

# GOVERNANCE AND SUSTAINABILITY

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# 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 capacity 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.

(📄 - Principle 6)

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.

## 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's 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 sound 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 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 seen to be non-compliant from 18 April to 23 September 2019. As at the reporting date, the audit and risk committee is compliant. AEEI has applied all the principles of King IV™ as set out in the online governance register. (📄 - Principle 6)

## 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 its inception.

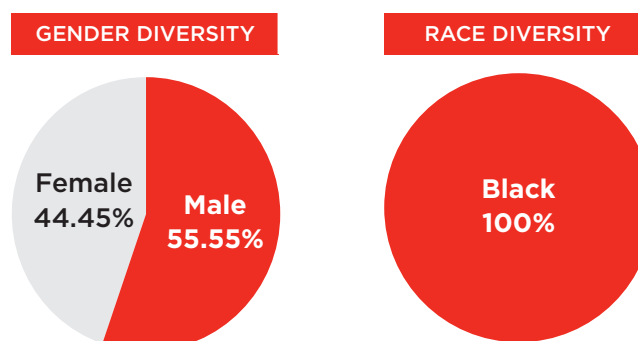
AEEI's fundamental objective has always been to do business ethically while building a sustainable company that recognises the short and long-term impacts of its activities on the economy, society and the environment.

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)

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.

The Board is satisfied that it has discharged its duties and obligations as described in the Board Charter during the year under review.

## BOARD COMPOSITION – GENDER AND RACE DIVERSITY



## APPOINTMENTS TO THE BOARD

As required by the terms of the Company's Memorandum of Incorporation (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.

## 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 as well as 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.

## CORPORATE GOVERNANCE REPORT – continued

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. 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.

## 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.

Miss 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 van Wyk was appointed as the lead independent non-executive director, effective 23 September 2019.

## BOARD COMMITTEES

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

## NUMBER OF MEETINGS HELD DURING THE YEAR

Board	4
Audit and risk committee	1
Remuneration committee	2
Investment committee	2
Nomination committee	2
Social, ethics and transformation 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 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
  - Nomination committee – Mr Colbie
  - Investment committee – Mr van Wyk
- Mrs AB Amod was appointed as the non-executive chairperson on 9 December 2019



## EVALUATION OF THE BOARD, COMMITTEES AND INDIVIDUAL DIRECTORS

Ever-changing issues facing companies make it essential to look at the agenda items 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 their members. Having regard to the findings, it was concluded that the Board and committees operate efficiently, openly and 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.

## GENDER AND RACE DIVERSITY POLICIES

- **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.

## EXECUTIVE COMMITTEE

The role of the executive committee is to advise the chief executive officer and the other committee members on the decisions for which they are individually accountable. The executive committee provides input and recommendations to support the chief executive officer in exercising their authority delegated by the Board to run the business of the Group.

Key focus areas of the executive committee:

- Developing the Group's strategy and budget for the Board's approval
- The day-to-day operations of the Company
- Executing the strategic plan once agreed by the Board
- Assuming overall responsibility for the growth and performance of the Group
- Providing assurance to the Board in relation to overall performance and risk management
- The custodian of good corporate governance
- Providing strategic guidance and input to the subsidiaries in the Group
- Monitoring and managing the capital requirements and allocating and investing its resources
- Responsible for the investment portfolio of the Company
- Ensuring that the Company is a respected corporate citizen
- Receive reports and provides input to subsidiaries in the Group

The Board is satisfied that the executive directors and their teams are adequately resourced and equipped to effectively manage the Group.

## NOMINATION COMMITTEE

As at 31 August 2019, the nomination committee comprised of two non-executive directors: Mrs AB Amod is the chairperson and Mr I Amod is a member. The committee met twice during the year under review to assist the Board with the appointment of new directors by making recommendations with due regard to gender and race diversity.

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.

## CORPORATE GOVERNANCE REPORT – continued

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 Gaamien Colbie were appointed to the Board of directors as independent non-executives, effective 30 August 2019. Mr Colbie was appointed to the audit and risk, remuneration, nominations and investment committees and Ms Mosia to the remuneration, social, ethics and transformation and investment committees.

Mr JS van Wyk was appointed to the Board post year-end on 23 September 2019 as the lead independent non-executive and appointed to the audit and risk and investment committee.

Mrs AB Amod was appointed as the non-executive chairperson of the Board on 9 December 2019.

Due to the the restructure of the Board, the committees were reconstituted post year-end and fulfilled its statutory duties.

The full report of the nomination committee, detailing how the committee discharged its duties and responsibilities, can be found on pages 21 to 22 of the full corporate governance report, available on [www.aeei.co.za](http://www.aeei.co.za).

## AUDIT AND RISK COMMITTEE

As at 31 August 2019, the audit and risk committee comprised of one independent non-executive director and two non-executive directors: Advocate Dr NA Ramathodi was the chairman and the members were Mrs AB Amod and Mr I Amod. The committee met once during the year. The executive committee, external auditor, internal auditor and advisor attended by invitation and do not form part of the decision-making process of the audit and risk committee.

**Risk management** – 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 it continues to enhance its capabilities to anticipate risks and manage them.

**Technology and information governance** – 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 as well as awareness.

## 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. The audit and risk committee is responsible for the oversight of risk management and technology and information. The role, responsibilities and focus areas for the year under review are comprehensively addressed in the audit and risk committee report on pages 23 to 40 of the full corporate governance report, available on [www.aeei.co.za](http://www.aeei.co.za).

Due to the restructure of the Board during the year, the audit and risk committee was affected and was seen to be non-compliant pre year-end. As at the reporting date, the committee was compliant.

For the year under review, the committee was satisfied that it had fulfilled all its statutory duties assigned by the Board in terms of the board-approved charter. The chairman of the audit and risk committee reported to the Board on the activities of the committee at each Board meeting.

