



CORPORATE GOVERNANCE REPORT 2019

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INTRODUCTION TO THIS REPORT

This corporate governance report forms part of the African Equity Empowerment Investments Limited (AEEI) integrated reporting suite for 2019, and reflects the governance approach to structures and to realising our Vision 2020 Vision through our achievements, successes and journey. With this report, which covers the financial year from 1 September 2018 to 31 August 2019, we aim to enable our stakeholders to make an informed assessment of our ability to create sustainable value.

This report is supplemented by our full suite of online publications, which caters for the diverse needs of our stakeholder base. A summary of this report is included in the abridged integrated report. The full suite consists of the following:

- Online integrated report
- Full corporate governance report
- Full sustainability report
- Full responsible investments report
- Full consolidated annual financial statements
- AEEI King IV™ Governance Register 2019 (King IV™)
- Notice to the annual general meeting

These can be accessed on our website: www.aeei.co.za.

NAVIGATIONAL TOOLS

The following icons have been applied throughout the report to direct the reader to additional information or cross-referenced sections.



King IV™

CORPORATE GOVERNANCE REPORT

At AEEI we believe that effective corporate governance is critical to delivering on our Vision 2020 Vision's strategic objectives and creating long-term value for our shareholders. Our governance framework is clear and consistent in terms of delegation of authority from our Board of directors to senior levels within our Group, and it is continuously refined.

STATEMENT OF COMMITMENT

The Board is committed to the highest standards of ethics, governance and business integrity and has adopted an integrated approach to managing the Group. This ensures that the governance structure actively identifies, communicates on and responds to material matters that impact on the Group's ability to create value. The Board believes that it has addressed all material matters appropriately and that it fairly represents the integrated performance of the Group. The Board continuously reviews the Group's governance structures and processes to incorporate and accommodate new corporate developments, to facilitate effective leadership, to provide sustainable corporate citizenship in support of the Group's strategy and to reflect national and international corporate governance standards, developments and best practices.

Due to the restructure of the Board during the year, the audit and risk committee was affected and was seen to be non-compliant from 18 April to 23 September 2019. As at the reporting date, the audit and risk committee is compliant.

The Board is satisfied that effective controls have been implemented and complied with throughout the Group and that the Company fully complies with the spirit and form of the continuing obligations of the JSE Listings Requirements, King IV™ and the Companies Act.

 - Principle 6)

CORPORATE GOVERNANCE REPORT - continued

COMBINED ASSURANCE MODEL AND INTERNAL CONTROL FRAMEWORK

AEEI has a combined assurance model, which includes internal and external assessments of key strategic risks, internal controls and other material areas to support the integrity of managing, monitoring and reporting data.

The Board paid attention to combined assurance through the audit and risk committee, which ensured that our combined assurance model adequately addressed the Group's risk and material matters. We continually look at optimising our combined assurance model to avoid duplication of efforts, rationalise collaboration efforts and manage assurance costs. This enables an effective control environment and ensures the integrity of the information used for reporting and decision-making.

COMBINED ASSURANCE



CORPORATE GOVERNANCE REPORT - continued

CREATING VALUE THROUGH SOUND CORPORATE GOVERNANCE

Sound corporate governance and ethics form the foundation of AEEI's business and are pivotal in delivering long-term value to our stakeholders. AEEI has a positive association with all its stakeholders and is committed to the highest standards of ethics and business integrity in all its activities.

OUR GOVERNANCE FRAMEWORK

The Board is the principal decision-maker and is supported by various committees and the executive management team. The Board is responsible for the strategic direction of the Group and the Company's governance framework. The governance framework supports the Company's strategic focus areas.

The Board plays a pivotal role in strategy planning and has established clear key performance indicators to measure the strategic objectives of the Company. The Board ensures that its governance framework will enhance good corporate governance, improve internal controls and enhance the Company's performance. The Board has an oversight role in terms of carrying out the strategic objectives of the Company and is assisted by the necessary committees, including the executive committee, with clear terms of reference to assist in discharging its responsibilities. This flows down to the subsidiaries and divisional levels to ensure that the business is provided with a structure within which management can operate effectively.



The Group's governance framework focuses on the following:

- Vision, strategy and performance
- Ethical and responsible leadership
- Finance, including budgets and forecasts
- Corporate citizenship
- Risk management
- Information technology
- Investment
- Products - quality, cost, delivery and competitiveness
- Human capital - health, safety, employee wellness and the environment
- Transformation
- Sustainability
- Stakeholder relations

As AEEI is listed on the JSE, the Company is subject to and has implemented controls to provide reasonable assurance of compliance with all relevant regulatory requirements in respect of its listing. Due to the restructure of the Board during the year, the audit and risk committee was affected and was not seen to be compliant from 18 April to 23 September 2019. AEEI has applied all the principles of King IV™ as set out in the online governance register. (📄 - Principle 6)

RESPECTED CORPORATE CITIZENSHIP

The Board and management recognise that AEEI is an economic entity as well as a corporate citizen and that it has a social and moral standing in society with all the attendant responsibilities.

Further information is provided in our sustainability report available online at www.aeei.co.za/integrated-report. (📄 - Principle 3)

CORPORATE GOVERNANCE REPORT - continued

APPLICATION OF AND APPROACH TO KING IV™

In supporting King IV™ the Board recognises that it is the custodian of corporate governance for the Company and ensured that directors:

- lead ethically and effectively;
- supported an ethical culture;
- set the strategic direction for the Group for the year ahead;
- approved policies and planning; and
- administered and monitored the Group's risks and opportunities, strategy, business model, performance and sustainable development.

The Board ensured compliance with applicable laws, rules, codes and standards in a way that supported the Group in being ethical and a good corporate citizen. It ensured that remuneration is fair and transparent and that the integrity of information for decision-making internally and externally was assured. A stakeholder-inclusive approach was applied in the Group to ensure that the needs, interests and expectations of material stakeholders were addressed.



A statement on AEEI's application of the principles of the King IV™ is available on www.aeei.co.za.

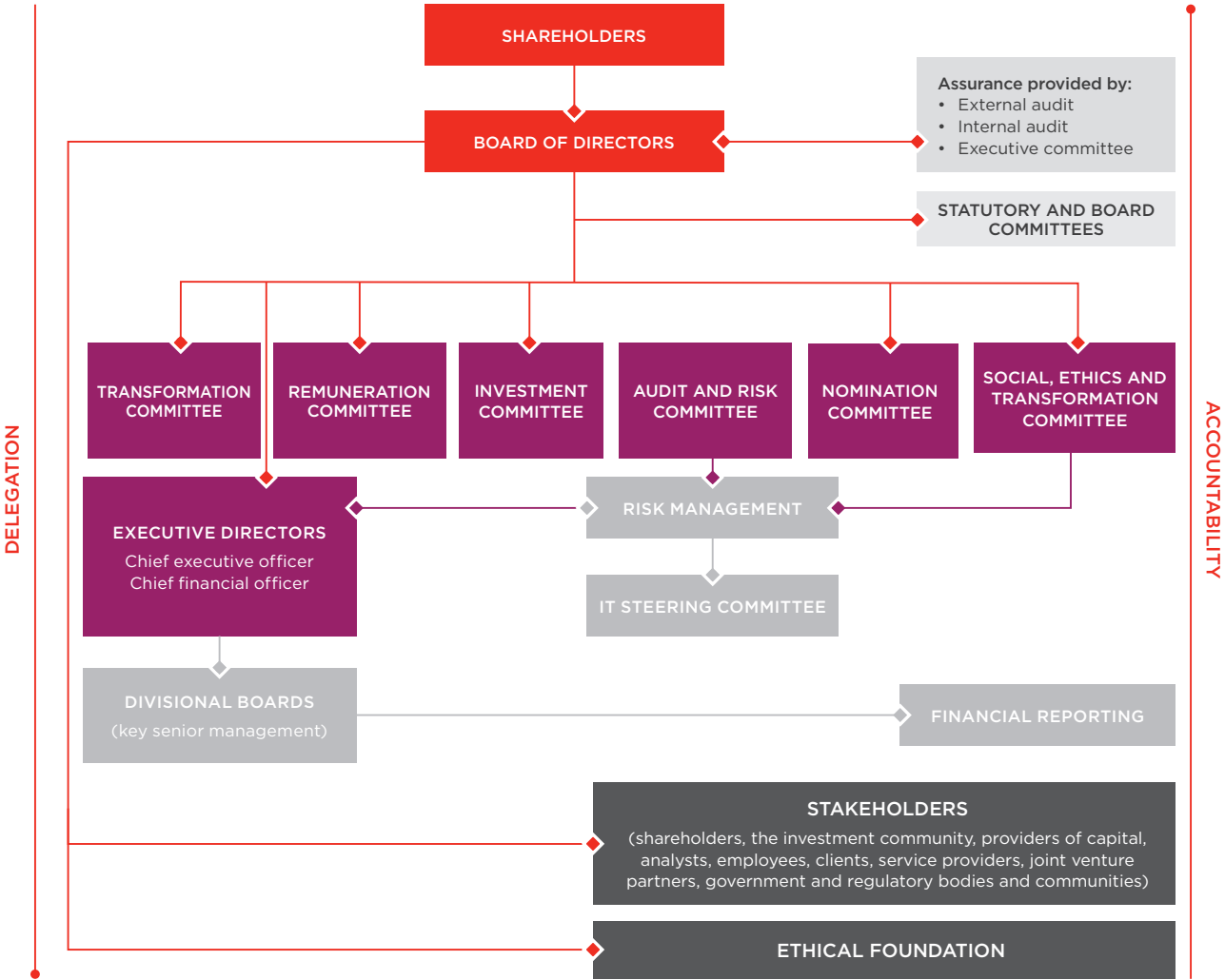
AEEI has applied the following principles of King IV™.

KING IV™ GOVERNANCE PERFORMANCE



CORPORATE GOVERNANCE REPORT - continued

CORPORATE GOVERNANCE STRUCTURE



OUR EFFECTIVE LEADERSHIP

In terms of AEEI's Memorandum of Incorporation and Board Charter, the Board is responsible for strategic direction and ultimate control of the Company.

INTRODUCING OUR BOARD OF DIRECTORS

The diversity and skills of our Board ensure that the Group is steered to deliver growth to all our stakeholders.

Executive directors



CHIEF EXECUTIVE OFFICER
Khalid Abdulla (54)

MBA (UCT), BCompt (Hons), CTA (Unisa),
Project Management (UCT)

Appointed: 29 August 2007

Nationality: South African

Board committee:
Investment committee



CHIEF FINANCIAL OFFICER
Chantelle Rae Ah Sing (45)

BCom (Nelson Mandela University), Post-graduate diploma in
Accounting (University of KwaZulu-Natal)

Appointed: 19 November 2009

Nationality: South African

Board committee:
Social, ethics and transformation committee

OUR EFFECTIVE LEADERSHIP - continued

NON-EXECUTIVE BOARD MEMBERS


NON-EXECUTIVE CHAIRPERSON
Aziza Begum Amod (57)

Appointed: 12 November 2012

Nationality: South African

Board committees:

Audit and risk committee (*stepped down post year-end*)

Nomination committee

Remuneration committee

Social, ethics and transformation committee

Investment committee


LEAD INDEPENDENT
NON-EXECUTIVE DIRECTOR
Jowayne Shadwill van Wyk (33)

CA(SA), BAcc (Hons), BCom, SAICA Independent Reviewer Certificate

Appointed: 23 September 2019

Nationality: South African

Board committees:

Audit and risk committee (*appointed post year-end*)

Investment committee (*appointed post year-end*)


INDEPENDENT NON-EXECUTIVE DIRECTOR
Advocate Dr Ngoako Abel Ramatlhodi (64)

BA Law and LLB (National University of Lesotho), MSc in International Relations (University of Zimbabwe), admitted to the Bar of Lesotho and South Africa as an Advocate, Honorary Doctor of Law Degree (University of Limpopo)

Appointed: 7 March 2018

Nationality: South African

Board committees:

Audit and risk committee

Remuneration committee

Investment committee

Social, ethics and transformation committee


INDEPENDENT NON-EXECUTIVE DIRECTOR
Moleboheng Gabriella Mosia (27)

Bachelor of Law (Wits University)

Appointed: 30 August 2019

Nationality: South African

Board committees:

Remuneration committee

Social, ethics and transformation committee

Investment committee

OUR EFFECTIVE LEADERSHIP - continued

NON-EXECUTIVE BOARD MEMBERS


INDEPENDENT NON-EXECUTIVE DIRECTOR
Gaamiem Colbie (30)

Baccalaureus Technologiae Cost and Management Accounting

Appointed: 30 August 2019

Nationality: South African

Board committees:

Audit and risk committee

Remuneration committee

Nominations committee


NON-EXECUTIVE DIRECTOR
Ismet Amod (63)

National Diploma in Civil Engineering

Appointed: 21 January 2019

Nationality: South African

Board committees:

Nomination committee

Remuneration committee

Social, ethics and transformation committee

OUR EFFECTIVE LEADERSHIP - continued

BOARD POWERS AND PROCEDURES

The Board sets and steers the direction of the Company to ensure that it brings informed, independent and effective judgement and leadership on all material decisions reserved for the Board. It ensures that strategy, risk, performance and sustainable development issues are effectively integrated and appropriately balanced.

