

REMUNERATION COMMITTEE REPORT

REMUNERATION REPORT

Statement from the chairperson of the remuneration committee – Mrs Aziza Begum Amod

I am pleased to provide you with my first summarised remuneration report. During the year under review, I replaced Mr Hove as chairman of the remuneration committee and, with the support of the committee members in the areas of human resources and organisational transformation, I was able to discharge my duties as mandated by the Board.

The summarised remuneration report, which includes the remuneration policy and implementation report as required by the provisions of King IV™, will be considered and voted upon at the forthcoming AGM of shareholders on behalf of the remuneration committee.

The committee was tasked by the Board to oversee the implementation of the remuneration policy, enabling it to achieve the Group's strategic objectives, translating into market-related yet affordable performance-linked rewards and to ensure balanced and transparent outcomes that align with shareholder interests over the short and long term. Ultimately our policy enables the attraction and retention of valuable talent.

This report highlights the key components of our policy and how these are aligned to our performance and strategic objectives for the 2019 financial year. The remuneration committee is governed by its charter that is reviewed annually.

Shareholder focus remains on ensuring pay for performance and alignment with shareholder goals as well as enhanced disclosure so that shareholders can understand the quantum, rationale and drivers of executive remuneration.

Our approach to remuneration aligns to our ethics, corporate governance philosophy and shared values – respect and trust, people, integrity, accountability, stakeholders, commitment and investment. Remuneration and reward systems remain sensitive matters, especially in the socio-political environment. We will continue to review and adapt to changes in market conditions to ensure that our policy and principles remain appropriately aligned with our overall business strategy.

It is fundamental to our core remuneration principles that executive remuneration is aligned to the Group's performance. Income differentials are an important topic within the Group and the remuneration committee remains committed to monitoring and addressing this critical issue. Executive remuneration and the governance of remuneration continues to remain a feature of the corporate governance landscape while the issue of income differentials and the steps necessary to address these continue to enjoy prominence in the local and international markets.

The alignment of our executives' remuneration to the long-term strategic goals of the Group to deliver sustainable value to shareholders and build the business remained a key focus. Some decisions and their related impact in setting targets in terms of performance-related remuneration were made for the executives and senior management of the Group. Weightings of performance as well as specific financial targets were reviewed and amended accordingly. The committee was satisfied and will continue to monitor remuneration against the appropriate strategic objectives, performance and market benchmarks.

The committee had an independent third party perform a market comparison against our peers in other businesses. The comparison was used to determine where we should remunerate. The committee reviewed the targets set in terms of performance-related remuneration for the CEO, the executive management team and senior management in the Group; these targets include individual performance factors and a combination of portfolio-specific targets. The CEO and executive management team's performances are assessed against a set of predetermined objectives that include, *inter alia*, strategic leadership, execution of the strategy through business results and stakeholder relations. The Board recognises that the successful delivery of the Group's objectives should constitute both financial and non-financial performance measures, with the key financial measures including profits, cash flow and asset growth weighted to 70% and the remaining 30% weighted to non-financial measures for most of the executives in the Group.

REMUNERATION COMMITTEE REPORT - continued

The committee remains mindful to ensure overall remuneration was appropriate for the performance of the Group and in relation to its operational peers. In doing so, the committee considered the overall risk environment, its risk appetite and risk profile and the need to attract, retain and motivate key talent to enable delivery of the Group's strategic objectives.

Our ethos is one of appreciation for commitment, diligence, care and attention to detail. We respect and recognise our employees for their contributions and inspire them to realise their full potential, and we believe in rewarding accordingly. We consistently applied the principle that our remuneration should be fair and competitive and should reflect the performance of the Group and the business units.

During the financial year, the remuneration committee:

- reviewed and determined the remuneration for the executives;
- reviewed the performance targets to ensure that they are both challenging and linked to the Group's strategic objectives;
- took into account the remuneration and employment conditions of all employees, the performance of the Group and the individual, current views and guidelines of shareholders and market conditions;
- continued to keep under review the relationship of risk to remuneration;
- satisfied itself that the remuneration structure for senior executives does not raise environmental, social or governance risks nor does it inadvertently motivate irresponsible behaviour;

- retained absolute discretion to reduce variable compensation in light of risk and the Group's overall performance; and
- received guidance from the following independent advisors:
 - an external advisor
 - PE Corporate Services – executive salary benchmarking and job grading

The committee conducted a detailed review of the performance of each of the four senior executives for the 2019 financial year, and recommended to the Board that a bonus be paid using the Matrix guidelines based on financial and qualitative performance. The committee agreed to recommend to the Board the approval of a general salary increase based on the current price index of 6% for all employees in the Group.