## REMUNERATION COMMITTEE

As at 31 August 2019, the remuneration committee comprised of one independent non-executive director and two non-executive directors. Mrs AB Amod was the chairperson and the members were Advocate Dr NA Ramathodi and Mr I Amod. The chief executive officer and external advisor attended by invitation and do not form part of the decision-making process of the remuneration committee. The remuneration committee met twice during the year under review.

The role, responsibilities and focus areas for the year under review are comprehensively addressed in the remuneration committee report on pages 41 to 47 and in the full corporate governance report, available on [www.aeei.co.za](http://www.aeei.co.za).

For the year under review, the committee was satisfied that it had fulfilled all its statutory duties assigned by the Board in terms of the board-approved charter. The chairperson of the remuneration committee reports to the Board on the activities of the committee at each Board meeting.

Due to the the restructure of the Board, the committee was reconstituted post year-end and fulfilled its statutory duties.

## SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

As at 31 August 2019, the social, ethics and transformation committee comprised of one independent non-executive director, two non-executive directors and one executive director: Mrs AB Amod was the chairperson and the members were Advocate Dr NA Ramathodi, Mr I Amod and Ms CR Sing.

Members of the executive committee and the human resources department attended by invitation and do not form part of the decision-making process of the social, ethics and transformation committee. The committee met twice during the year under review.

The committee is committed to sustainable development and is therefore responsible for 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 support, advise and guide management's efforts in respect of sustainable development, social and ethics matters, transformation, and to ensure the Group 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 and to measure the Company in terms of compliance with the Department of Trade and Industry's Code of Good Practice, the JSE Listings Requirements and the B-BBEE Commission. As a responsible employer, the Group adhered to all labour legislation. Transformation goes beyond compliance with B-BBEE and is embedded in the Group's culture, ethics and values.

The committee has oversight of the Group's corporate social investments and social and economic development programmes.

The role, responsibilities and focus areas for the year under review are comprehensively addressed in the social, ethics and transformation committee report on pages 48 to 53 of the full corporate governance report, available on [www.aeei.co.za](http://www.aeei.co.za).

For the year under review, the committee was satisfied that it had fulfilled all its statutory duties assigned by the Board in terms of the board-approved charter. The chairman of the social, ethics and transformation committee reports to the Board on the activities of the committee at each Board meeting.

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

## INVESTMENT COMMITTEE

As at 31 August 2019, the investment committee comprised of one independent non-executive director, one non-executive director and one executive director. Mrs AB Amod was the chairperson and the members were Mr K Abdulla and Advocate Dr NA Ramatlhodi. Members of the executive committee attended by invitation and do not form part of the decision-making process of the investment committee. The committee met three times during the year under review.

The committee has an independent role, operating as an overseer and making recommendations to the Board for its consideration and final approval in terms of investment

opportunities. Investments are adjudicated to ensure that they are both a strategic fit with synergistic benefits to the current level of return with a reasonable payback period based on the specific industry.

The committee is well balanced with essential legal, financial and strategic expertise.

The role, responsibilities and focus areas for the year under review are comprehensively addressed in the investment committee report on pages 54 to 56 of the full corporate governance report, available on [www.aeei.co.za](http://www.aeei.co.za).

For the year under review, the committee was satisfied that it had fulfilled all its statutory duties assigned by the Board in terms of the board-approved charter. The chairperson of the investment committee reports to the Board on the activities of the committee at each Board meeting.

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

## 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 chief financial officer. 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 and transparency of information in terms of the Promotion of Access to Information Act, Protection of Personal Information Act, 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. Refer to key stakeholders on pages 85 to 92 for full details.

We addressed essential risks and opportunities and responded timeously and appropriately to issues raised in our interactions with our various stakeholders.

( - Principle 16)

## CORPORATE GOVERNANCE REPORT – continued

## GOVERNANCE MATTERS

The system of internal control is designed to ensure that significant risks are appropriately identified and managed, and it provides reasonable assurance that the Board can delegate risk management to the audit and risk committee. 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 other regulations and directives relating to the dissemination of risk with its stakeholders.

**Risk management** – A key component of the audit and risk committee was to review the top material risks that the Group 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 to 35 for the full risk management report of the full corporate governance report.

**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 chief executive officer, chief financial officer 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 activity on the adequacy and effectiveness of the Group's systems of governance, risk management and internal control and reports functionally to the audit and risk committee. The audit and risk committee monitored the effectiveness of the internal audit function in terms of its scope, independence, skills and competence, 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 audit and risk committee approved the formal internal audit plan, which included risk-based audits and operational audit reviews of the Group's governance and business processes for 2019. The operational internal audit plan was reviewed by an independent external firm.

The role, responsibilities and focus areas for the year under review are comprehensively addressed in the audit and risk committee report on pages 23 to 40 of the full corporate governance report available on [www.aeei.co.za](http://www.aeei.co.za).

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

## 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.

The role, responsibilities and focus areas for the year under review are comprehensively addressed in the stakeholders' relations report on pages 85 to 92  
– *Building relationships with our stakeholders.*

## 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 guidelines and corporate identity. 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. For further information, refer to page 85 – *Building relationships with our stakeholders.* (  – Principle 16)

This statement shows the total value created and how it was distributed.



## 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 the AEEI sustainability report available online at [www.aeei.co.za/integrated-report](http://www.aeei.co.za/integrated-report). (📄 – Principle 3)

## ASSURANCE REPORT

As an investment holding company, AEEI does not require assurance in respect of any reports other than its financial statements. Such assurance is provided by the Group's external auditors, BDO South Africa Inc.

## 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 ensure that directors:

- lead ethically and effectively;
- support an ethical culture;

- set the strategic direction for the Group for the year ahead;
- approve policies and planning; and
- administer and monitors 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.



