and laws in the supply of ethical products. We continuously strive for good corporate governance practices and ethical behaviour. Through our procurement from community-based service providers, employment was created. We assisted with enterprise and supplier development. We continuously ensured appropriate environmental and social compliance, and through a phased approach the installation of green energy at one of our farms continues.



ENGAGING WITH OUR REGULATORS

WHO ARE OUR REGULATORS?

Our primary regulators are the JSE, South African Revenue Service and various governmental departments. We also comply with regulatory bodies outside South Africa.

WHAT OUR REGULATORS EXPECT FROM US:

It is imperative for us to maintain transparent relationships with all our regulators to ensure compliance with all legal and regulatory requirements and adhere to those institutions with standardised practices.

PRIMARY CONCERNS:

- Ongoing compliance with regulatory frameworks and good governance
- Transformation, including gender and race diversity
- Environmental responsibility
- Socio-economic development
- Corporate social responsibility

HOW WE ADDRESS THESE CONCERNS:

- Maintained sound governance principles and procedures
- Regular regulatory submissions to ensure compliance with all relevant regulations and authorities
- Policies and procedures in place to ensure compliance
- Representation on industry bodies
- Engagement on specific policy issues
- Sensitivity to employment levels in line with regulatory requirements
- Investment in employee development
- The Group is committed to ethical business practices and supports social and environmental sustainability
- Our corporate social initiatives promote SED

HOW WE ENGAGED WITH OUR REGULATORS:

We continued to maintain transparent communication, attention to detail, professionalism and prompt reactions to matters raised. We ensured resilient business and management practices and processes. We ensured compliance with all industry requirements and obtained clarity where necessary.

We continue to report on ethics, governance, the impacts on society and our environmental stewardship. We participated in industry meetings and interacted with regulators and industry stakeholders to ensure sound regulatory frameworks.

Overall, the Group maintained transparent relationships with all regulators and complied with all regulatory and legal requirements.

HOW WE DELIVERED VALUE TO OUR REGULATORS:

We ensured that payments to regulatory bodies were made timeously to ensure compliance. We contributed to government revenues through the payment of direct, indirect and employee taxes and will continue to pay all taxes as required.

BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS – continued



COMMUNITIES

WHO ARE THE COMMUNITIES WE SERVE?

The communities we serve are members of society and the environment.

WHAT THEY EXPECT FROM US:

We collaborate with them for the greater good regarding matters concerning society and the environment. They expect us to be a responsible corporate citizen and to partner with community initiatives, contribute to socio-economic development and environmental issues and pioneer responsible corporate citizenship. They expect us to create awareness of social and environmental issues they are faced with and to assist them in obtaining the desired outcomes for their communities, their businesses and their families.

KEY ISSUES RAISED:

- Socio-economic development
- Enterprise development
- Development of society through employment opportunities and internships
- Financial access for learnership programmes
- Social welfare
- Environmental matters

HOW WE ADDRESS THESE CONCERNS:

- Continued to support early childhood development as part of our socio-economic development
- Monthly payment of salaries to an NGO to employ Grade R teachers in one of our communities – this is the foundation for learning
- Created over 1 221 permanent employment opportunities and 3 406 contract employment opportunities during the year
- Access to funding through defined programmes – bursary and learnership initiatives
- Back-to-school programme – supplied learning material for school needs, thus ensuring students remain in school – more than 780 school children benefited from this initiative in 2019
- Employee volunteerism – we encourage our employees to assist their communities by providing them with the time and resources needed to volunteer
- Employee participation in the Mandela Day Initiative for the underprivileged
- Quarterly programmes where we have financial and hands-on participation from employees
- Ensure that social welfare is aligned with national policies
- Contributing to the growth of small businesses through enterprise development initiatives

HOW WE DELIVERED VALUE TO THEM:

Support was provided for basic and tertiary education through our back-to-school bursary, tertiary and learnership programmes. We invested in building an early childhood development facility for Grade R learners and assisted them with their basic needs. We ensured that the facility is able to employ certificated early childhood development teachers and pay their monthly salaries. Our investment in education and training as well as development programmes will continue and will enhance further growth prospects. Our partnership with community-based entities resulted in the creation of new jobs and financial and in-kind support for new businesses. Health, welfare and NGOs also received direct support. Paying our taxes and royalties to government also contributed to the welfare of society. Our support of local businesses resulted in the promotion of social and economic development. With the landscape changing in B-BBEE, we will continue to assist communities and businesses. Our socio-economic contribution is in compliance with requirements. We provided investment into research and educational bodies as well as academic partnerships.

(📄 – Principle 16)