The information provided in this report has been approved by the Board on the recommendation of the remuneration committee. For the year, the committee is satisfied that it has fulfilled and complied with its obligations and statutory duties as reflected in its charter, in terms of the policy and duties assigned by the Board. The committee was reconstituted post year-end.



Mrs Aziza Begum Amod
Chairperson of the remuneration committee

( - Principles 13 and 14)

REMUNERATION COMMITTEE REPORT - continued

ROLE OF THE REMUNERATION COMMITTEE

The remuneration committee's main purpose is to implement the guiding principles in the application of remuneration governance, practices and policies and to ensure that the Group remunerates fairly, responsibly and transparently so as to promote the achievement of the strategic objectives as well as positive outcomes in the short, medium and long term.

REMUNERATION POLICY

INTRODUCTION

AEEI's remuneration committee is primarily responsible for overseeing the remuneration and incentives of the Group's executive directors and key management, as well as providing strategic guidance.

To assist in the achievement of AEEI's long-term strategic goals, the remuneration committee has a formal remuneration policy in place. Each major subsidiary has its own remuneration committee and a policy specific to its business unit, including the industry in which it operates, taking into account AEEI's long-term strategic goals.

The main aim of the committee is to assist the Board in fulfilling its responsibilities in establishing formal and transparent policies and guiding principles of a standardised approach in the application of remuneration practices within all its business units and functions.

OVERVIEW OF THE MAIN PROVISIONS OF THE REMUNERATION POLICY

The remuneration policy is aimed at aligning remuneration practices that will enable the committee to support the Group in achieving its strategic objectives, translating these into market-related yet affordable performance-linked rewards and ensuring balanced and transparent outcomes that align with shareholder interests over the short and long-term, and ultimately enable the attraction and retention of valuable talent. Our approach to remuneration aligns to our ethical approach, corporate governance philosophy, shared values and best practices.

The remuneration policy is designed to achieve the following objectives:

- Support the attainment of AEEI's strategic business objectives and strategies
- Attract, retain and motivate key and talented individuals

- Compete in the marketplace to be an employer of choice
- Reward individual, team and business performance and encourage superior performance
- Support AEEI's shared values
- Promote the achievement of the Group's strategic objectives within its risk appetite
- Promote positive outcomes
- Promote an ethical culture and responsible corporate citizenship

The remuneration policy addresses the Group's remuneration and includes provision for:

- arrangements to ensure that the remuneration of executive management is fair and responsible in the context of overall employee remuneration in the organisation;
- the use of performance measures that support positive outcomes across the economic, social and environmental context in which the Group operates and all the capitals that the Group uses or affects; and
- enabling the Company to attract, engage and retain talent to drive performance and to meet the Group's strategic objectives.

EXECUTIVES AND EMPLOYEES

The remuneration of the executives is reviewed annually by the remuneration committee, which seeks to ensure that balance is maintained between the fixed (base salary) and variable (discretionary bonus) elements of remuneration, as well as between the short-term (base salary and discretionary bonus) and the long-term financial performance objectives of the Group.

Cost-to-company remuneration incorporates the following elements:

BASE SALARY

Base salary is guaranteed annual pay on a cost-to-company basis. It is subject to annual review and adjustments are effective 1 September of each year, coinciding with the commencement of the Group's financial year. Benchmarking is performed with reference to companies comparable in size, industry, business complexity and the level of responsibility that the individual assumes.

REMUNERATION COMMITTEE REPORT - continued

BENEFITS

Benefits form part of the total cost-to-company and include:

- membership to the pension/provident fund (providing death, disability and dread disease benefits);
- medical aid;
- unemployment insurance fund; and
- funeral cover.

COMPLIANCE

The remuneration policy is reviewed each year to ensure that the remuneration framework remains effective in supporting the achievement of the Company's business objectives and remains in line with best practice. AEEI complied with the remuneration policy and relevant remuneration governance codes and statutes. The recommended practices as stated under Principle 14 of King IV™ have been applied and is explained throughout this report.

During the year, the committee engaged the services of an independent external advisor to support our endeavours to act independently and provide specialist input.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Executive directors do not have fixed-term contracts, but have permanent employment agreements with the Company. The remuneration of executives is determined on a cost-to-company basis and is subject to an annual review by the remuneration committee. Provident or pension fund and healthcare provision form part of the overall cost-to-company packages. Executive directors are members of the Group's provident fund and are required to retire from the Group as a director of the Board at the

age of 65, unless requested by the Board to extend their term. There are no other special benefits for executive directors.