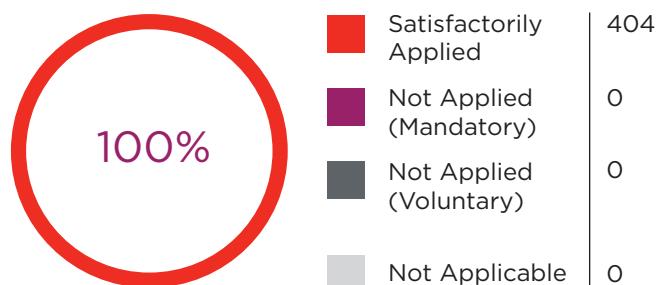
A statement on AEEI's application of the principles of the King IV™ is available on [www.aeei.co.za/king-iv-on-corporate-governance/](http://www.aeei.co.za/king-iv-on-corporate-governance/).

AEEI has applied all the principles of King IV™.

## KING IV™ GOVERNANCE PERFORMANCE

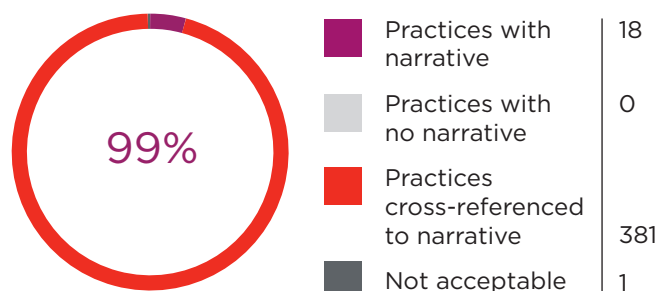
COMPLETENESS  
METER

PRACTICE COUNT



COMPLETENESS  
METER

PRACTICE COUNT



## 2019 VALUE DISTRIBUTION

**56.61%**  
EMPLOYEES



**4.29%**  
RETAINED FOR GROWTH



**16.13%**  
GOVERNMENT



**1.53%**  
COMMUNITIES



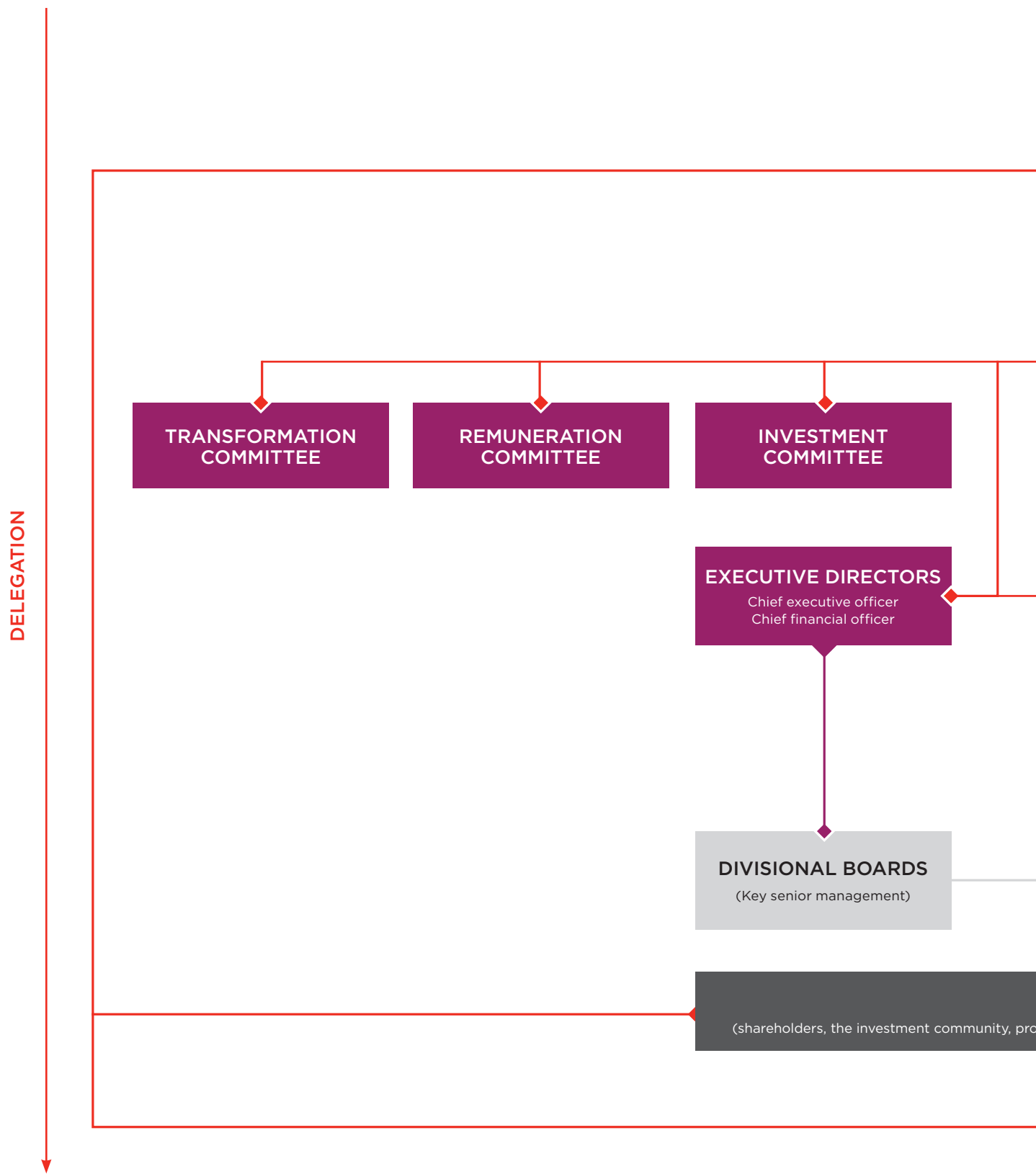
**5.11%**  
DEBT PROVIDERS

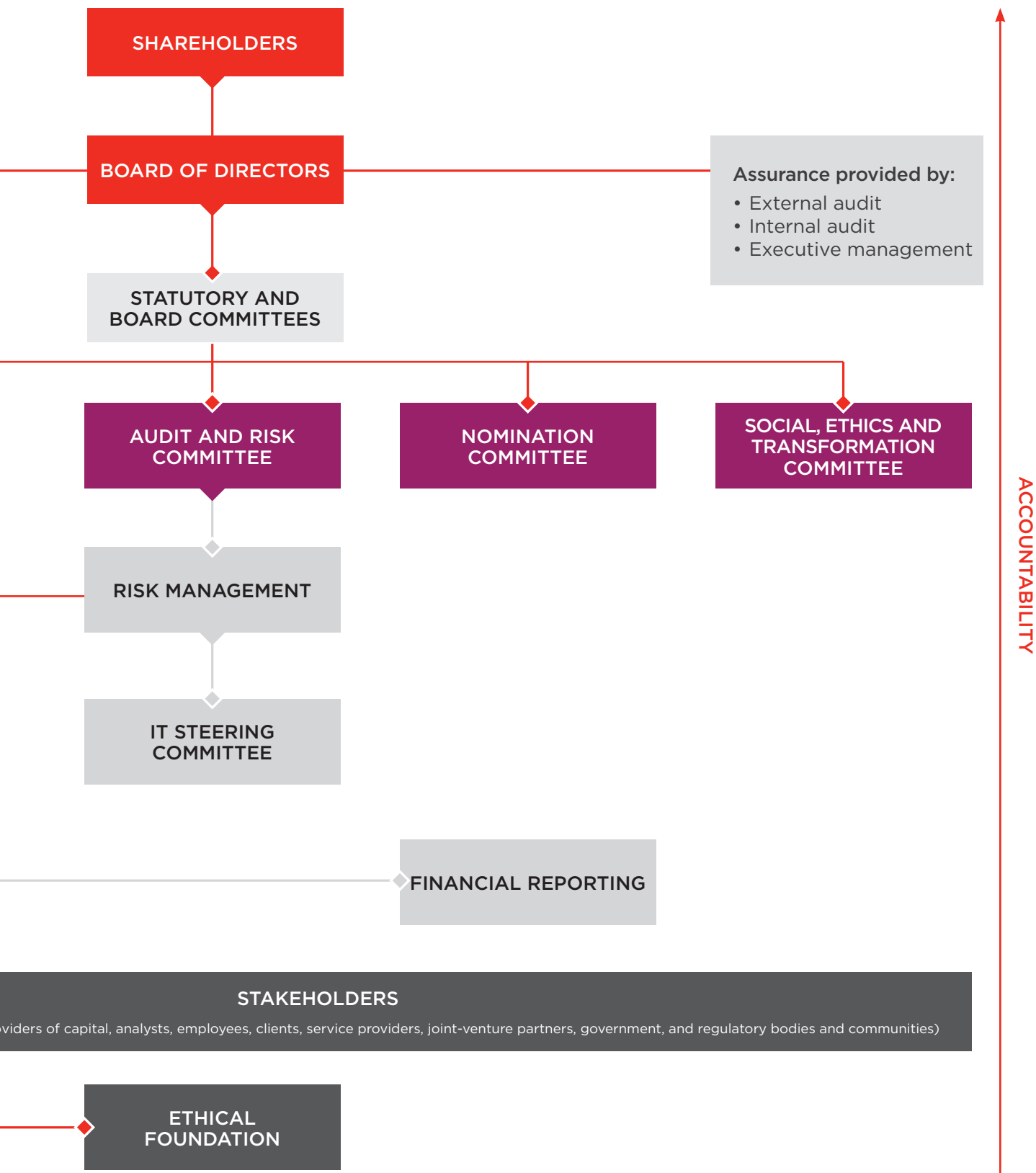


**16.33%**  
CAPITAL PROVIDERS



CORPORATE GOVERNANCE STRUCTURE





## CORPORATE GOVERNANCE REPORT – continued

### OUR EFFECTIVE LEADERSHIP

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







(left to right) Advocate Dr Ngoako Abel Ramatlhodi, Ismet Amod, Gaamiem Colbie, Moleboheng Gabriella Mosia, Jowayne van Wyk, Chantelle Rae Ah Sing, Khalid Abdulla, Aziza Begum Amod

## CORPORATE GOVERNANCE REPORT – continued

## 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

**Expertise and experience:** Mr Abdulla is the Group chief executive officer (CEO) of AEEI and has been with the Group since 1999. He served as the CEO of various subsidiaries, i.e. the information technology and financial services businesses, and as Group chief financial officer (CFO) in 2007 before being appointed as Group CEO in November 2009.

Mr Abdulla has been appointed to and serves on various boards, committees and non-governmental organisations (NGOs). He has more than 30 years' commercial experience related to fishing, technology, health, biotherapeutics, events and tourism, and financial services. He is a regular invitee to and participant at the World Economic Forum in Africa as well as the Summer Davos in China. He was a speaker for the Department of Trade and Industry at conferences in the United Kingdom and Germany for "Investing into South Africa".