AEEI has established a suitable balance of power and a solid framework for the examination, calculation and management of risk. The Board assumed ultimate responsibility and accountability for the performance and affairs of the Company and ensured effective leadership on an ethical foundation. It serves as the focal point and custodian of corporate governance for the Company. (📖 - Principles 1, 2, 3, 4 and 6)

The Board believes that diversity is an essential component for sustaining a competitive advantage. Directors are chosen for their corporate leadership skills, experience, expertise and gender and race diversity. The Board believes that the current mix of knowledge, skill and experience meets the requirements to lead the Company effectively. The Board has a policy that allows for the clear division of responsibilities to ensure a balance of power and authority. This means that no one individual has unlimited powers when it comes to decision-making. (📖 - Principles 1, 8 and 10)

The Board regularly reviews the Group's governance structures and processes to ensure that they support effective and ethical leadership, good corporate citizenship and sustainable development and to ensure that they are applied in the best interests of the Group's stakeholders. The Group has the necessary policies and processes in place to ensure that all subsidiaries adhere to its requirements and governance standards.

While all directors have equal responsibility for monitoring the Company's affairs, it is the role of the CEO and the executive management team to run the business within the parameters prescribed by the Board and to produce clear, accurate and timely reports, thus enabling the Board to make informed decisions. The independent non-executive directors are considered to have the necessary skills and experience to bring balanced and independent judgement to the Board. (📖 - Principles 7 and 8)

The Company's Memorandum of Incorporation (MOI), the Companies Act, King IV™ and the JSE Listings Requirements set out the directors' responsibilities, rights and obligations. Directors are required to comply with all relevant legislation and to maintain strict confidentiality of all information relating to the business of the Company. The conduct of directors is consistent with their duties and responsibilities to the Company and indirectly to the shareholders.

The Board and its committees continue to monitor compliance with policies and processes. This includes improvements and the mitigation of the risk of non-compliance with all applicable laws. (📖 - Principle 13)

The Board is involved in the decision-making of its subsidiaries on material matters and is satisfied that its delegation of authority framework contributes to role clarity and effective exercise of authority and responsibilities. (📖 - Principles 1, 2, 3 and 16)

The Board recognises its responsibility to report and communicate all matters of significance to all of its stakeholders and to ensure effective communication between internal and external stakeholders. The Board encourages attendance of its directors and chairpersons of its committees at the annual general meeting (AGM). The Board has full and unrestricted access to all Company information, records, documents and property, and monitors the non-financial aspects relevant to the businesses of the Company.

Due to the ever-changing landscape, the Board made changes to policies and charters and also implemented new policies and charters to take into account the changes in regulatory compliance and to stay abreast of trends this year.

The Maternity/Parental leave policy was updated.

The Board is satisfied that it discharged its duties and obligations (as described in the Board Charter) during the year.

ETHICAL AND RESPONSIBLE LEADERSHIP

The Board provides effective leadership based on a principled foundation and the Group subscribes to the highest ethical standards. Responsible leadership, instilled by the values of responsibility, transparency, accountability and fairness, has been a defining characteristic of the Company since inception.

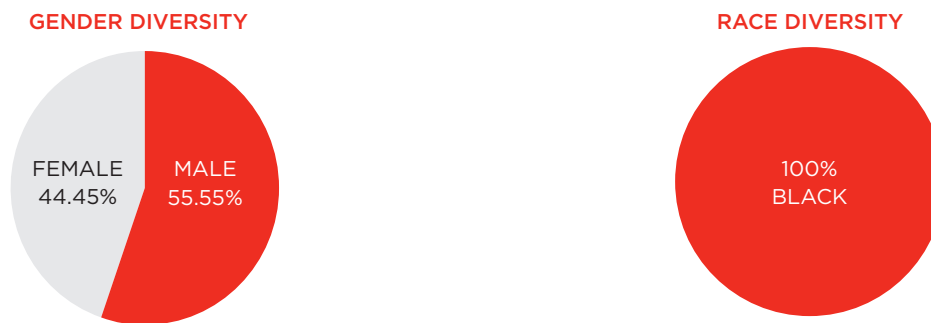
AEEI's fundamental objective has always been to do business ethically while building a sustainable Company that recognises the short and long-term impacts of its activities on the economy, society and the environment. The Group is governed by its Code of Ethics and Code of Conduct. The Code of Ethics requires all directors, management and employees to obey the law, respect others, to be honest and fair and to protect the environment. The Code of Conduct articulates AEEI's commitment to doing business according to best practices, the right way and guided by our values. (📖 - Principles 1 and 2)

OUR EFFECTIVE LEADERSHIP - continued

At 31 August 2019, the Board comprised of seven directors of whom five serve as non-executive directors and two as executive directors. The Board is satisfied that its composition contains the appropriate knowledge, skills, experience, independence and race

and gender diversity. The Board operates in terms of a board-approved charter and there is a clear division of responsibilities at Board level to ensure a balance of power and authority. No one individual has unfettered powers of decision-making.

BOARD COMPOSITION - GENDER AND RACE DIVERSITY



COMPOSITION OF THE BOARD AND COMMITTEES

The Board recognises and embraces the benefits of diversity at board level. AEEI appreciates that board diversity is an essential component for sustaining a competitive advantage and directors are chosen for their leadership and business skills, experience and expertise. AEEI's Board has a combination of business, geographic and academic backgrounds as well as diversity in age, gender and race which enhances the composition of a truly diverse board. The Board is comfortable that it has the right skills, experience and independence to make a meaningful contribution to the Company.

(📄 - Principle 7)

The Board committees play an important role in enhancing standards of governance, ethics and effectiveness within the Company. The terms of reference of the Board and its committees are reviewed annually and amended as required in terms of legislation.

APPOINTMENTS TO THE BOARD

As required by the terms of the Company's MOI, no director is appointed for life or for an indefinite period and the directors rotate in accordance with the provisions set out in the MOI. All directors retire from office provided that if a director is appointed as an executive director or an employee of the Company in any other capacity, he or she shall not, while he or she holds that position or office, be subject to retirement by rotation and he or she is not in such case taken into account in determining the rotation or retirement of directors.

Appointments to the Board are formal and transparent and a matter for the Board as a whole. The Board specifically considers the independence of directors and their other commitments when they are first appointed, as well as annually, or at any other time when a director's circumstances change and warrant re-evaluation. This is done to determine whether the director has sufficient time to discharge his or her duties effectively and is free from conflicts that cannot be managed satisfactorily. Should the nomination committee be of the view that a director is over-committed or has an unmanageable conflict, the chairperson will meet with that director to discuss the resolution of the matter, to the satisfaction of the committee. (📄 - Principle 7)

The nomination committee makes recommendations to the Board for the appointment of new non-executive directors. In the Board's opinion, all directors have the relevant knowledge, skills and experience to make a meaningful contribution to the Company's business. The Board believes that, as long as non-executive directors remain completely independent of management and relationships that could significantly affect their decisions and advice and are of the right calibre and integrity, they can perform the required function of looking after the Company's interests.

The Board is of the view that all the non-executive directors exercise independent judgement at all times with respect to material decisions of the Board.

(📄 - Principle 8)

OUR EFFECTIVE LEADERSHIP - continued

OVERVIEW OF THE BOARD

	2019	2018
Number of Board members at 31 August 2019	7	10
Number of Board members who are non-executive directors	3	6
Number of Board members who are deemed independent	4	6
Number of Board members who are deemed HDSA	7	8
Number of Board members who are women	3	4
Tenure of executive directors' service (in years)	11	7.40
Tenure of non-executive directors' service	2.50	5.75
Tenure of directors' (full Board) service (in years)	4.79	6.11
Average age of directors (in years)	48.57	52.00
Audit remuneration (% of non-audit fees)	0.00	0.00
Independence of Board chairperson	No	Yes
Number of prescribed officers	1	1

CHANGES TO THE BOARD

Messrs AM Salie, TT Hove, JM Gaomab and Ms Z Barends did not make themselves available for re-election at the AGM held on 18 January 2019 and voluntarily elected to step down from the Board. Ms CF Hendricks voluntarily elected to step down from the Board as an executive director of the Company on 18 January 2019, but continues in her role as an executive for Corporate Affairs and Sustainability.

Mr Ismet Amod was appointed to the Board of directors as a non-executive director effective 21 January 2019 as well as a member of the audit and risk committee.

Reverend Dr Vukile Charles Mehana resigned as an independent non-executive director of the Board and its committees effective 14 March 2019.

Ms Moleboheng Gabriella Mosia and Mr Gaamiem Colbie were appointed to the Board of directors as independent non-executive directors effective 30 August 2019 and Mr Jowayne Shadwill van Wyk was appointed as the lead independent non-executive director effective 23 September 2019.

EVALUATION OF THE BOARD, COMMITTEES AND INDIVIDUAL DIRECTORS

Ever-changing issues facing companies make it essential to look at the agenda of the Board to ensure that it stays aligned with good governance and ethics, and also meets

current needs, best practices and matters of strategic importance. The independence of directors and their other commitments are also evaluated.

The Board and committees were evaluated by its members. Having regard to the findings, it was concluded that the Board and committees operate efficiently, openly, transparently and there is a good level of discussion between members and attendees. The findings addressed some areas for improvement which will be addressed appropriately.

The Board is of the view that not all non-executive directors are independent but that these directors act with independent judgement for decision-making. (☞ - Principle 9)

The non-executive chairperson concluded that the Board is functioning well and noted minor areas for improvement. The non-executive chairperson and remuneration committee evaluate the performance of the executive directors. The nomination committee evaluates the independence of the non-executive directors on an annual basis. (☞ - Principles 7 and 9)

The Board appraises the performance of the CEO and CFO on an annual basis and identifies areas of improvement, which are appropriately addressed. The Board confirmed that they were happy that the executive directors carried out their duties with due skill and diligence and in the best interests of the Company for the year.

OUR EFFECTIVE LEADERSHIP - continued

BOARD TRAINING/LEGISLATION UPDATES

To ensure that directors are kept abreast of changes in legislation, the full Board was provided with legislation updates which covered:

- JSE Listings Requirements updates
- Companies Act update

Members of the executive team undertook training with various institutions covering:

- Updates on the JSE Listings Requirements
- Ethics and governance
- Company secretaries' information session
- Companies Act update
- Corporate governance update

NON-EXECUTIVE CHAIRPERSON

Mrs Aziza Begum Amod was appointed as the non-executive chairperson. She ensured:

- that the Board functioned efficiently and provided guidance and overall leadership to the Board and the Company;
- the integrity and effectiveness of the Board and its committees;
- that Board members were fully involved in and informed of any business issues on which a decision had to be made;
- that Board members exercised independent judgement and acted objectively; and
- that all relevant matters were placed on the agenda and prioritised accordingly for discussion at the Board meetings.

She ensured that executive members played an effective management role and participated fully in the operations, governance and ethics of the Company. Mrs Amod availed herself to the CEO and executive management between Board meetings to provide counsel and advice.

( - Principle 7)

COMMITTEES

The Board has established a number of committees to assist it in performing its statutory duties and to fulfil its effective decision-making processes. Specific responsibilities with formally delegated powers have been given to the committees to perform their functions, with defined regulations and terms of reference to promote independent judgement and assist with the balance of power.

The Board has the following committees in place to assist it in executing some of its duties:

- Executive committee
- Nomination committee
- Audit and risk committee
- Remuneration committee
- Social, ethics and transformation committee
- Investment committee

STATUTORY DUTIES

The nomination, audit and risk, remuneration, social, ethics and transformation, and investment committees are constituted as statutory committees of the AEEI Board in respect of their statutory duties in terms of the Companies Act and King IV™, and are accountable to the Board and shareholders. These are committees of the Board in respect of all other duties the Board assigns to them, and have been delegated powers to perform their functions in accordance with all regulatory requirements, including the Companies Act and King IV™.

TERMS OF REFERENCE

All committees function according to Board-approved terms of reference as contained in each committee's charter and/or policy. Each committee adopted its policy/charter with the terms of reference approved by the Board. Each committee reviews its policy on an annual basis to ensure it remains current and updated.

All committee charters and policies were reviewed during the year with changes being made to take into account new regulatory requirements and King IV™ to ensure best governance practices. These charters and policies were formally tabled at each committee meeting and adopted by the Board of directors.

The chairman of each committee reports back to the Board at each Board meeting and embraces the principles of transparency and full disclosure.

The delegation of authority to Board committees does not mitigate or discharge the directors and the Board from their duties and responsibilities.

OUR EFFECTIVE LEADERSHIP - continued

BOARD COMMITTEES AS AT 31 AUGUST 2019

NOMINATION COMMITTEE	AUDIT AND RISK COMMITTEE	REMUNERATION COMMITTEE	SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE	INVESTMENT COMMITTEE
COMPOSITION				
Two non-executive directors	One independent non-executive director and two non-executive directors	One independent non-executive director, one non-executive director and a consultant	One independent non-executive director, two non-executive directors and one executive director	One independent non-executive director, one non-executive director and one executive director
COMMITTEE MEMBERS				
AB Amod I Amod	Advocate Dr NA Ramatlhodi (chairman) AB Amod I Amod	AB Amod (chairperson) Advocate Dr NA Ramatlhodi A Ipp (consultant)	AB Amod (chairperson) Advocate Dr NA Ramatlhodi I Amod CR Ah Sing	AB Amod Advocate Dr NA Ramatlhodi K Abdulla
FREQUENCY OF MEETINGS				
Two per year	One per year	Two per year	Two per year	Two per year
TERMS OF REFERENCE -BOARD-APPROVED CHARTER/POLICY				
Yes	Yes	Yes	Yes	Yes
INVITEES				
Meetings are attended by members of the executive management team	Meetings are attended by the internal and external auditors, members of the executive management team and a consultant	Meetings are attended by members of the executive management team and the consultant	Meetings are attended by members of the executive management team and human resources department	Meetings are attended by members of the executive management team
OTHER				
	The auditors have unlimited access to the audit and risk committee, ensuring independence is not compromised in any way			

An informal audit and risk committee was held during the year. The committees were re-constituted post year-end.