PRESCRIBED OFFICER

Mr Khalid Abdulla is not remunerated for his role as the prescribed officer of the Company.

PERFORMANCE APPRAISALS

Performance appraisals of the executive management team are done by the committee on an annual basis. Line managers and divisional managers also conducted performance appraisals of employees in the Group. The CEO conducted the performance appraisals of the divisional heads in the Group and provided feedback to the committee.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The non-executive directors receive fees for serving on the Board and its committees. The fees for non-executive directors are reviewed annually by AEEI's executive committee, and thereafter referred to the remuneration committee which seeks to ensure that the fees are market related and presented to the shareholders for approval.

The Board recommends the fees to shareholders for approval at the AGM of the Company. Consideration is given to the relative contribution of each non-executive director and their participation in the activities of the Board and its committees. Changes to the fee structure are effective 1 September, subject to the approval of shareholders at AEEI's AGM held in February each year. The annual fees payable to non-executive directors are, as in the past, fixed and not subject to the attendance of meetings. In the event of non-attendance on a regular basis, same may be reviewed.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS' REMUNERATION

The 2019 remuneration of the executive directors is set out below:

EXECUTIVE	K Abdulla R'000	CR Ah Sing R'000	CF Hendricks* R'000	AM Salie** R'000	Total R'000
Salary	3 845	1 470	446	802	6 563
Bonus	3 274	334	257	491	4 356
Provident fund	521	199	89	108	917
Expense allowance	74	20	9	14	117
TOTAL	7 714	2 023	801	1 415	11 953

* Ms CF Hendricks' remuneration only reflects her time served on the Board, from 1 September 2018 to 18 January 2019.

**Mr AM Salie's remuneration only reflects his time served on the Board, from 1 September 2018 to 18 January 2019.

REMUNERATION COMMITTEE REPORT - continued

The 2019 remuneration of the non-executive directors is set out below:

NON-EXECUTIVE	AB Amod R'000	NA Ramatlhodi R'000	JM Gaomab* R'000	VC Mehana** R'000	Total R'000
Directors' fees	212	227	95	265	799

*Mr JM Gaomab's remuneration only reflects his time served on the Board, from 1 September 2018 to 18 January 2019.

**Reverend Dr VC Mehana's remuneration only reflects his time served on the Board, from 1 September 2018 to 14 March 2019.

Mr TT Hove and Ms Z Barends waived their non-executive fees for their time served on the Board from 1 September 2018 to 18 January 2019.

Mr Amod waived his non-executive fees for the time he served on the Board from 21 January 2019 to 31 August 2019. Mr G Colbie and Ms M Mosia waived their non-executive fees

AEEI covers all reasonable travelling and accommodation expenses incurred to attend Board and committee meetings.

Non-executive directors do not have any employment contracts, nor do they receive any benefits associated with permanent employment

NON-BINDING ADVISORY VOTES ON THE REMUNERATION POLICY AND IMPLEMENTATION REPORT

In the event that there is less than 75% support for the above-mentioned reports at the AGM, the Board will invite dissenting shareholders to send reasons for such votes in writing. Thereafter, further engagements may be scheduled to appropriately address legitimate and reasonable objections and concerns raised.

IMPLEMENTATION REPORT

This part of the report focuses on the performance outcomes against the targets set for 2019.

SALARY INCREMENT

The committee reviewed the targets set in terms of performance-related remuneration for the CEO, executive management team and senior management in the Group, which include individual performance factors and a combination of portfolio-specific targets.

For the year ended 31 August 2019, a general salary increase was approved based on the yearly average current price index of 6% for all employees in the Group.

DISCRETIONARY BONUS

For the year ended 31 August 2019, the discretionary bonus was calculated as a percentage of the qualifying executive/senior management/employees' base salary according to seniority and the level of responsibility assumed. Qualifying executives and senior management received a discretionary cash bonus, dependent on them meeting both financial and qualitative strategic performance objectives. Employees received a discretionary cash bonus, dependent on them meeting both their personal and the Company's strategic objectives. Financial, qualitative, personal and Company strategic performance are aimed at ensuring sustainable

long-term value creation to the benefit of all stakeholders. The total base salary and bonus paid were considered to be fair to the Company and the executive/senior manager/employee.