Mr Abdulla is the recipient of many awards, including the Global Leadership Excellence Award presented at the World Leadership Congress and Awards, which took place in Mauritius; overall winner of the Inaugural South African Vision 2030 Future Maker: Driver for Change 2017 Award; and the overall winner at the Oliver Empowerment Awards as SA's Most Empowered Business Leader of the Year (2017). *Financial Mail* voted him as one of the best CEOs in the country in 2016 and also ranked him among the 10 best executives of 2015. Mr Abdulla was the recipient of the prestigious Black Business Executive Circle/Absa Bank Kaelo Award for giving guidance and leadership to grow junior and middle management

**Major directorships:** Premier Fishing and Brands, Ltd, BT Communication Services South Africa (Pty) Ltd, Saab Grintek Defence (Pty) Ltd; Health System Technologies (Pty) Ltd; espAfrika (Pty) Ltd; Bioclones (Pty) Ltd, Premier Fishing SA (Pty) Ltd; Puleng Technologies (Pty) Ltd, Kalula Communications (Pty) Ltd, trading as Headsets Solutions, Orleans Cosmetics (Pty) Ltd; Tripos Travel (Pty) Ltd; AfriNat (Pty) Ltd; Magic 828 (Pty) Ltd; SGT Solutions (Pty) Ltd; and Global Control and Command Technologies (Pty) Ltd



**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

**Expertise and experience:** Ms Ah Sing is the Group CFO of AEEI and was appointed to the Board as an executive director in November 2009. She joined the Group in 2007 under the health and biotherapeutics divisions, where she was promoted to the role of financial director. She has more than 15 years' experience in the commercial sector and held various operational and financial management positions within various industries including service, manufacturing, healthcare and biotechnology after she qualified as a chartered accountant.

**Major directorships:** Premier Fishing SA (Pty) Ltd, AfriNat (Pty) Ltd, Bioclones (Pty) Ltd, Ribotech (Pty) Ltd and Saab Grintek Defence (Pty) Ltd



## NON-EXECUTIVE DIRECTORS



### 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

Investment committee

Social, ethics and transformation committee

**Expertise and experience:** Mrs Amod is a professional director, businesswoman, philanthropist and entrepreneur with more than 30 years of business experience in the retail sector. She provides consultancy to women-owned businesses in the areas of impact investment, social innovation and technology applications for social impact in the food and retail sector.

Mrs Amod has been featured and published in numerous articles in relation to business and female entrepreneurs. She is a well-known philanthropist supporting several NGOs, outreach programmes and serves on the board of trustees of numerous philanthropic associations. She currently serves as a director and trustee on various business entities and trusts.

**Major directorships:** Health System Technologies (Pty) Ltd, AYO Technology Solutions Ltd and Premier Fishing and Brands Ltd



### LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR Jowayne 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*)

**Expertise and experience:** Mr van Wyk is a qualified CA(SA) registered with the South African Institute of Chartered Accountants (SAICA) and holds a SAICA Independent Reviewer Certificate. He also holds a BAcc Honours and a BComm degree from Stellenbosch University. Mr van Wyk is currently the financial director for Van Wyk Chartered Accountants and the financial controller for Guala Closures South Africa and has over 10 years' experience in the accounting field.

**Major directorships:** Your Service Specialist (Pty) Ltd, Rexcor Innovations (Pty) Ltd and Masikhulisaneni Accountants (Pty) Ltd



### INDEPENDENT NON-EXECUTIVE DIRECTOR Advocate Dr Ngoako Abel Ramathodi (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

Investment committee

Remuneration committee

Social, ethics and transformation committee

**Expertise and experience:** Advocate Dr Ramathodi is an experienced businessman, lawyer and advocate. He was the Premier of Limpopo and held the positions of Minister of Public Services, Minister of Mineral Resources and Deputy Minister of Correctional Services and was a member of the South African Parliament. Advocate Dr Ramathodi is a founder member and the first chairman of the University of the North Arts and Drama Association and chairman of the Central Cultural Committee. He lectured Public International Law at the University of the North. He maintains board positions in a number of other companies.

**Major directorships:** Premier Fishing and Brands Ltd, AYO Technology Solutions Ltd and Ebeneza Oils (Pty) Ltd

## CORPORATE GOVERNANCE REPORT – continued



**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

**Expertise and experience:** Ms Mosia has experience in arbitration and as a legal advisor in corporate services.

**Major directorships:** The Bridge of Hope Wines



**INDEPENDENT  
NON-EXECUTIVE DIRECTOR  
Gaamien 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

**Expertise and experience:** Mr Colbie is an experienced financial professional with a history of working in a large investment holding company. In his current role he plays a lead role in the preparation of audited financial statements, tax returns, investment related reports and schedules to support financial reports. He has several years' experience in the financial industry working in both the public and corporate sectors.

**Major directorships:** Last Mile Logistics (Pty) Ltd, Brightside Consulting (Pty) Ltd and Property 360 (Pty) Ltd



**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

**Expertise and experience:** Having spent several years in the industry, Mr Amod completed various entrepreneurship business courses before joining a food ingredient business as a managing director. During that period, he was appointed to take charge of a subsidiary in the Sekunjalo Investment group that dealt in medical devices, and equipment.

Drawing on his engineering background, he oversaw the design, construction and project management of a new biopharmaceutical facility, ensuring that it met international Good Manufacturing Practice (GMP) specifications.

His operational experience spans a period of 32 years that covers diverse industries.

**Major directorships:** Siemens (Pty) Ltd, Bioclones (Pty) Ltd, Ribotech (Pty) Ltd, Sekunjalo Independent Media Consortium Two (Pty) Ltd and Independent Media (Pty) Ltd



## OUR EXECUTIVE TEAM

### CHIEF EXECUTIVE OFFICER

Mr Khalid Abdulla is the CEO of the Group and is an executive director appointed by the Board.

During the year under review, he was responsible for leading the implementation and execution of the approved strategy, policy and operational planning. He served as the chief link between management and the Board and is accountable to the Board.

