

INVESTMENT COMMITTEE REPORT

ROLE OF THE INVESTMENT COMMITTEE

The committee has an independent role, operating as an overseer and making recommendations to the Board for its consideration and final approval. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

The role of the committee is to assist the Board:

- in considering and recommending investment opportunities in respect of acquisitions of listed and unlisted securities and other corporate actions in terms of the Group's risk appetite in a transparent manner and to ensure that sufficient evaluation has been afforded to such opportunities; and
- to approve acquisitions and disposals in line with the limits of authority delegated to it and in line with the strategy determined by the Board.

The committee must perform all the functions as is necessary to fulfil its role as stated above, including:

- reviewing the investment strategy of the Group;
- setting criteria and targets for investment in terms of the Group's risk appetite;
- approving proposals for acquisitions and sale of companies;
- periodically reviewing due diligence processes for acquisitions;
- approving equity and other strategic investments;
- regularly reviewing the performance of the Group's investment portfolio;
- regularly reporting and make recommendations to the Board for approval;
- monitor and evaluating investment service providers; and
- performing other responsibilities regarding the Group's investment activities as the Board may from time to time assign to it

REPORT OF THE INVESTMENT COMMITTEE

AEEI's investment approach resulted in it acquiring majority ownership of its operational investments in fishing and brands, technology, events and tourism, health and beauty, and biotherapeutics. It also holds a significant minority stake in its associates and minority equity

interests in strategic investments.

AEEI's investment decisions across its entire portfolio are driven by the overall objective of creating and growing stakeholder value in a sustainable manner. This is achieved by ensuring that all investments, acquisitions, organic growth projects or investment funding are subjected to review by the investment committee. The committee is well balanced and has legal, financial and strategic expertise.

Investments are adjudicated to ensure that they have both a strategic fit with synergistic benefits to the current portfolio and that the investments provide an acceptable level of return with a reasonable payback period (based on the specific industry). Strategic road maps per sector invested have been developed within the five-year plan (Vision 2020 Vision) and each investment is adjudicated in line with its contribution to the growth plan mandated by the Board. We have a long-term approach in our decision-making and investment approach.

For the year under review, the committee concluded the following investments:

- During the interim period, the Group regained control over AYO Technology Solutions Ltd (AYO) as defined by IFRS 10, and subsequently consolidated AYO from the date of control being 21 December 2018. The change in control stemmed from AEEI's ability to direct the relevant activities of AYO based on the IFRS 10 assessment.
- On 9 February 2019, the AEEI Group concluded the acquisition of an effective 80% shareholding in Saab Grintek Technologies (Pty) Ltd, now known as SGT Solutions (Pty) Ltd via a special purpose vehicle, Main Street 1653 (Pty) Ltd for a purchase consideration of R100m. The consideration includes a cash portion of R60m and a contingent consideration of R40m, if the company achieves profit warranties for the next two years.
- AEEI acquired additional shares in espAfrika (Pty) Ltd, resulting in the ownership changing to 100%.
- On 13 December 2018, AEEI acquired 88% of the ordinary share capital in Global Command and Control Technologies (Pty) Ltd (GCT). GCT purchased the command, control, training and simulation business as a going concern from Saab Grintek Defence (Pty) Ltd for a cash consideration of R23m. The effective date of the transaction when the conditions precedent were fulfilled was 1 March 2019. AEEI acquired this business to strengthen its intellectual asset base and to expand its footprint into Africa as part of its strategic objectives.

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- AEEI through its subsidiary, AYO acquired a 55% stake in Sizwe Africa IT Group (Pty) Ltd (Sizwe). Sizwe is one of South Africa's leading integrated ICT solution providers. Its services consist of a focused spectrum on infrastructure, metro and long-distance optic fibre storage server processing and data centres. Its clients include, among others, various government departments and blue-chip companies such as Vodacom, Neotel, Cell C, Exxaro and Barloworld. The transaction is subject to various conditions being met that would include the conclusion of definite agreements and regulatory approvals.
- AEEI through its subsidiary, AYO acquired a significant minority stake in Vunani Group Ltd to support a fintech-focused joint venture to expand the fintech platform and financial services activities of Vunani. Vunani is a diversified financial services group that has four operating businesses, namely fund management, fund administration, investment banking (including securities trading and corporate advisory) and private equity.
- Disposed of its stake in World Wide Creative (Pty) Ltd, a full-service digital innovation agency and technology product innovation consulting company.
- On 26 February 2019, the AEEI Board of directors accepted the non-binding offer by Pioneer Foods Group Ltd to repurchase 1 589 998 Pioneer Foods shares in Pioneer Foods Ltd and 1 598 998 Quantum Foods shares in Quantum Foods Holding Ltd. The proceeds will be used to redeem all outstanding liabilities in respect of the A preference shares and B preference shares as well as settle all outstanding dividends on the latter shares.

( - Principles 4, 11, 12 and 16)

ASSOCIATE INVESTMENTS

The Group also holds a 30% equity interest in BT Communications Services South Africa (Pty) Ltd. This investment is accounted for as an associate.

STRATEGIC INVESTMENTS

AEEI has become the partner of choice for multinationals seeking a B-BBEE partner that brings value through active participation in its businesses. Through AEEI's non-

controlling strategic investments, it has been able to add value and influence the business process to create wealth and achieve transformation.

AEEI invests in companies with the following characteristics:

- Strong investment partners that are aligned with our strategic objectives
- Leading brands
- Defined growth strategy
- Successful track record
- Management expertise
- High-growth sector

Through its investment portfolio AEEI continues to:

- hold a portfolio of investments in businesses that are diversified;
- acquire control of the majority of its operational investments;
- acquire and maintain non-controlling equity in strategic investments;
- acquire and maintain non-controlling equity in its associates;
- add value, influence business processes, and provide management expertise and synergies with existing investments;
- provide capital investment to grow the business;
- ensure above-market shareholder returns;
- provide and maintain high-quality infrastructures and assets;
- create sustainable wealth for all its stakeholders;
- maintain sound corporate governance, business and ethical practices;
- stimulate economic growth by assisting and adding value to SMMEs;
- promote an entrepreneurial culture; and
- be open and transparent in its reporting

INVESTMENT COMMITTEE REPORT - continued

THE FOLLOWING POST-BALANCE SHEET INVESTMENTS WERE CONCLUDED:

AEEI through its subsidiary AYO:

- acquired an additional 43% shareholding in Puleng Technologies (Pty) Ltd on 12 September 2019 from the minority shareholders increasing its holding to 100%;
- approved the binding offer on 17 October 2019 to acquire 100% of the ordinary share capital of NSX Experts (Pty) Ltd; and
- concluded a binding offer to acquire 55% of the share capital of VOX Spectrum Ltd on 1 November 2019.

The committee is currently in negotiations around new opportunities due to a significant increase in deal flow. The opportunities still have to be adjudicated and concluded if the investment criteria are satisfied. Prior to the conclusion of any new opportunities, the investment committee ensures that:

- negotiations are transparent;

- indicative proposals are in line with the Group's policy;
- risks and risk appetite are evaluated;
- a formal due diligence is conducted in terms of legal, technical and financial aspects;
- agreements are reviewed by the legal team; and
- the Board is apprised of any significant developments prior to conclusion.

For the year under review, the committee is satisfied that it has fulfilled all its statutory duties assigned by the Board. The chairperson of the investment committee reports to the Board on the activities of the committee at Board meetings. The committee was reconstituted post year-end.



Mrs Aziza Begum Amod

Chairperson of the investment committee