Board committee members are authorised to obtain independent outside professional advice when necessary.

OUR EFFECTIVE LEADERSHIP - continued

NUMBER OF MEETINGS HELD DURING THE YEAR

Board	4
Nomination committee	1
Audit and risk committee	2
Remuneration committee	2
Social, ethics and transformation committee	2
Investment committee	3

An informal audit and risk committee meeting was held during the year.

Due to the restructure of the Board during the year, the audit and risk committee was affected and was seen to be non-compliant from 18 April to 23 September 2019. As at the reporting date, the audit and risk committee is compliant.

DIRECTORS' DETAILS AND ATTENDANCE AT MEETINGS

	EXECUTIVE (E) NON- EXECUTIVE (NE)	OVERALL ATTENDANCE AT BOARD MEETINGS	OVERALL ATTENDANCE AT COMMITTEE MEETINGS	LENGTH OF SERVICE (YEARS)	AGE
K ABDULLA	E	100%	100%	12	54
CR AH SING	E	100%	100%	8	45
AB AMOD	NE	100%	100%	6	57
NA RAMATLHODI	NE	50%	33%	1.5	64
I AMOD	NE	100%	100%	0.8	63
M MOSIA	NE	N/A	N/A	N/A	27
G COLBIE	NE	N/A	N/A	N/A	30

- * The above does not include Messrs AM Salie, TT Hove, JM Gaomab, Ms CF Hendricks and Ms Z Barends who did not make themselves available for re-election at the AGM on 18 January 2019. It does not take into account Reverend Dr Vukile Charles Mehana's resignation effective 14 March 2019. Ms MG Mosia and Mr G Colbie were appointed on 30 August 2019.
- In addition, it takes into account Mr Amod's attendance since his appointment on 21 January 2019 to the Board of directors and a member of the audit and risk and nomination committees, effective 21 January 2019.
- It takes into account the appointment of Ms MG Mosia and Mr G Colbie on 30 August 2019.
- It does not take into account the appointment of Mr JS van Wyk who was appointed on 23 September 2019.
- It does not take into account the appointment of the following committee appointments as these were made post the last committee meetings:
 - Audit and risk committee - Messrs Colbie and van Wyk
 - Remuneration committee - Mr Colbie and Ms Mosia
 - Social, Ethics and Transformation committee - Ms Mosia
 - Nominations committee - Mr Colbie
 - Investment committee - Mr van Wyk
- Mrs AB Amod was appointed as the non-executive chairperson on 9 December 2019

OUR EFFECTIVE LEADERSHIP - continued

PREScribed OFFICER

Mr Khalid Abdulla is the prescribed officer. The prescribed officer is required to perform his function and exercise his duties to the same standard of conduct applicable to all directors and is subject to the same liability provisions applied to directors.

During the year he exercised general executive control over the management of the subsidiaries in the Group and regularly participated in the exercise of general executive control of the business units and activities of the Group.

The prescribed officer is not remunerated separately for this function.

COMPANY SECRETARY

The company secretary is accountable to the Board. Mr Damien Terblanche was appointed as the company secretary to the Board and committees, effective 4 September 2018.

During the year, the company secretary provided guidance to the directors in terms of their duties, responsibilities and powers and their responsibilities and liabilities under the Companies Act. The Board was made aware of changes to any relevant law affecting the Company. The company secretary prepared board packs and recorded detailed minutes of meetings. The company secretary ensured that Board and committee meetings and the AGM of the Company were conducted in a proper and orderly manner. The company secretary disclosed the corporate actions, SENS announcements and directors' dealings in securities and ensured compliance with the JSE Listings Requirements and the Companies Act.

The Board has considered the competence, qualifications and experience of the company secretary and is satisfied that they are appropriate. This was concluded after due assessment following a review by the remuneration committee of the Company regarding the company secretary's qualifications, experience and performance to date. All directors have unlimited access to the services of the company secretary.

The company secretary's appointment and removal is a matter for the whole Board.

The Board is satisfied that an arm's length relationship exists between the company secretary and the Company, as he is not a member of the Board, is not involved in the day-to-day operations of the Company and is not a prescribed officer.

POLICY ON TRADING IN COMPANY SECURITIES

In accordance with the JSE Listings Requirements, the Company has a policy in place for insider trading dealings in securities and transactions. Directors and employees may not trade in Company securities during prohibited and closed periods.

Directors and designated employees may only deal in the Company's securities outside of the prohibited and closed periods.

CONFLICT OF INTEREST

All directors of the Company and its subsidiaries, including senior management, are required to submit a list of their directorships and interests in contracts at each Board meeting.

Directors are required to disclose their personal financial interests and those of persons related to them in contracts or other matters in which the Company has a material interest. Where a potential conflict of interest exists, directors are expected to recuse themselves from the relevant discussions and decisions.

No director had a material interest in any significant contract with the Company or any of its subsidiaries during the year.

COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

The Board ensured that the Company complied and will comply with the laws, rules, codes and standards insofar as reasonably possible as well as compliance in terms of corporate governance, ethics, risk, technology and information. The Board considers adherence to non-binding rules, codes and standards.

The Board reviewed its policies and charters to ensure compliance with laws, regulations, rules, codes and other standards and continually monitors the implementation of the legal, statutory and regulatory compliance processes.

( - Principle 13)

OUR EFFECTIVE LEADERSHIP - continued

ANNUAL FINANCIAL STATEMENTS

In terms of the Companies Act, directors are required to maintain adequate accounting records and are responsible for the preparation of the annual financial statements based on appropriate accounting policies.

AEEI's financial statements are based on appropriate accounting policies as set out in the notes to the financial statements and are supported by reasonable and prudent significant judgements and estimates.

The external auditors are responsible for considering internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control systems.

The Board established formal and transparent arrangements with the external and internal auditors and ensured that timely and accurate disclosure was made of any information that would be of material importance.

The Board ensured that assurance services and functions enabled an effective control environment and that these support the integrity of information for internal and external decision-making and of the Company's external reports in achieving its objectives.

The external auditors assessed whether the financial statements conform to IFRS, the JSE Listings Requirements and the Companies Act.

The Board is satisfied that the financial statements are fairly presented and contain proper disclosures and appropriate internal controls and that regulatory compliance processes were followed in the preparation of the annual financial statements.

The external auditors offered reasonable, but not absolute, assurance of the accuracy of the financial statements. Refer to the external audit report in the full annual financial statements. AEEI's management is responsible for the preparation of the financial statements.

( - Principle 15)

DEALING IN COMPANY SHARES

In terms of the JSE Listings Requirements, directors, officers and employees of the Company are not permitted to trade in the shares of the Company during closed periods, which commence at the end of the first six months of the financial year (end February) and financial year-end (end August) and during periods when the

Company is trading under a cautionary announcement. The company secretary disseminated written notices to all directors and senior management informing them that it is prohibited to deal in AEEI shares during closed periods.

Directors are required to seek the authority of the non-executive chairperson, Group CFO and the company secretary prior to dealing in shares of AEEI. Accordingly, directors are not permitted to make use of internal Company information when deciding to deal in the Company's shares.


In accordance with the JSE Listings Requirements, the Board reinforced the Code of Conduct for insider trading. During the year, directors were updated according to any changes in terms of the JSE Listings Requirements and Companies Act.

COMMUNICATION

AEEI places great value on its high standards of corporate governance, ethics, communication and transparency of information in terms of the Promotion of Access to Information Act, and regulatory and other directives relating to the dissemination of information. AEEI's primary emphasis is to protect its reputation by managing the Company's relationships with its stakeholders.

The Group subscribes to a policy of full, accurate and consistent communication with regard to all its affairs. The Board seeks to present a balanced and understandable assessment of the Group's position at all times when reporting to stakeholders. The integrated report deals adequately with disclosures relating to financial statements, auditors' responsibility, accounting records, internal controls, risk management, accounting policies, adherence to accounting standards, going concern issues, as well as the Group's adherence to established codes of governance.

The non-executive chairperson and CEO regularly communicated with major shareholders, institutional investors, analysts and the media during the year. The Group acknowledges the role of the media, especially financial journalists, and it endeavours to assist these role players as much as possible.

The Group encourages shareholders to attend the AGM, which provides them with an opportunity to raise concerns and ideas and to participate in discussions. The Group publishes its financial results on SENS and shareholders are advised that a copy of the integrated report is available on the Company's website and at its registered offices. ( - Principle 16)

OUR EFFECTIVE LEADERSHIP - continued

CORPORATE CODE OF ETHICS AND CODE OF CONDUCT

The Group subscribes to the highest levels of professionalism and integrity in conducting its businesses and dealings with all stakeholders. All employees are expected to share the Group's commitment to ethical practices, the Company's values, moral conduct and legal standards.

The Board continues to provide effective leadership based on a principled foundation. AEEI's leadership is characterised by its shared values of commitment, investment, respect and trust, people, integrity, accountability and its stakeholders. One of AEEI's fundamental objectives has always been to do business ethically while building a company that is sustainable, taking into account the short, medium and long-term involvement of the economy, society and the environment.

In executing its responsibilities, the social, ethics and transformation committee considered and monitored the Group's activities, having regard to legislation, human rights and prevailing practice in matters relating to social and economic development, including compliance with the 10 principles of the UN Global Compact and labour and employment activities.

The Board of AEEI recognises that the Company is an economic entity and a corporate citizen and has a social and moral standing in society with all the attendant responsibilities. AEEI's Code of Ethics addresses corruption, bribery, conflicts of interest and human rights and governs the Group's approach to ethical behaviour and fair business practice.

All directors and employees are aware of the Code of Ethics and Code of Conduct, which are maintained throughout the Group. Through The Way We Work Policy, the Group subscribes to a code of ethical and moral behaviour that requires total transparency for all stakeholders. AEEI prides itself on fairness and honesty and is intolerant of theft and dishonesty.

 - Principles 1, 2, 3 and 16)

INTERNAL POLICIES

As a leading JSE-listed black empowerment Company and through our brand's position, AEEI is dominant in a global context relating to a variety of issues, technology changes, globalisation, rapid change, dynamic markets, enterprise development and sustainability legislation. These issues affect the overall business strategy of the Group while focusing on organic growth, acquisitions, geographic expansion, new categories, margin improvement and transformation.

In line with the Group's governance, the Group has all the relevant policies in place as approved by the Board.

REPORTING UNETHICAL BEHAVIOUR


Employees and stakeholders are able to report any breach of the Code of Ethics via the Group's anonymous reporting facility. During the year, no allegations of unethical behaviour were reported.

REPORTING TO STAKEHOLDERS ON STRATEGY AND PERFORMANCE

The Group's strategy and performance are covered comprehensively in the reports of the chairperson, chief executive officer and the Group CFO.

AEEI appreciates the role of its stakeholders and remains committed to nurturing impactful relationships that deliver mutual benefits and encourage transparent, objective and relevant communication. The Group recognises that its businesses are one of the stakeholders in the 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. We built and maintained trust and respect with our various stakeholders, thus ensuring a positive impact on our reputation.

AEEI places great value on its high standards of ethics, communication, transparency of information in terms of the Promotion of Access to Information Act, Protection of Personal Information Act, 2013, and other regulations and directives relating to the dissemination of information.

The Company has identified stakeholder groups with whom it engages in a structured manner. We addressed essential risks and opportunities and responded timeously and appropriately to issues raised in our interactions with our various stakeholders.  - Principle 16)

STAKEHOLDER RELATIONSHIPS

The Group subscribes to a policy of full, accurate and consistent communication with regard to all its affairs. The Board seeks to present a balanced and understandable assessment of the Group's position at all times when reporting to stakeholders. The integrated report deals adequately with disclosures relating to financial statements, auditors' responsibility, accounting records, internal controls, risk management, accounting policies, adherence to accounting standards, going concern issues, as well as the Group's adherence to established codes of governance.

OUR EFFECTIVE LEADERSHIP - continued

ENGAGING WITH OUR STAKEHOLDERS

The Group's stakeholder engagement is governed by the recommendations of King IV™. AEEI has a stakeholder engagement framework, which includes communication and corporate identity guidelines. AEEI's stakeholder engagement framework outlines the Company's approach to communicating and working with its stakeholders. Engagement is an integral part of developing an understanding of our stakeholders' needs, interests and expectations and assists with strategic and sustainable decision-making.

Stakeholder consultation and relationship management are implemented in all divisions of the Group. Our stakeholders' expectations are identified through regular engagements, personal interactions and our financial and sustainability reports. The Board appreciates that it is required to provide timeous, relevant and accurate information and continually strives to maintain open direct

dialogue with all its stakeholders.

AEEI regularly communicated with its stakeholders during the year, which includes the presentation of the Group's strategy and performance. Engaging with stakeholders is decentralised and forms part of the operations of our various business units. Each business unit is required to report regularly on its stakeholder engagements. The role, responsibilities and focus areas for the year are comprehensively addressed in the stakeholders' relations report from pages 85 to 92 of the abridged integrated report - Building relationships with our stakeholders.