He is responsible for aiding the achievement of performance goals, objectives and targets as well as maintaining an effective management team and management structure. He continued with the implementation of the Group's Vision 2020 Vision strategy as approved by the Board. He reviewed the annual business plans and budgets that support the Company's long-term view and made recommendations thereon. He ensured that the appropriate policies were formulated and implemented to guide activities across the Group and ensured that effective internal organisation and governance measures were deployed.

A succession plan is in place for the CEO in the event of unplanned leave or planned resignation.

( - Principle 10)

### CHIEF FINANCIAL OFFICER

Ms Chantelle Ah Sing is the CFO of the Group and is an executive director.

During the year under review, she assisted the Board to protect and manage the Company's financial position with the assistance of the audit and risk committee. She supervises and reviews the financial statements to ensure they are fairly presented and contain the proper disclosures. She plays the overseer role to ensure the appropriate internal controls and regulatory compliance policies and processes are in place and that non-financial aspects relevant to the business of the Company were identified.

The audit and risk committee has considered the expertise and experience of the CFO and deems it appropriate.

The audit and risk committee has considered and is satisfied that the finance department has the appropriate expertise and is adequately resourced.

( - Principle 10)


### CORPORATE AFFAIRS AND SUSTAINABILITY

Ms Cherie Hendricks is the corporate affairs and sustainability executive.

During the year under review, she ensured an effective ethical culture and that corporate governance is maintained in the Group. She reported to the Board on social and economic development, B-BBEE, sustainable development, transformation and good corporate citizenship, with the emphasis on corporate social responsibility. She is accountable for sustainability, transformation and social responsibility programmes and develops, plans and executes the Group's corporate affairs strategy.

She ensured regulatory compliance with the JSE Listings Requirements, Companies Act and King IV™. She wrote new policies and procedures, updated existing policies and procedures and also updated Board policies and charters in compliance with statutory, regulatory and legislative requirements for adoption and approval by the Board. She ensured that good corporate governance practices are adhered to and assisted with the governance of ethics. She ensured that stakeholder relationships and stakeholder engagement activities as well as consumer relationships, including public relations and marketing, were managed effectively.

She manages the human resources department, ensuring that fairness and ethical standards are upheld and is a primary contributor to the company secretarial department. She ensured that the human resources function and employment activities were aligned with Group policies.

She is responsible for writing the integrated report, the notice of the annual general meeting and form of proxy to the shareholders, and ensures the timeous delivery thereof. ( - Principle 10)

## CORPORATE GOVERNANCE REPORT – continued

**CHIEF INVESTMENT OFFICER**

Mr Wakeel Mclachlan is the chief investment officer (CIO) and is an executive.

The CIO is responsible for carrying out the duties as delegated by the investment committee. The main role of the position includes having a firm understanding of the Group's broad growth strategy – organic and acquisitive; leading the Group's investment strategy by providing recommendations on suitable investments; and preparing and submitting executive reports to management, the Board and clients. The CIO must maintain a broad understanding of and ensure continued development of all market securities plans to ensure satisfactory management of the Group's investment portfolio, and must also explore innovative and new approaches to the investment process as well as strategies for generating desirable returns for all stakeholders.

During the year under review, Mr Mclachlan developed and maintained an efficient relationship with the investment committee, ensured compliance with all policies and laws while monitoring the Group's current investments, and ensured operational efficiency across all Group entities using sound business development techniques.

He analysed the performance of the Group's investment portfolio and presented recommendations for additional investment opportunities and potential acquisitions to the investment committee. All recommendations were based on thorough research as well as in-depth quantitative and qualitative assessments of the businesses. Investment opportunities spanned across all AEEI's current segments and were selected based on the entities being key strategic fits within their relevant segments as well as offering future synergistic growth within the Group. All of the investment opportunities that arose were documented and analysed by preparing regular investment reports and reviews, including quantitative and qualitative portfolio studies. He reviewed quarterly financial statements and remained up to date with important valuation and policy changes.

# BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS

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

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

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

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

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

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

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

## KEY STAKEHOLDERS THAT CONTRIBUTE TO OUR VALUE DRIVERS



**SHAREHOLDERS, INVESTMENT  
COMMUNITY AND CAPITAL  
PROVIDERS**



**EMPLOYEES**



**REGULATORS**



**COMMUNITIES AND NGOS**



**CLIENTS**

BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS – continued

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



SHAREHOLDERS, THE INVESTMENT COMMUNITY AND PROVIDERS OF CAPITAL

WHO ARE OUR SHAREHOLDERS?

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

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

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

**LOCAL:** 1 759 SHAREHOLDERS

**INTERNATIONAL:** 39 SHAREHOLDERS

95%

5%

WHAT THEY EXPECT FROM US:

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

PRIMARY CONCERNS:

Shareholders, analysts and providers of capital:

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

HOW WE ADDRESS THESE CONCERNS:

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





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

### HOW WE ENGAGE WITH THEM:

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

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

### HOW WE DELIVERED VALUE TO THEM:

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

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

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

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

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

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

BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS – continued



INVESTING IN OUR EMPLOYEES

WHO ARE OUR EMPLOYEES?