For the year ended 31 August 2019, the CEO and executive management team's performance was assessed against a set of predetermined objectives that include, *inter alia*, strategic leadership, execution of the strategy through business results and stakeholder relations. The successful delivery of the Group's objectives constitutes both financial and non-financial performance measures, with the key financial measures, which include profits, cash flow and asset growth weighted to 70% and the remaining 30% weighted to non-financial measures for most of the executives in the Group. The committee remains mindful of ensuring that overall remuneration was appropriate for the performance of the Group and in relation to its operational peers. In doing so, the committee considered the overall risk environment, its risk appetite and risk profile and the need to attract, retain and motivate key talent to enable the delivery of the Group's strategic objectives.

( - Principle 14)

SHAREHOLDER VOTING/FEEDBACK

As required by King IV™ and the JSE Listings Requirements, the Company will put a non-binding advisory vote to shareholders regarding the approval of the remuneration policy and the implementation report. The Company seeks the support from its shareholders at the upcoming AGM. If any shareholders are inclined not to support the resolutions, we would ask that the reasons for such decision be communicated to the Company so that consideration can be given to those reasons. Please forward any comments to the company secretary at damien@aeei.co.za.

REMUNERATION COMMITTEE REPORT - continued

Should either vote receive 25% or more votes against, the Company will:

- issue a SENS announcement regarding the outcome of the voting results;
- invite shareholders to engage with the Company regarding their dissatisfaction with either of the votes;
- schedule engagements with concerned shareholders to record their concerns and objections;
- assimilate all responses and schedule a remuneration committee meeting to analyse concerns and issues raised with the aim of formulating changes to the policy and implementation required; and
- develop a formal response to shareholders that articulates the concerns raised, the details of where the changes will be made to address concerns raised and provide responses for areas where the Company,

despite the shareholder feedback, believes its current policy and/or implementation is adequate.

Results of the shareholders' votes at the most recent AGM held on 18 January 2019, as a percentage of the total number of shares voted at the AGM, is indicated below:

	2019	2018
Approval of the remuneration policy	100%	100%
Implementation of the remuneration policy	100%	100%
Non-executive directors' fees	100%	100%



A copy of the full remuneration policy is available on www.aeei.co.za.

COMPENSATION - GUIDING PRINCIPLES

- Differentiated total reward distinguishing six categories of employees: wage earners, salaried employees, general managers, senior managers, executive directors and non-executive directors
- Transparent communication of reward in general while respecting confidentiality of individual personal reward information
- No unfair pay discrimination
- Affordability
- Conservative approach towards employee taxation
- Compliance with relevant legislation

COMPENSATION BENCHMARKING POLICY

- The Company benchmarks total packages against market value in job segments
- To establish market values, the Company conducts and participates in South African salary surveys. In light of these surveys, a reference salary is determined by job segment and by level, nationally across all industries
- Different types of jobs on the same level will not necessarily carry the same reference salary; each level may cover a number of reference salaries
- An employee's positioning within the applicable salary range will be influenced by a combination of factors such as relevant work experience, competence, performance as well as internal, historical and market influences
- The Company may intentionally compensate employees above the reference salary to attract and retain critical employee segment skills or scarce skills

REMUNERATION COMMITTEE REPORT - continued

SUCCESSION PLANNING

The Board recognises its responsibility to make provisions for competent leaders in the Group. In fulfilling this responsibility, the Board also acknowledges that situations may arise which require a need for interim leadership and that future leadership transitions are inevitable.

The purpose of succession planning is to ensure that plans are in place to develop potentially suitable candidates for the future. The focus also remains on the retention of key and critical skills in the Group. Succession planning is reviewed periodically and provides for succession in emergency situations as well as succession over the longer term.

The succession plan is designed to address each of the following situations:

- Provision for leadership during anticipated or unanticipated short-term absences of the CEO
- Planned resignation – in the event of a permanent leadership change, the process for conducting a CEO search
- Provision for leadership during anticipated or unanticipated short-term absences of the chairperson
- Planned resignation – in the event of a permanent leadership change, the process for conducting a chair search

REMUNERATION REPORT – KEY STATISTICS

	2019 R'000	2018 R'000
Total rand value of compensation paid to executive directors – excluding gains on the exercise of share options	11 957	11 919
Average compensation per executive director (rands) – excluding gains on the exercise of share options	2 989	2 979
Total compensation paid to prescribed officers – excluding gains on the exercise of share options	0	0