( - Principle 16)

NOMINATION COMMITTEE REPORT

ROLE OF THE NOMINATION COMMITTEE

The committee's main role is to ensure that the Board comprises the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The role of the committee is to assist the Board in assessing its composition and recommends the appointment of directors. The committee is the main body responsible for evaluating, promoting and ensuring gender and race diversity. In reviewing the Board composition, the committee considers the benefits of all aspects of diversity to enable it to discharge its duties and responsibilities effectively. In identifying suitable candidates for appointment to the Board, the committee considers candidates on merit against objective criteria and with due regard to the benefits of gender and race diversity on the Board.

For the annual performance evaluation of the effectiveness of the Board, the nomination committee considers the balance, skills, experience and the diversity of the Board members, and other factors relevant to its effectiveness. It also ensures that the Board has the appropriate composition in terms of structure, size and independence for it to execute its duties effectively and that directors are appointed through a formal and transparent process. The committee ensures that induction and ongoing training and development of directors take place and that formal succession plans for the Board, CEO and senior management are in place.

REPORT OF THE NOMINATION COMMITTEE

- During the year, the nomination committee performed all the functions necessary to fulfil its role as stated above, including the following:
- **Gender diversity policy:** The committee will consider candidates on merit against objective criteria and with due regard to the potential benefits of gender diversity at Board level. The committee will continue to discuss and annually agree on all measurable targets in terms of gender diversity on the Board.
- **Race diversity policy:** The Company believes that race diversity at Board level maximises opportunities to achieve its business goals through an informed understanding of the diverse environments in which we operate. The committee assessed the composition and recommended the appointment of directors as a truly diverse Board which includes the differences in age, gender, race, skills and industry experience and other distinctions between directors. The selection of Board members is made on merit, in the context of their skills, experience, independence and knowledge, which the Board as a whole requires to be effective. The committee considered candidates on merit against objective criteria and with due regard to the potential benefits of race diversity at Board level. The committee will continue to discuss and annually agree all measurable targets in terms of race diversity on the Board.
- The committee assessed the current composition of the Board in terms of gender and race diversity and confirmed that they were pleased with the composition of the Board. The Company's level of compliance against its targets for the past year is listed below:

PERCENTAGE OF DIRECTORS	ACTUAL	TARGET
Black people	100%	60%
Female	45%	30%

NOMINATION COMMITTEE REPORT - continued

The committee established a process for the appointment of new directors, which includes the following:

- Identifying suitable members in terms of gender and race diversity
- Performing reference and background checks of candidates, which should be independently investigated and their qualifications independently verified prior to nomination
- Formalising the appointment of directors through an agreement between the Company and the director
- A formal induction programme for new directors
- A mentorship programme to develop inexperienced directors
- Ongoing professional development programmes for directors
- Regular briefings on changes in regulatory compliance, risks, laws and the environment in which the Company operates

During the year under review, the nomination committee also:

- developed formal succession plans for the Board, chairperson, CEO and executive management;
- evaluated the performance of the chairperson and the Board as a whole and confirmed their performance in terms of independence, balance of power, fiduciary duties, ethical leadership, corporate governance and the effective discharge of their duties;
- reviewed the reappointment of directors with regard to retirements due to rotation on the basis of that member's performance, including attendance at Board and committee meetings;
- ensured that a brief professional profile of each candidate standing for election at the AGM, including details of professional commitments, accompanied the notice of the AGM, together with a statement from the Board confirming its support for each candidate's election or re-election;
- ensured that a programme of professional development and regular briefings on legal and corporate governance developments and risk and changes in the external environment of the organisation were provided to members of the Board;
- ensured that regular briefings on legal and corporate governance developments and risk and changes in the external environment of the organisation were provided to members of the Board; and

- recorded that Messrs AM Salie, TT Hove, JM Gaomab and Ms CF Hendricks and Ms Z Barends did not make themselves available for re-election at the AGM and as members of the various committees. Reverend Dr VC Mehana resigned on 14 March 2019 as a member of the Board and committees.

The Board reviewed the current membership composition and appointed Mr Ismet Amod on 21 January 2019 and Ms Moleboheng Gabriella Mosia and Mr Gaamiem Colbie on 30 August 2019 respectively as independent non-executive directors.

Due to Messrs AM Salie, TT Hove, JM Gaomab and Ms CF Hendricks and Ms Z Barends having not made themselves available for re-election at the AGM, the Board reconstituted the committees and the following appointments were made to committees during the year:

- Mrs Aziza Amod was appointed as the non-executive chairperson of the Board.
- Advocate Dr Ngoako Ramatlhodi was appointed as the chairman of the audit and risk committee.
- Ms Chantelle Rae Ah Sing was appointed to the social, ethics and transformation committee.
- Mr Ismet Amod was appointed to the audit and risk, the social, ethics and transformation and the nomination committees.
- Mr JS van Wyk was appointed to the Board as a independent non-executive post year-end on 23 September 2019, and to the audit and risk and investment committees.

( - Principles 1, 7, 8 and 9)

The committee believes that race and gender diversity at Board level will assist in achieving the Group's strategic goals through an improved understanding of the diverse environments in which the Group operates. The committee is satisfied with the Board's current composition in terms of gender and race diversity, age, skills and experience.

For the year, the committee is satisfied that it has fulfilled all its statutory duties assigned by the Board. The chairperson of the nomination 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
Nomination committee chairperson


AUDIT AND RISK COMMITTEE REPORT

ROLE OF THE AUDIT AND RISK COMMITTEE

The audit and risk committee has an independent role with accountability to the Board and shareholders. The committee's role is to assist the Board in carrying out its duties relating to accounting policies, internal controls, financial reporting practices and identification of significant risk exposure.

The main purpose of the audit and risk committee is to ensure the integrity of the financial statements and to oversee the effectiveness of the internal financial controls and the external and internal audit functions.

The audit and risk committee undertook a review of the audit function performed by the independent auditors of the Group. In terms of the Companies Act, The committee confirms that the same audit partner has not served as the designated auditor of the Company for more than five consecutive financial years.

The Group has internal controls and systems designed to provide assurance as to the reliability and integrity of the financial statements. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss and to safeguard, verify and maintain accountability adequately for its assets. ( - Principles 2, 4, 10, 11, 12, 13 and 15)

The external and internal auditors had unrestricted access to the audit and risk committee and attended all the committee meetings by invitation during the year ended 31 August 2019. Detailed reports were presented by the internal and external auditors. The chairman of the audit and risk committee reported on the findings at the Board meetings.

The external auditors can communicate with the chairman of the audit and risk committee and all its members throughout the year. The chairman of the committee is also available at the AGM to answer questions about the committee's activities.

For the reporting year under review, the committee is satisfied that it has fulfilled all its statutory duties assigned by the Board.

( - Principles 2, 4, 5, 10, 11, 12, 13, 15 and 16)

REPORT OF THE AUDIT AND RISK COMMITTEE

The audit and risk committee has a formal audit and risk charter with formal rules governing the services provided by the external auditors in terms of systems and processes.

The committee reviewed all significant risks and challenges and assessed the adequacy of internal controls and the combined assurance delivered over the identified risks. It monitored the effectiveness of the control environment through reviewing reports from management, the external auditors and internal audit and ensured the quality of financial reporting by reviewing the 2019 interim financial results and the 2019 annual financial statements.

The committee reviewed the impact of the Company's medium to long-term strategy against pertinent factors of technology and communication, including cybersecurity and governance compliance to ensure that risk management was applied appropriately.

The committee reviewed the following:

- After receiving the Competition Commission's approval due to the change in its network firm from BDO Cape Inc. to BDO South Africa Inc. BDO South Africa Inc. were the company's auditors for 22 years (PKF for 17 years and four years as Grant Thornton Cape Inc. and one year as BDO Cape Inc.).
- The performance, independence, appointment and remuneration of the external auditors and the audit process.
- Internal financial controls and systems are monitored through the internal auditors and external audit findings, and the action taken by management from the significant findings.
- The effectiveness of risk management and controls through the evaluation of the risk management report and group risk register.
- The quality and integrity of the integrated report, including the annual financial statements and public announcements in respect of the financial results.
- The effectiveness of the internal audit function by monitoring the scope and execution of its audit plan, independence, skills, staffing and overall performance.
- Sustainability and environmental issues.
- Governance compliance.

AUDIT AND RISK COMMITTEE REPORT - continued

In the conduct of its duties and in accordance with section 94 of the Companies Act, the committee:

- considered the separate information about BDO South Africa Inc., the receiving audit firm, as the Company is deemed to be appointing BDO South Africa for the first year;
- satisfied itself that the external auditor BDO South Africa Inc. is independent of AEEI, as set out in section 94(8) of the Companies Act and considering, *inter alia*, the information stated in paragraph 22.15(h) of the JSE Listings Requirements;
- ensured that the appointment of the external auditor complied with the Companies Act;
- BDO South Africa Inc have advised that they will not make themselves available for re-election at the next AGM.
- the company is in the process of appointing new auditors for election at the AGM.
- recommended to the Board, the interim and preliminary announcements of results, interim reports, trading statements and approved the restatement of the prior year's interim results;
- reviewed the annual financial statements of the Company, the Group and its subsidiaries and considered the audit report and findings, together with combined assurance from management and the external auditors and recommended it for approval by the Board;
- reviewed the disclosure within the integrated report and reports to shareholders, taking into account all factors and risks that may impact on the integrity of the integrated report, including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions made, monitoring of enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information;
- considered concerns regarding accounting practices and internal audit matters;
- continued to oversee the Group's 10 risks and its strategy to ensure that the Group manages its risks in an optimal manner;
- approved, reviewed and evaluated the adequacy and efficacy of the risk policies, procedures and controls applied in the day-to-day management of the business;
- reviewed and approved the response to the JSE proactive monitoring letters related to the 2017 annual financial statements and considered the action taken by management from the findings recommended in the 2018 report;
- obtained assurance from the external auditors that

adequate accounting records are being maintained;

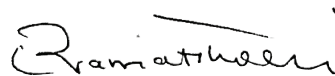
- approved non-audit services when required for tax opinions and any independent internal quality assurance reviews related to the internal auditor's operational audits;
- evaluated the independence, effectiveness and performance of the internal auditor and compliance with its charter; and
- reviewed the appropriateness of the expertise and experience of the financial management team and reported these to be adequate.

For the purposes of determining the effectiveness of management systems and internal controls during the year, the committee reviewed the internal audit methodology and external audit plans and findings from the management reports.

Due to the restructure of the Board during the year, the audit and risk committee was affected and was seen to be non-compliant from 18 April to 23 September 2019.

The committee was reconstituted post year-end and fulfilled its statutory duties in terms of section 94(7) of the Companies Act and King IV™ compliance. As at the reporting date, the committee was compliant.

The committee confirms that it has complied with its legal and regulatory responsibilities for the 2019 financial year. (☑ - Principles 10, 11, 12, 13 and 15).



Advocate Dr Ngoako Ramatlhodi
Audit and risk committee chairman

EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER AND THE FINANCE FUNCTION

The audit and risk committee satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements that the Group CFO and the finance function have the appropriate expertise and experience and are adequately resourced.

RISK MANAGEMENT PROCESS

A key component of the audit and risk committee was to review the top 10 material matters that AEEI faces in order to respond to new and emerging risks and to ensure alignment with regulatory changes as well as best practice. In doing so, the committee took into account stakeholder needs, corporate governance principles, risk trends, global trends and external dynamics. Refer to page 28 for the full risk management report.

AUDIT AND RISK COMMITTEE REPORT - continued

COMPLIANCE

The audit and risk committee is responsible for reviewing the compliance with legal, regulatory, codes and other standards and continually monitors the implementation of the legal compliance processes. The audit and risk committee is satisfied that it has complied with all its legal, regulatory and other responsibilities during the year. (📄 - Principle 13)

GROUP INTERNAL AUDIT

The Group internal auditor performs an independent assurance function. The Group internal auditor had unrestricted access to the Group CEO, the Group CFO and the chairman of the audit and risk committee.

The primary objective of the Group internal auditor during the year was to provide independent objective assurance and consulting activities on the adequacy and effectiveness of the Group's systems of governance, risk management and internal control. The Group internal auditor reports functionally to the audit and risk committee and administratively to the Group CFO. The audit and risk committee monitored the effectiveness of the internal audit function in terms of its scope, independence, skills, execution of its plan and overall performance.

The Group internal auditor recommended the annual internal audit plan for approval to the audit and risk committee. The committee approved the formal internal audit plan, which included risk-based operational and system audits on the Group's governance and business processes for 2019. The operational internal audit plan was reviewed by an independent external firm.

The system of internal control is designed to ensure that significant risks are appropriately identified, managed and provide reasonable assurance that:

- company assets and information are safeguarded;
- operations are efficient and effective; and
- applicable laws and regulations are complied with.

The Group internal auditor undertook the following during the year:

- Prepared and submitted a risk-based internal audit plan to the audit and risk committee for review and approval
- An independent review of the internal audit plan by Nexia SAB&T
- Implemented recommendations by Nexia SAB&T on quality improvement of the internal audit function
- Performed reviews on the Company's governance processes and ethics

- Systematically analysed and evaluated the business processes and associated controls
- Performed consulting activities requested by management
- Followed a risk-based approach
- Monitored and challenged, where appropriate, action taken by management with regard to the internal audit findings
- Monitored and reported on the risk management process to the audit and risk committee
- Liaised with the external auditors as part of the combined assurance process where internal audit followed up and ensured that management implemented the external auditors' recommendations from the prior year
- Provided a source of information on fraud, corruption, unethical behaviour and irregularities

The internal audit takes a risk-based approach to audit planning. Internal audits were performed at most subsidiaries during the year and no significant breakdowns in internal controls were identified. A formal quarterly report on the key findings of these audits was submitted to the audit and risk committee summarising the results of the internal audit activity and management's progress in addressing the control measures. This enabled the audit and risk committee to ensure that action was taken to address areas of concern.