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

MALE	FEMALE	BLACK
72.47%	27.53%	80.78%

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

WHAT OUR EMPLOYEES EXPECT FROM US:

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

PRIMARY CONCERNS:

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

HOW WE ADDRESS THESE CONCERNS:

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

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

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



## INVESTING IN OUR EMPLOYEES (continued)

### HOW WE ENGAGED WITH OUR EMPLOYEES:

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

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

### HOW WE DELIVERED VALUE TO OUR EMPLOYEES:

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

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

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

## BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS – continued



## CLIENTS

**WHO ARE OUR CLIENTS?**

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

**WHAT THEY EXPECT FROM US:**

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

**PRIMARY CONCERNS:**

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

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

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

**HOW WE ADDRESS THESE CONCERNS:**

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

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

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

**HOW WE ENGAGED WITH THEM:**

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

We engage with them through various forums including:

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

**HOW WE DELIVERED VALUE TO THEM:**

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





## ENGAGING WITH OUR REGULATORS

### WHO ARE OUR REGULATORS?

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

#### WHAT OUR REGULATORS EXPECT FROM US:

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

#### PRIMARY CONCERNS:

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

#### HOW WE ADDRESS THESE CONCERNS:

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

### HOW WE ENGAGED WITH OUR REGULATORS:

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

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

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

### HOW WE DELIVERED VALUE TO OUR REGULATORS:

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

## BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS – continued



## COMMUNITIES

## WHO ARE THE COMMUNITIES WE SERVE?

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

## WHAT THEY EXPECT FROM US:

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

## KEY ISSUES RAISED:

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

## HOW WE ADDRESS THESE CONCERNS:

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

## HOW WE DELIVERED VALUE TO THEM:

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

(📄 – Principle 16)

## VALUE-ADDED STATEMENT

A measure of the value created by the Group is the amount of value added by its diverse activities to the cost of raw materials, products and services purchased.

This statement shows the total value created and how it was distributed.

VALUE-ADDED STATEMENT	2019 R'000	2018 R'000	2017 R'000
Cash value generated from revenue	1 672 255	1 512 467	970 806
Less cost of materials and services	(1 281 734)	(917 603)	(652 548)
Value added	390 521	594 864	288 258
Investment revenue	282 422	64 855	23 903
Wealth created	672 943	659 719	303 974
<b>Distributed as follows:</b>	%	%	%
Employees	56.61 380 937	44.07 195 144	58.20 181 666
Capital providers	16.33 109 872	9.76 43 238	8.30 25 804
Debt providers	5.11 34 399	7.05 31 217	9.00 28 267
Communities	1.53 10 277	1.53 6 718	1.00 3 070
Government	16.13 108 575	16.98 75 194	13.10 41 028
Retained for growth	4.29 28 883	20.61 91 241	10.40 32 327
Wealth distribution	100 672 943	100 442 818	100 312 161
<b>Employee statistics</b>			
Number of employees at year-end	2 201	889	858
Turnover per employee	760	1 701	1 134
Value added per employee	177	425	337
Wealth created per employee	306	498	365

# 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.

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 made during the year 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; and
  - 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 under review, 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.

Due to the restructure of 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 shareholders' 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 strategic 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 towards ensuring 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
- 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.

### 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 practice as stated under Principle 14 of King IV™ has been applied and is explained throughout this report through the outcomes achieved.

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 on 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 by shareholders at AEEI's AGM held in February of 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.

## REMUNERATION COMMITTEE REPORT – continued

## 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	76	22	9	14	121
<b>TOTAL</b>	<b>7 716</b>	<b>2 025</b>	<b>801</b>	<b>1 415</b>	<b>11 957</b>

\* 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

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

NON-EXECUTIVE	AB Amod R'000	Ramatlhodi R'000	Gaomab* R'000	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/employee's 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 constitute 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](mailto:damien@aeei.co.za).

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/committees/](http://www.aeei.co.za/committees/).

# SUSTAINABILITY REPORT

The Board of AEEI oversees and drives a strategic approach to sustainability that responds to the interests of all key stakeholders while protecting and creating value.

AEEI is aware of and appreciates the evolution of governance and that the Group's core purpose, business model, performance, risks, opportunities and sustainable development are inseparable elements of the value-creation process. The Board is aware that its responsibility and accountability, in addition to producing solid financial results, include managing the Company's environmental and social impact, as well as addressing the expectations of stakeholders, including regulators, investors, clients and employees.

## MATERIAL AREAS OF SUSTAINABILITY

### ENSURING SOUND GOVERNANCE

Our sustainability governance practices  
Engaging our stakeholders  
Fostering ethical behaviour and good governance

### DEVELOPING PEOPLE

Workplace transformation and diversity  
Success  
Skills development  
Attracting and retaining talent

### RESPONSIBLE PRODUCTS AND SERVICES TO OUR CUSTOMERS

Financing and empowerment infrastructure  
Treating our clients fairly  
Promoting responsible investment

### INVESTING IN A PROSPEROUS SOCIETY

Transformation and empowerment  
Responsible procurement and enterprise  
Corporate social investment

### PROMOTING ENVIRONMENTAL RESPONSIBILITY

Managing our direct environmental impact  
Climate change and energy  
Promoting sustainable water usage  
Materials and waste management

## SUSTAINABILITY GOVERNANCE FRAMEWORK

AEEI's business is built on a strong foundation, including its business model, core values and principles. Our products and services are the tangible outputs of our business activities and our social and ethical responsibilities guide our day-to-day activities. All forms of sustainability are extremely important in our strategy and operational activities. AEEI's goal has always been to provide management with innovative solutions to every

subsidiary and client while remaining committed to social responsibility.

Details of our business model and definitions of our values and principles are set out in our abridged integrated report, which can be found online at [www.aeei.co.za](http://www.aeei.co.za).

The ultimate responsibility of sustainability rests with the Board and the Board has tasked the social, ethics and transformation committee to manage and monitor sustainability.