(📄 King IV™ - Principles 11 and 15)

The chairman of the audit and risk committee reported to the Board on the activities of the committee at each Board meeting.

EXTERNAL AUDIT

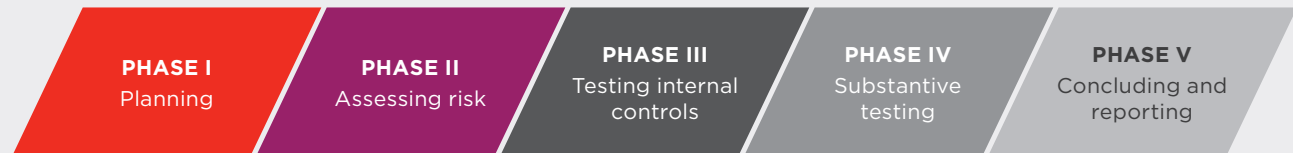
The scope, independence and objectivity of the external auditors, BDO South Africa Inc., were reviewed. The committee considered the annual audit plan and related scope of work, determined the terms of engagement and fees of the external auditors. In the committee's opinion, the audit firm, BDO South Africa Inc., and the audit partner are independent of the Company and the Group.

BDO South Africa Inc. provided an audit opinion in accordance with the Companies Act, the JSE Listings Requirements and King IV™. Under company law, their responsibility is to the shareholders of the Group. In addition, they have professional responsibilities to report reportable irregularities in terms of section 45(1) of the Auditing Profession Act, 2005, and key audit matters in their audit report to the committee.

AUDIT AND RISK COMMITTEE REPORT - continued

AUDIT PROCESS

The audit process included:



AUDIT OBJECTIVES

The audit was conducted in accordance with International Standards on Auditing and the auditors' objective was to provide a comprehensive service to the Group.

The primary objective as independent auditors is to form an opinion as to whether or not the annual financial statements:

- fairly represent the financial position of the Company;
- fairly represent the results of operations and cash flows for the Company and the Group for the year;
- comply with statutory and regulatory requirements, including the JSE Listings Requirements; and
- have been prepared in terms of the Company's accounting policies, applied on a consistent basis in terms of IFRS and conform to the JSE Listings Requirements.

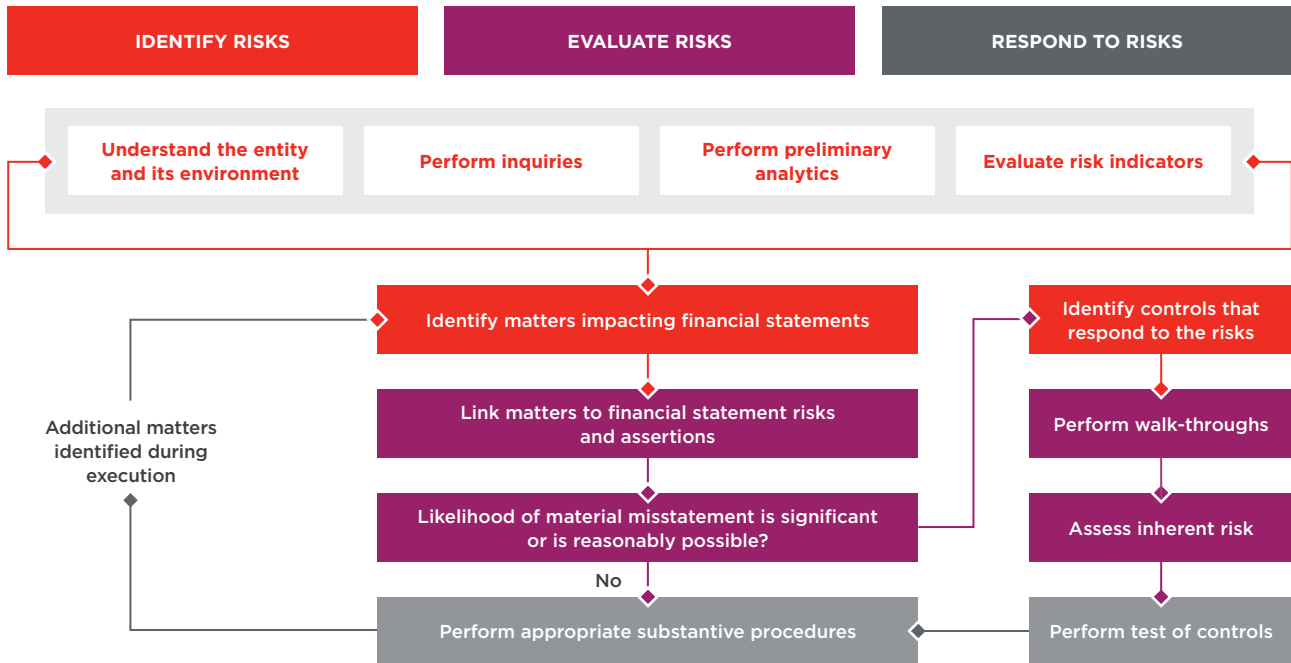
The audit was directed at delivering assurance at three levels:

1. For shareholders and other stakeholders
2. Independent opinions and reports that added credibility to the financial information released by the Company
3. Compliance with the requirements of the various regulatory bodies and legislation, including IFRS, the Companies Act and the JSE Listings Requirements

They assisted the audit and risk committee in discharging their corporate governance and compliance responsibilities. They provided advice on financial reporting and business issues and made recommendations to management to improve internal controls and business efficiencies to add further value to the Company.

AUDIT AND RISK COMMITTEE REPORT - continued

AUDIT METHODOLOGY



The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors considered internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. The audit included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. (📄 - Principles 15 and 16)

As the auditors of a public interest company, the same individual has not served as audit partner of the engagement for more than five consecutive financial years. BDO South Africa Inc. has been the Company's auditors for the past twenty-two years, with Mr Imtiaaz Hashim serving as audit partner.

The external auditors liaised with the Group internal auditor and attended the audit and risk committee meetings by invitation. As the auditors of the Company,

they attend every AGM where the annual financial statements of the Company for the financial year are presented, in order to respond accordingly and to answer any questions relevant to the audit of the financial statements.

JSE'S PROACTIVE MONITORING

The Company's audit and risk committee considered the findings recommended by the JSE's proactive monitoring report and reviewed and approved the appropriate action taken by executive management to increase the resources and improve on the review process to improve the presentation of the annual financial statements.

The audit and risk committee members were made aware of the numerous letters presented by the JSE's Proactive Monitoring process. They reviewed the appropriate action taken by executive management to include additional disclosure in the interim reports and to disclose the prior period error in the 2019 interim results related to the investment in associate.

The proactive monitoring process has brought about a more assertive approach to improve the quality of financial reporting to stakeholders and investors. The committee has considered the areas that are highlighted in the proactive monitoring process that commenced in October 2018 and have actively reviewed the focused areas which will impact the 2019 annual financial statements.

RISK MANAGEMENT REPORT

The Board has delegated the management of risk to the audit and risk committee. The Board is committed to effective risk management in pursuit of the Group's strategic objectives with the aim of growing shareholder value sustainably. The Board understands that proactive risk management is both an essential element of good corporate governance and an enabler in realising opportunities and continues to enhance its capabilities to anticipate risks and manage them.

OUR APPROACH TO RISK MANAGEMENT

The Group's risk management approach continues to evolve. The audit and risk committee continued to assess, manage and report on all significant risks, the impact on the business and the mitigation of the risks.

The audit and risk committee also assessed whether the risk management process is effective in identifying and evaluating risks to determine whether the business operations have managed the risks in line with the Group's strategy and to consider the impact on the sustainability of the business, the external and internal environments in order to identify key developments related to our risks, implications and our responses.

The responsibility for monitoring the management of each of these risks is assigned to the executive committee of each business unit. The risks are then considered at a Group level through the monitoring process of the audit and risk committee.

Risk registers are tabled at each subsidiary Board meeting under the categories of financial, operational, strategic, legal, human resources and other risks. Action plans are monitored and discussed to reduce the risks to acceptable levels as per the risk appetite and tolerance levels. From the risk evaluation in the risk register, significant risks are reported to the audit and risk committee, who in turn reports these risks to the Board.

There were no specific risk incidents which resulted in significant financial loss or which may have negatively impacted our stakeholders during the 2019 financial year.

GOVERNANCE OF RISK MANAGEMENT THE THREE LINES OF DEFENCE

AEEI realises the importance of the three lines of defence in managing risk and has assigned the responsibilities and accountability in line with the three lines of defence.

FIRST LINE OF DEFENCE

Management is responsible for the implementation of the business strategy and the identification of risks and the design of related controls. It is the responsibility of management to monitor the controls implemented to mitigate the risks.

SECOND LINE OF DEFENCE

Risk management is the second line of defence where risks are assessed, evaluated and measured. The residual risk is measured against the risk appetite and tolerance levels set by the Board.

THIRD LINE OF DEFENCE

The internal and external assurance providers are the third line of defence. During the year, the audit and risk committee appointed an independent external audit firm to perform a strategic and operation risk assessment on the listed subsidiary. The results of those risk assessments were communicated to the audit and risk committee.

RISK MANAGEMENT REPORT - continued



As part of Vision 2020 Vision, AEEI identified 10 material matters with each material matter having strategic objective/s. The material risks that are identified are linked to the strategic objectives in these material matters.

The executive committee of the divisional subsidiaries are accountable and responsible for managing risks within their business units and may delegate specific responsibilities appropriately. This process is evaluated by the Group Internal Audit who provides the audit and risk committee with assurance that significant business risks are systematically identified, assessed and reduced to acceptable levels in line with the Board's risk appetite and risk tolerance levels.

During the financial year, the audit and risk committee:

- assisted the directors in fulfilling their responsibilities for ensuring there is an effective risk management process in place throughout the Group;

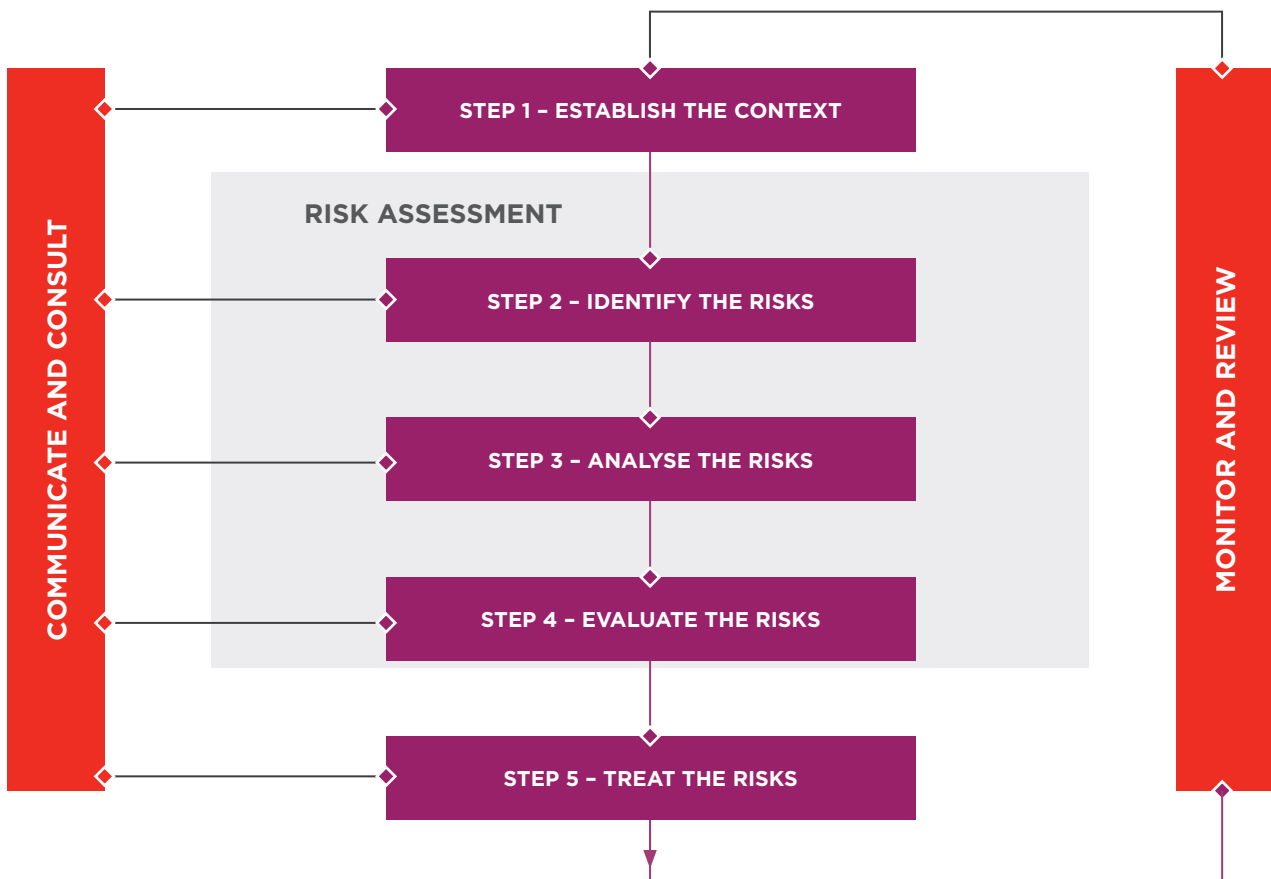
- assessed reports from management concerning the Group's risk management and compliance processes and controls in order to oversee their effectiveness;
- assessed reports from divisional management concerning business, operational and compliance risk in order to oversee their risks and assess their impact on the Group;
- assessed reports from management concerning the risk implications of new and emerging risks, legislative or regulatory initiatives and changes in order to ensure the risk is held at an acceptable level;
- received reports from management concerning resolution of significant risk exposure and risk events, in order to monitor them in accordance with the Board's risk appetite;

RISK MANAGEMENT REPORT - continued

- assessed whether all significant new business opportunities have been appropriately considered from a risk perspective;
 - monitored the Group's compliance with applicable external and regulatory obligations, and significant internal policies relating to the operation of its business units;
 - facilitated communication of risk issues to all management; and
 - evaluated the results of the risk assessments performed by the external independent firm and plan of action by management.
- The Company complies with the principles of King IV™ related to risk management.

RISK MANAGEMENT PROCESS

The structure of our risk management process is set out below. This structure was rolled out across the entire Group and is in line with industry standards.



RISK MANAGEMENT REPORT - continued

COMMUNICATE AND CONSULT	Communicate and consult with those who are involved in the assessment of the risks and engage those who will be involved in treating, monitoring and reviewing the risks
ESTABLISH THE CONTEXT	Consider the environment internally and externally within which the risks are present
IDENTIFY THE RISKS	Identify all possible uncertainties (risks) that may impact and prevent the organisation from achieving its objectives
ANALYSE THE RISKS	Analyse and assess the risks in terms of likelihood and impact
EVALUATE THE RISKS	Compare the level of risk found during the analysis process and decide whether these risks are acceptable or require treatment
TREAT THE RISKS	Identify actions and controls to manage the inherent risks to an acceptable residual level, and then assess the effectiveness of the actions and controls
MONITOR AND REVIEW	Monitor risks and review the effectiveness of the treatment plan, strategies and management system



RISK MANAGEMENT REPORT - continued



Financial



Human Capital



Business Operations



Macroeconomic







The environment



Social and relationship capital

MATERIAL RISKS

	RISK AND RATIONALE	MITIGATION	OPPORTUNITY	LINK TO MATERIAL MATTER/ STRATEGY
1	Reallocation of the long-term fishing rights may impact the profitability of the fishing segment.	<p>Active engagement with communities for outside quota holders</p> <p>Monitoring government policy and processes on requirements for reallocation</p> <p>Diversification into other products to reduce the impact on growth strategy</p> <p>Expansion in the aquaculture division to minimise impact</p>	Favourable quota allocation by the Department of Agriculture, Forestry and Fisheries will substantially increase revenue, resulting in better financial performance by the Group, which will also present an opportunity for more spend on SMMEs as well as socio and economic investments.	 
2	The loss of major customers could result in a potential reduction in revenue in the information and communications technology (ICT) sector.	Pursue and extend client base, underpinned by long-term support and maintenance agreements	Gain business confidence from stakeholders resulting in long-term relations	
3	Compliance with the CIPC and JSE Listings Requirements; and all legislation and regulations require the Group to constantly adapt to keep abreast of the latest changes	<p>Training and awareness is continuously assessed and provided across the Group.</p> <p>Policies and procedures are updated to adapt to all new regulations and legislative requirements on a regular basis.</p> <p>King IV™ compliance review.</p>	Compliance with the applicable laws and regulations governing the Group, results in the Group being seen as a good corporate citizen	






RISK MANAGEMENT REPORT - continued

MATERIAL RISKS - continued

	RISK AND RATIONALE	MITIGATION	OPPORTUNITY	LINK TO MATERIAL MATTER/ STRATEGY
4	<p>Environmental pressures have an impact on the production and consumption of our products:</p> <ul style="list-style-type: none"> • Adverse weather conditions affect landings of fish stocks • Water temperature variables and disease affect the location • Uncertainty in the distribution and availability of certain marine resources due to changes in sea variables 	<p>Mitigation of these risks comes from constant monitoring of these environmental variables to allow flexibility in our response to these external factors</p>	<p>Products of good quality will be produced and offered to the market, which can increase revenue and the Group's reputation in the market</p>	
5	<p>Business interruptions in the Group's ICT systems by malicious software and increasing advances in cyber and ransomware attacks could result in loss of information and increased fraud.</p>	<p>Restricted access to the Group's ICT systems.</p> <p>Constant monitoring of systems for any possible infections and intrusions.</p> <p>Rollout and implementation of new ICT system.</p> <p>Backups performed daily and stored in different external servers.</p>	<p>The Group can maintain data integrity and decrease downtime on secure IT systems.</p> <p>Uninterrupted business practices will lead to efficiency and maximise profits.</p>	
6	<p>Exchange rate volatility may have both a negative and positive impact on business performance.</p>	<p>Exchange control is monitored regularly with efficient management of overhead and cost structures in place to ensure that all volatile environments have a minimal effect on the operations.</p>	<p>A positive exchange rate, i.e. a weak rand value compared to major international currencies increases revenue for the Group.</p>	

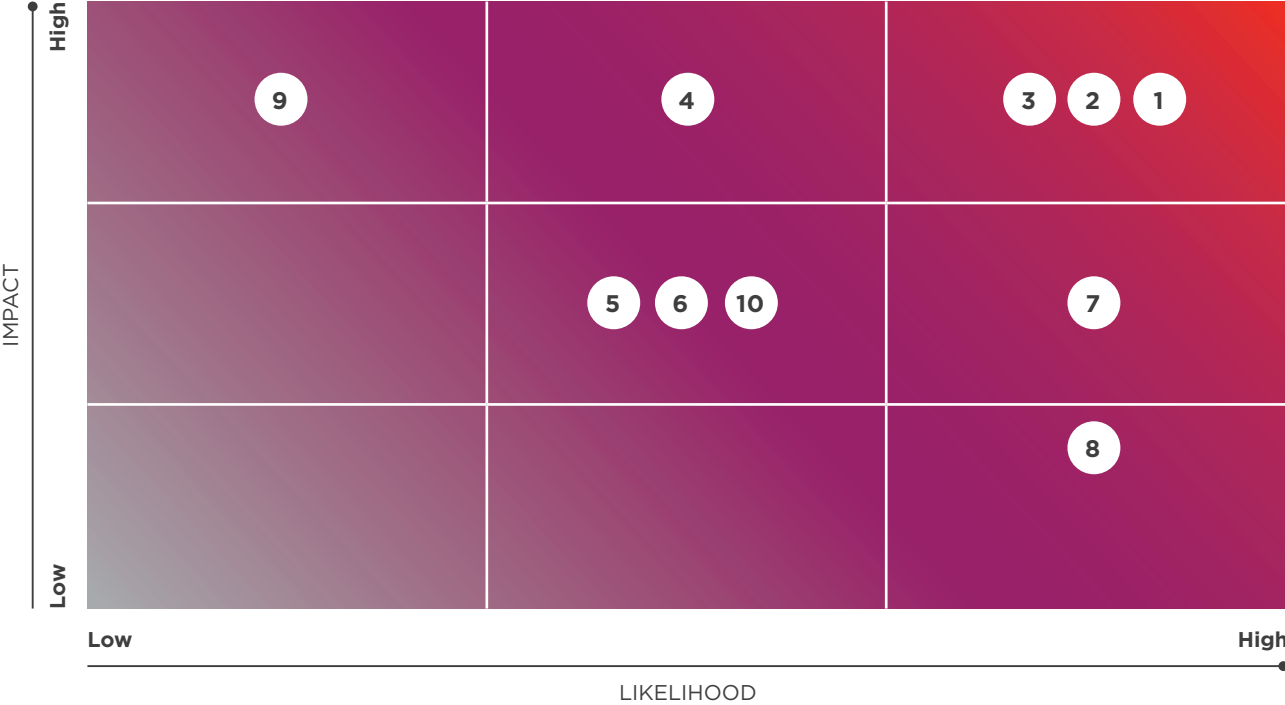
RISK MANAGEMENT REPORT - continued

MATERIAL RISKS - continued

	RISK AND RATIONALE	MITIGATION	OPPORTUNITY	LINK TO MATERIAL MATTER/ STRATEGY
7	Negative reputational perceptions of the ICT business by shareholders could result in lost growth opportunities.	Pursuing strategic investments and ensuring new opportunities and ventures are adopted in line with the guiding principles of our acquisition strategy.	Resilience from the impact of the external environment and continued growth by acquisition.	 
8	Limited access to funding may slow down the ability to capitalise on the various niche growth initiatives in the biotech companies.	The sources of available funding have been allocated to each project based on an approved business plan and this is monitored by the team to ensure that it meets the Group's strategic objectives. Management is actively engaging potential investors.	The success of these projects can result in groundbreaking medical treatment developed and manufactured in South Africa.	
9	Environmental challenges include carbon emissions, waste management, climate change and marine coastal management - and must be reviewed constantly.	Adhere to marine management policies from the Marine and Coastal Management to ensure no overfishing takes place. Recycling and better waste removal techniques are being employed across the Group.	There is an opportunity for the Group to maintain a clean, safe environment and reduce carbon emissions, and be seen as a good corporate citizen.	
10	The inability to recruit and retain key skilled employees, hence skills retention and succession planning remain a constant challenge for all divisions.	Better recruitment policies have been implemented to recruit and retain high-calibre personnel. A continuous review of employee training, development and succession planning occurs annually to ensure that it is in line with the Group's strategy.	Retention of key skilled employees ensuring efficiency and effectiveness of business processes.	

RISK MANAGEMENT REPORT - continued

RISK METRICS



TECHNOLOGY AND INFORMATION

The Board is responsible for technology and information governance in the Group and delegated the management of technology and information governance to the audit and risk committee to ensure the promotion of an ethical technology and information governance culture and awareness.

The audit and risk committee governs technology and information in a way that supports the organisation in setting and achieving its strategic objectives and has delegated this responsibility to management to implement and execute effective technology and information management. Management is accountable for operational governance of technology and information management.

What the future looks like will be largely determined by the Group's investment into the technologies that will help drive it to lead its people and its businesses into the fourth industrial revolution and beyond. With this in mind, AEEI has embarked on a strategic investment drive to ensure the sustainability of its various businesses, unlocking stakeholder value in the process.

King IV™ refers to advances in technology and digitisation as the fourth industrial revolution and stresses what a big impact it has on all organisations.

As business leaders, we are finding it difficult to keep pace with the rapid rate of change and to understand all the new technology-driven opportunities. Information technology (IT) security can no longer be an afterthought as the digital economy accelerates and both consumers and organisations become increasingly inter-connected. At AEEI, cybersecurity is the foundation on which solutions are built.

The fourth industrial revolution is being heralded as the answer to many of the continent's socio-economic woes but, understanding just what it is, and what positive and negative impacts it will have on the future of the world, has not been fully considered yet, but more importantly, it should be done responsibly.

Due consideration needs to be taken as to the impact it

will have on the Group, well into the next millennia. What we do now will have everlasting consequences. We need to make sure that we use this new wave of technology as a positive force for good, and that requires us to not just look at the short-term financial interest, but to adopt a holistic approach to technology.

The fourth industrial revolution does have the power and potential to raise global income levels and improve the quality of life – for everyone, wherever in the world one is.

TECHNOLOGY AND INFORMATION GOVERNANCE

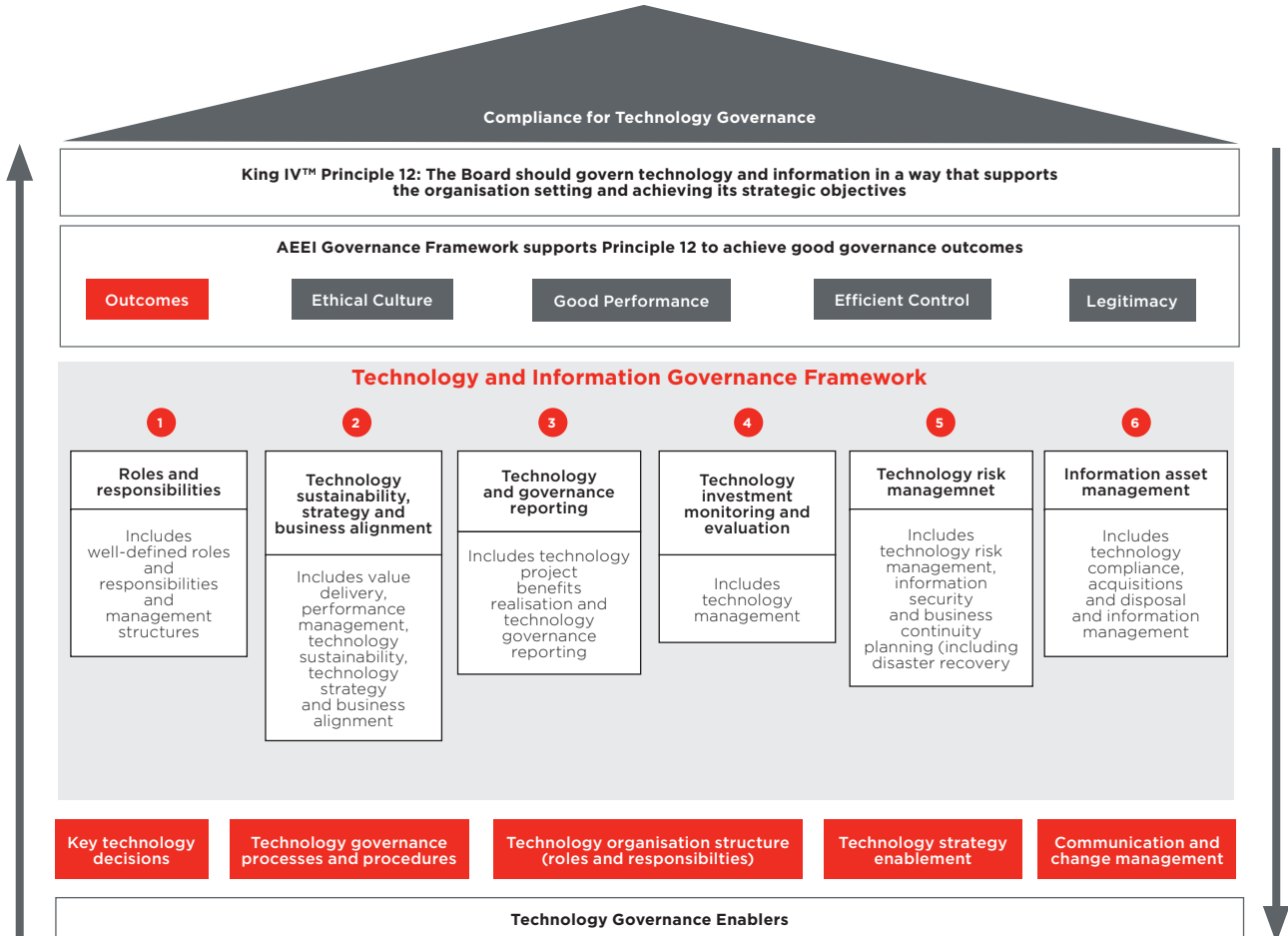
The objective of technology and information governance is to direct technology and information endeavours to ensure that technology and information's performance meets the following objectives:

- Alignment of technology and information with the Group and realisation of the promised benefits
- Use of technology and information to enable the Group by exploiting opportunities and maximising benefits
- Responsible use of technology and information resources
- Appropriate management of technology and information-related risks

Technology and information governance ensures that technology and information goals are met and risks are mitigated and that technology and information deliver value to sustain and grow the Group.

TECHNOLOGY AND INFORMATION - continued

TECHNOLOGY AND INFORMATION GOVERNANCE FRAMEWORK



The technology and information governance framework promotes an ethical technology and information governance culture and awareness by ensuring the following:

- The activities and functions of the technology and information strategy are aligned to the business strategy, and opportunities to improve the use of technology and information within the Group are identified and exploited.
- The investment made in technology and information, ensuring costs are managed and the return on investment is measured by the relevant divisional boards and committees. Where applicable, synergies between technology and information initiatives are enabled and technology and information choices are in the best interests of the Group as a whole.
- Technology and information risks are identified and adequately addressed in line with the Group's risk management framework. The Group ensures that it

has adequate business resilience arrangements in place for disaster recovery and assurance has been provided to the Board.

- Technology and information resources are sourced optimally and legitimately, keeping core capabilities in-house.
- Processes and procedures are in place to ensure that the Group's IT assets are managed, maintained, replaced and disposed of effectively and in accordance with applicable policies.
- Infrastructure, systems and policies are in place for the management of information which includes information security and information privacy.
- The audit and risk committee considers technology and information as it relates to financial reporting and the going concern of the Company/Group through regular risk-based audit coverage.
- Technology and information use remains sustainable with respect to the environment.

TECHNOLOGY AND INFORMATION - continued

DIGITAL REVOLUTION

Simplified, technology defines how scientific knowledge is practically applied to advance industries, and the equipment and methods, using scientific means, to solve problems.

A core belief at AEEI, which contributes to the Group's enduring commercial sustainability, is that the 'digital dawn' (as we call it at AEEI) is the beginning of a true digital democracy for Africa, where this 'science' is made available to all. It is what propels AEEI to do good for people, ensuring that the enabling brought about by technology can be used to improve the lives of ordinary citizens in South Africa and beyond. The prospect for technology to change people's lives for the better is extraordinary and equally so for doing better business. AEEI looks to enhance its efficiencies and minimise the negative effects on environments and communities.

AEEI is incorporating technology into its everyday function to enable not just one person, but communities of people. While much of the emphasis of the fourth industrial revolution is placed on ensuring that the youth of today are a productive and skilled workforce of tomorrow, AEEI has not forgotten the pre fourth industrial revolution contingent. The Group is cognisant of the fact that many of the older generation possess immense experience and expertise, but lack the technological know-how to engage in a fully-connected ecosystem. The Group therefore also focuses on investing in skills upliftment and training to bridge the technological gap between millennials and the older generations.

By putting our workforce development at the forefront, employees may be more aligned and motivated to extend the influence of their newly developed skills.

REPORT OF THE COMMITTEE

It is clear we are witnessing an inflection point and a transition to the fourth generation of cyberattacks. We are now seeing threat factors effectively weaponising ransomware to cripple large institutions, affecting the health and lives of nation-states' populations, as well as causing pain to many businesses' bottom lines. Data breaches continued to take centre stage in the past year, with some shocking revelations about major customer data compromises.

We realised how the threat landscape, by entering the fourth generation of cybersecurity, now spans across countries and industries along multiple vectors of network, cloud and mobile and uses state-sponsored technologies to do so. By reviewing recent attacks, we can understand how 97% of organisations are not prepared for the fifth generation of cyberattacks.

Cybersecurity threats aren't just technical, but societal and political. The seven most critical threats to businesses in 2019 include:

- Phishing
- Ransomware
- The cloud
- General data protection regulation (Protection of Personal Information Act)
- Cryptocurrency mining
- Cyber intrusions
- Privacy violations

TECHNOLOGY TRENDS, INNOVATION AND TRANSFORMATION

The Group continues to consider the emerging technology trends to ensure that we remain abreast of change. The IT steering committee oversees new technologies and innovations that could assist in improving our network access, security, performance and efficiency and creating new ways of working and identifying opportunities.

We need to look closer at what 2020 and beyond may have in store and, most importantly, how best to prepare for it. The Group continues with its baseline principles with the development and implementation of a technology and information governance framework. These principles incorporate standards included in King IV™, Control Objectives for Information Technology (COBIT) and Information Technology Infrastructure Library. This started from the premise that technology and information need to deliver the information that the Group requires to achieve its objectives.

These governance baseline principles are as follows:

- Business alignment and enablement focused on ensuring the linkage of business and technology and information plans, defining, maintaining and validating the technology and information value proposition and aligning technology and information operations with the Group's operations.
- Responsible and adequate procurement of technology and information hardware and software and the correct selection of technology partners and suppliers.
- Accountability for operational performance in technology and information sits with the right people who are developed and empowered and so that optimal technology and information processes and measurements are deployed that result in:

TECHNOLOGY AND INFORMATION - continued

- integration of people, technologies, information and processes across the Group;
- integration of technology and information risks into the Group's risk management;
- arrangements to provide for business resilience;
- proactive monitoring of intelligence to identify and respond to incidents, including cyberattacks and adverse social media events;
- managing the performance of and the risks pertaining to third-party outsourced service providers;
- assessing the value delivered to the Group through significant investments in technology and information, including evaluation of projects throughout their life cycles and of significant operational expenditure;
- the responsible disposal of obsolete technology and information in a way that should have a minimal impact on environmental and information security;
- ethical and responsible use of technology and information;
- compliance with relevant laws;
- ongoing oversight of the management of information that resulted in the following:
 - The leveraging of information to sustain and enhance the Group's intellectual capital
 - An information architecture that supports confidentiality, integrity and availability of information
 - The protection of privacy of personal information
 - The continual monitoring of security information
- Management of technology that resulted in the following:
 - A technology architecture that enables the achievement of strategic and operational objectives
 - The management of risks pertaining to the sourcing of technology
 - Monitoring and appropriately responding to developments in technology, including capturing potential opportunities and managing disruptive effects on the Group and its business model
- Supplier performance management practices outlining the implementation and monitoring of service level

agreements and commercial agreements.

- Business continuity/disaster recovery requirements and practices regarding the processes in terms of technology and information disruptions.
- Security regarding data privacy, cybersecurity and user access.
- Compliance in terms of internal monitoring and external assurance.
- Compliance with the Protection of Personal Information (PoPI) Act, 2013.

( - Principle 12)


TECHNOLOGY RISK AND CYBERSECURITY

The Group continues to monitor the evolving threat of cyberattacks in order to protect our systems, employees and customers. We continue to make progress with our security programmes, which include the proactive monitoring of our systems and networks to ensure that our IT controls are robust, and running awareness programmes with our employees so that the necessary steps can be taken to protect themselves and others against cyberattacks.

RISK MITIGATION

No significant risks were reported during the year. We are cognisant of cybersecurity and the implications thereof, taking into account the protection of our stakeholders, which remains a high priority. One aspect driving risks and security is our governance and internal audit to ensure that the Group's information assets are secure.

As the Group is dependent on IT to meet its business needs and sustainability objectives, all identified risks are monitored and reduced to an acceptable level by executive management. The Group encourages a high standard of security monitoring, data protection, business service availability and network reliability. It ensures that IT maintenance is performed and reviewed constantly through monthly reporting. The firewall protection is renewed annually and backup technology is checked continuously to ensure business continuity and an average of 99% server uptime.

We remain abreast of best practices, threats from phishing, ransomware and other cyber threats which could have an impact on business operations, financial statements, legal exposure and the Company's reputation. Greater user awareness and training was put in place in the current year to keep us updated on the threats and risks in the IT environment. ( - Principle 11)

TECHNOLOGY AND INFORMATION - continued

THE CHANGING ROLE OF IT

In terms of our Vision 2020 Vision strategy, the Group continues to look into the technology landscape and systems, taking into account the current systems. A system was identified and rolled out in the Group with future additional benefits that could be implemented through a phased approach.

Key to considering the new technology was the multi-user environment and data being generated in a variety of options, thus reducing the risk of errors, audit trails, document management, improving workflow, multiple users and reviewers as well as the consolidation of information and maintenance costs.

The Group's current focus is on maintaining the existing traditional enterprise systems where operational reliability is paramount. The current systems have necessitated the need for enhancements within the Group's business units and consolidation for improved corporate controls and reporting.

Our technology subsidiary continues to provide technology-enabled solutions which add value to our customers.

The Board has oversight of the effectiveness of technology and information governance through the delivery of the integrated report and the approval of the governance framework and policy.

The Board oversees the following:

- The adoption of a governance framework and IT policies that detail the strategic direction on the use of technology and information.
- The report from management that contains

progress against the following objectives in terms of compliance:

- The IT administrator manages the IT investment to ensure the alignment and convergence of various IT tools and devices to improve communication within the business units.
- IT risks are identified and adequately addressed and assurance is obtained to ensure that the IT control framework is in place to address IT risks efficiently.
- IT resources are sourced within subsidiary companies or externally.
- Information, IT assets and intellectual property contained in the IT systems are protected and effectively managed and used.
- IT has adequate business resilience arrangements in place for disaster recovery.
- Information management is a joint IT and business responsibility.
- IT governance conforms to laws and related rules, codes and standards are considered.
- The use of IT is sustainable with respect to the environment and security.
- Synergies between IT initiatives and the benefits to the Group as a whole and individual business units are achieved.

- Principle 12)

For the year, the audit and risk committee is satisfied that it has fulfilled all its statutory duties assigned by the Board. The chairman of the committee reports to the Board on the activities of the committee at each Board meeting.

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

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

ROLE OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The social, ethics and transformation committee was established to assist the Board in ensuring that the Group is and remains a committed socially responsible corporate citizen, and to also report on organisational ethics, sustainable development and stakeholder relationships. This role includes organisational ethics, which covers statutory duties and encourages leading practice by having the social, ethics and transformation committee progress beyond mere compliance to contribute to the creation of value in the Group.

The committee also assists the Board in effectively discharging its responsibilities for oversight of transformation management, ensuring that management has implemented and maintained an effective transformation management process in the Group. It also assists the Board to lead transformation within the Group and to ensure that there are appropriate policies and procedures in place to address transformation by levelling the playing fields both socially and economically for broader participation by all South Africans.

The commitment to sustainable development involves ensuring that the Group conducts its operations in a manner that meets existing needs without compromising the ability of future generations to meet their needs. The committee's primary role is to supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of sustainable development, social, ethics and transformation matters, and to ensure that the Group is and is seen to be a responsible corporate citizen.

One of the main purposes of the committee is to ensure compliance with the amended B-BBEE Codes of Good Practice, as revised from time to time, and to measure the Company in terms of compliance under the elements in terms of the Department of Trade and Industry's Codes of Good Practice.

OUR TRANSFORMATION PHILOSOPHY

The B-BBEE Codes of Good Practice, promulgated in 2007, emphasised the need to extend empowerment to a broader base of South Africans. They provided guidelines and a balanced scorecard to measure the transformation of a business entity from an empowerment perspective.

AEEI's aim is to be an employer of choice in the marketplace. AEEI continues to champion transformation within the Group and has been recognised for its contribution to this process. For AEEI, transformation goes beyond compliance with B-BBEE and includes the transformation of the culture, ethics and values of the Group.

As a Group, we believe in the development and empowerment of our employees and to enhance performance by "growing our timber". We recognise that today's best is the benchmark we must surpass tomorrow. The Group is committed to its shared values which include: people, accountability, integrity, commitment, stakeholders, respect and trust, and investment. Refer to page 38 of the abridged integrated report for more details on our common vision and common objectives.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT - continued

REPORT OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The social, ethics and transformation committee assisted the Board in ensuring that the Group is and remains a committed, socially responsible corporate citizen. It performed the statutory functions required in terms of the Companies Act and King IV™. The committee's obligation to sustainable development involved ensuring that the Group conducted its operations in a manner that meets existing needs without compromising the ability of future generations to meet their needs. The committee provided support, advice and guidance on the effectiveness or otherwise of management's efforts in respect of sustainable development and social, ethics and transformation matters.

As a responsible employer, we adhered to all labour legislation. The Group's employment equity policy affirms the commitment to equal opportunities relating to affirmative action and the achievement of employment equity. The committee has been proactive within the Group to ensure understanding and compliance of the revised B-BBEE Codes. The Company lodged its B-BBEE Certificate with the BEE Commissioner during the year. Refer to page 20 of the sustainability report for further details.

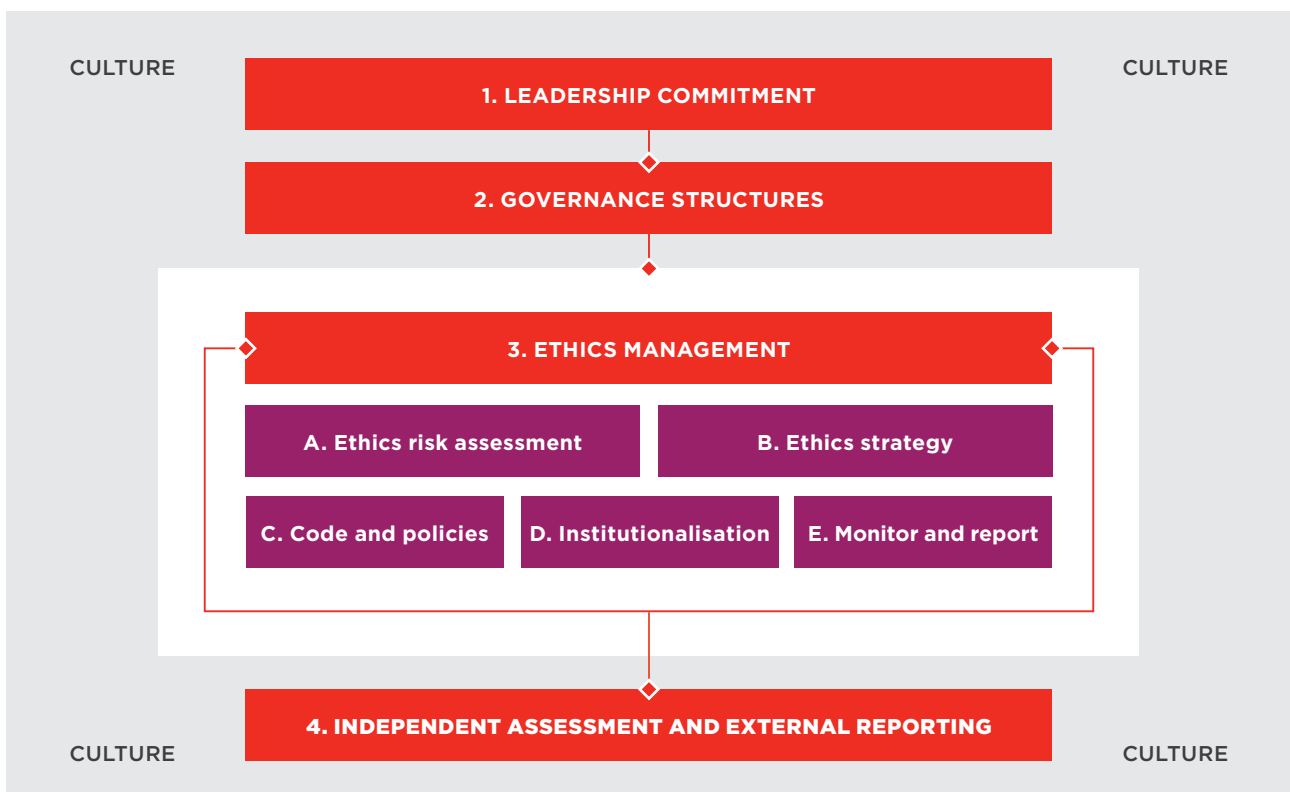
We monitored the tone at the top; the ethics culture of the Group and how the Group responds to these as directors bear the ultimate responsibility for any corruption that occurs within an organisation; and the emphasis of King IV™ on ethical leadership. The establishment of an ethical culture and being a responsible corporate citizen also makes it quite clear that mechanisms must be in place to prevent corruption and a board is ultimately responsible for good corporate governance. Whistle-blowers are an integral part of compliance-focused corporate governance business models as they assist executives in identifying problems. The Group's Code of Conduct is a public statement, and AEEI is committed to good corporate governance and ethical conduct and consistently applies this.

Due to the restructure of the Board, the committee was reconstituted post year-end.



Mrs Aziza Begum Amod
Chairperson of the social, ethics and transformation committee

GOVERNANCE OF ETHICS FRAMEWORK



SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT - continued

Our actions affect not only ourselves, but also those around us. Ethical behaviour is equally important in the workplace as it is in our personal lives. A successful business depends on the trust of various parties – employees, managers, executives, customers, suppliers and competitors.

The following six ethical terms form the foundation of trust upon which our business is built:

- Ethics
- Values
- Morals
- Integrity
- Character
- Law

During the year, the committee undertook the following:

- Rolled out a social, ethics and transformation committee “Monitoring Indicators and Workplan”
- Governed the ethics of the Group in a way that supports the establishment of an ethical culture and monitored the Group’s activities, having regard to all relevant legislation, legal requirements, codes of best practice through ongoing employee awareness around the following policies:
 - The Way We Work Policy
 - Anti-corruption and bribery
 - Code of Conduct
 - Code of Ethics
- Complied with the ethics framework

TRACKING PERFORMANCE

- Used topics in the Companies Act to track performance and the social, ethics and transformation committee’s (SETC) charter
- Developed and implemented methodology for acquiring quantitative and qualitative data
- Reviewed data and included it in the SETC’s reporting
- Reported at the AGM

BUSINESS CASE

- Understanding what the SETC is
- Understanding how it relates to business
- Identify the risks, responsibilities and opportunities
- Building the business case for the SETC
- Obtaining executive commitment
- Engaging colleagues

STRATEGY

- Finding out what other committees are doing that may overlap with the SETC
- Identifying potential risks and opportunities
- Revise strategy in light of the SEC’s considerations

FRAMEWORK FOR COMPLIANCE REGULATION 43 OF 2011

CAPACITY AND CAPABILITY

- Understand how the SEC can be embedded in the business culture
- Build relationships with other committees
- Review different types of training, select training programmes and target groups
- Integrate SETC considerations into these groups

PROCESSES AND PROCEDURES

- Form an SETC base limit for the company
- Undertake SETC risk assessment
- Integrate the SETC into ongoing management of a project or act on findings as appropriate

POLICIES

- Identify what SETC considerations are already included in policies
- Develop a policy statement regarding SETC considerations and Board Charter
- Define management responsibilities
- Ensure policy implementation and results are reviewed systematically

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT - continued

- Ensured that employees and stakeholders familiarised themselves with the Group's ethical standards
 - Exercised ongoing oversight of the management of ethics which resulted in the application of the Group's ethical standards to the processes for the recruitment and evaluation of employees, as well as the sourcing of suppliers
 - Monitored, reviewed and made recommendations to the Board to amend policies and procedures regarding the Group's:
 - personnel manuals and ensured that all policies are in line with the amended Basic Conditions of Employment Act, 1997 (No. 75 of 1997), the Employment Equity Act, 1998 (No. 55 of 1998) as well as skills development;
 - compliance against the UN Global Compact's 10 principles in the areas of human rights, labour, the environment and anti-corruption;
 - ongoing human resources, employment relationships and skills development through the contribution of educational development of employees by conducting a skills audit and training analysis which identified training needs; and
 - the promotion of equality and prevention of unfair discrimination.
 - Recommended the Maternity/Parental Leave policy to the Board for adoption and implementation
 - Monitored, reviewed and ensured compliance with the Group's standing in terms of social and economic development and ensured that the business units contribute and give back to the communities in which they operate, and made recommendations
 - Monitored, reviewed and ensured that the businesses in the Group recognise that they have a responsibility to apply good environmental practices and to improve on their environmental performance as part of the Group's strategy and commitment to sustainability; to meet and where possible exceed environmental legislation and regulatory requirements; and to promote sustainability by monitoring their environmental impact in terms of health and public safety, including the impact of their activities and/or products or services
 - Monitored and ensured that the Group is seen to be and is a responsible corporate citizen through societal and environmental initiatives and the Group's contribution to the development of communities in which the Group's activities are conducted, including sponsorship, donations and charitable giving
 - Monitored the Group's consumer relationships, including advertising, public relations and compliance with consumer protection laws
 - Monitored the anonymous tip-off line and dedicated email address and confirmed that no corruption or fraud was reported
 - Monitored the three-year Transformation Plan rolled out in 2018
 - Reviewed the B-BBEE status of the Group's subsidiaries
 - Implemented and tracked the long-term goals in terms of the Group's Vision 2020 Vision
 - Reviewed and made recommendations to the skills development plans and the placement of interns in the Group
 - Reviewed and made recommendations to employing more people with disabilities
 - Reviewed and made recommendations on the learnership and mentorship programmes
 - Reviewed the equity ownership of the Group
 - Reviewed and made recommendations on the employment equity plans
 - Contributed to our corporate social investment programmes
 - Contributed to our social economic, enterprise development and supplier development initiatives
 - Reviewed the roles of human resources
 - Continued to build on our solid empowerment credentials – empowerment partner of choice
 - Ensured that all regulatory obligations were met, including the submission of employment equity plans to the Department of Labour
- ( - Principles 2, 13 and 16)

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT - continued

PLANNED AREAS OF FUTURE FOCUS

- Monitor the committee's Monitoring Indicators and Workplan and provide guidance and input.
- Continue to govern ethics in the Group in a way that continues to support the establishment of an ethical culture as detailed below:

DIMENSION NAME	DIMENSION DESCRIPTION
CLARITY	The degree to which the rules and procedures are accurate, concrete and complete, so that employees understand what is expected with regard to ethical conduct
POSITIVE ROLE MODELLING	The degree to which management sets a good example for the Group and its employees
FEASIBILITY	The degree to which the Group's targets correspond to predetermined values and norms
SUPPORT/COMMITMENT	The degree to which employees endorse the proper use of corporate assets and the active realisation of the interests of the Group and its stakeholders
TRANSPARENCY	The degree to which employee conduct and the effects thereof are manifested
DISCUSSABILITY	The degree to which employees can discuss ethical dilemmas
APPROACHABILITY	The degree to which employees are called to account about unethical behaviour
ENFORCEMENT	The degree to which employees are punished for irresponsible conduct or rewarded for responsible behaviour

- Monitor labour and employment relationships, training and skills development, employment equity, promotion of equality and the prevention of unfair discrimination
- Exercise oversight of the management of ethics and, in particular, oversee that it results in the following:
 - Application of the Group's ethical standards to the processes for the recruitment, evaluation of employees, as well as the sourcing of suppliers
 - Having sanctions and remedies in place for when the Group's ethical standards are breached
 - Monitor the use of protected disclosure and whistle-blowing mechanisms to detect breaches of ethical standards and deal with such disclosures appropriately
 - Monitor adherence to the Group's ethical standards by employees and other stakeholders through, among others, periodic independent assessments
- Monitor, review and ensure compliance to the Group's standing in terms of social and economic development
- Monitor and review environmental performance to ensure that the businesses in the Group recognise that they have a responsibility to apply good environmental practices and to improve on their environmental performance
- Ensure compliance and standing in terms of the regulations governing B-BBEE as set out by the Department of Trade and Industry
- Monitor and ensure that the Group is seen to be a responsible corporate citizen through societal and environmental initiatives and the Group's contribution to the development of communities in which the Group's activities are conducted
- Monitor the Group's consumer relationships, including advertising, public relations and compliance with consumer protection law
- Employer of Choice – continue to create and nurture a working environment and a corporate culture that attracts and retains the best talent and skills; to redress residual inequalities with regard to race, gender and disability in accordance with our employment equity plan; and to accelerate the development and retention of a diverse pool of skilled employees in order to achieve equitable representation in all occupational categories and levels of employment

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT - continued

- Gender and race diversity – continue to value all people who make up the diverse population of South Africa and to accelerate and cultivate an environment where diversity is valued and prospers
- Leadership and management – ensure that employees who manage and lead broadly reflect the diverse profile of the South African and African populations and that they are appropriately empowered and skilled to manage the Company towards its strategic objectives
- Economic sustainability – create long-term economic value
- Environmental sustainability – brands and practices – to further improve brand value for the Company
- Environmental sustainability – resource stewardship – to drive resource management throughout our supply chain
- Social sustainability – stakeholders – to contribute to a society through our own practices and relationships with communities
- Internal communication – to continue to overcome barriers to communication related to race, gender, culture and status and to encourage open, honest and effective communication between all people, both individually and within the appropriate communication forums
- Transformation image and profile – continue to ensure that the Group's image and profile are aligned with its transformation strategy and the changing South African and African environments

Management is responsible for the preparation, presentation and integrity of information and all matters about which the committee should be informed.

( – Principles 2, 3, 4, 13 and 16)

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

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.

INVESTMENT COMMITTEE REPORT - continued

- 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