### BOARD OF DIRECTORS

The Board of directors is primarily responsible for overseeing sustainability issues through the committees listed below:

#### CHIEF EXECUTIVE OFFICER

The CEO is accountable to the Board for the implementation of the Group's strategy and the overall management of the Group

#### AUDIT AND RISK COMMITTEE

- Responsible for overseeing and reviewing the integrated reporting process
- Reviews the annual financial statements, interim reports and preliminary results announcement
- Ensures integration in terms of integrated reporting and the application of our business model
- Ensures that the combined assurance model is applied
- Oversees the internal audit function
- Responsible for risk management, considers the top risks and monitors the progress of mitigating risks. Findings and recommendations are reported on at Board level
- Responsible for the governance of technology and information
- Recommends the services of the external auditor

#### REMUNERATION COMMITTEE

- Reviews and approves the remuneration and benefits policy and the reward philosophy and strategy adopted by the Company
- Ensures that the Group remunerates responsibly, fairly and transparently
- Reviews and approves the reward philosophy and strategy
- Determines the remuneration packages of the executive directors and senior managers
- Recommends to the Board the fees to be paid to non-executive directors for their services

#### SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

- Ensures that the Group is and remains a committed socially responsible corporate citizen
- Reports on organisational ethics, sustainable development and stakeholder relationships
- Ensures compliance with statutory duties and encourages leading practice by having the social, ethics and transformation committee progress beyond mere compliance to contribute to value creation
- Monitors the Group's social impact, oversees compliance and ensures sound ethical and governance practices
- Oversees the transformation management, ensuring that management has implemented and maintained an effective transformation management process in the Group
- Assists the Board to lead transformation within the Group and to ensure that there are appropriate policies and procedures in place
- Ensures compliance with the amended B-BBEE Codes of Good Practice as revised from time to time

DAILY RESPONSIBILITY IS DELEGATED TO DIVISIONAL MANAGEMENT

## SUSTAINABILITY REPORT – continued

In addition to the careful stewardship of natural resources, the Group continually works towards sustainable development by contributing to the eradication of poverty and income inequalities, with the goals being employment, accessing quality and affordable basic services, and fostering a stable and just society.

The Board remains firmly committed to the development of the intellectual and human capitals. The performance assessment of senior managers includes an assessment of how they have developed the human capital of the Group, especially the development of historically disadvantaged individuals. The Board has affirmed its practice regarding procurement from black economic empowerment companies, enterprise and supplier development as well as socio-economic development.

The Group has policies in place to ensure that the subsidiaries act in an environmentally-friendly manner that considers the existence of the communities in which the subsidiaries' operations are located. AEEI and its various business units are not considered to make a particularly heavy demand on the natural environment.

However, businesses in the Group are committed to being industry leaders and adding value to the services they provide by implementing sustainable business practices that minimise the impact that our operations have on the environment. Environmental commitments are an integral part of our day-to-day activities.

AEEI's carbon emissions are low and we have a very low direct impact on the environment, but we are affected by the environment in which we operate and the impact of how climate change affects our business. We commit our businesses to a journey of responsible environmental stewardship. We acknowledge that a stable economy and a sustainable business require a sustainable environment. Our fishing and brands division works closely with the relevant authorities to safeguard various fish species and pays careful attention to the environmental impact of its operations.

The Group's material matters, the stakeholders affected and how we manage them can be found on pages 43 to 49.

(  – Principles 3, 4, 10, 11, 13, 14, 15 and 16)

## SOCIAL SUSTAINABILITY

For AEEI, social sustainability and corporate citizenship go beyond legislative compliance. Social sustainability recognises the rights and responsibilities of businesses within a broader societal context and reinforces AEEI's mission of being a dynamic and innovative Company that creates superior stakeholder value.

The Group is aware of the critical role that a business should play in the upliftment and development of the previously disadvantaged majority. The Group is committed to investing in the upliftment of society and in playing a pivotal role in improving the quality of life among the disadvantaged communities through its corporate citizenship initiatives. We continue to subscribe to a sustainable approach in conducting our business.

AEEI's strategic focus on being an exemplary custodian assists us to manage our impact on the communities around us and to actively contribute to their socio-economic development through various initiatives.

Many of the subsidiaries in the Group support their own initiatives in line with the Group's policy and their areas of operation.

It is for this reason that we need to give back to the communities in which we operate by:

- driving the corporate social investment strategy across the Group, investing in social services in our communities and creating value through social investment;
- supporting local business and promoting social and economic development;
- providing employment opportunities and skills development;
- providing training and development through our internship programme;

- investing in the future of our youth and facilitating access to higher education;
- paying our taxes and royalties to government;
- driving the B-BBEE targets in the Group;
- further driving transformation throughout the Group;
- adhering to ethical standards and preventing corruption;
- ensuring effective risk management and compliance;
- promoting social and economic development;
- promoting partnerships with business peers, sector organisations and research bodies;
- having open channels of communications; and
- ensuring that the Group is and is seen to be a responsible corporate citizen.

### CORPORATE SOCIAL INVESTMENT (CSI)

The Group invests directly in some of its CSI programmes while others are managed through the Sekunjalo Development Foundation (SDF). The aim is to create a sustained social impact through focused activities. AEEI and the SDF have selected focus areas that have an impact on individual and societal development and play a significant role in nurturing young people who represent the future.

AEEI and the SDF's approach is to:

- encourage employee participation and volunteering in its CSI programmes;
- prioritise CSI across the Group, focusing on set initiatives that support societal challenges; and
- ensure the integration of community needs.



## SUSTAINABILITY REPORT – continued

 <p><b>ARTS AND CULTURE</b></p> <ul style="list-style-type: none"> <li>• Cape Town International Jazz Festival</li> <li>• African Musicians Trust</li> </ul>	 <p><b>EDUCATION</b></p> <ul style="list-style-type: none"> <li>• Back to School programme</li> <li>• Learnership programme</li> <li>• Internship programme</li> <li>• Premier Fishing Bursary Trust</li> <li>• Premier Fishing Learnership Programme</li> <li>• Where Rainbows Meet – Training and Development</li> </ul>	 <p><b>SPORTS DEVELOPMENT</b></p> <ul style="list-style-type: none"> <li>• Saldanha Bay Rugby Club</li> <li>• Gansbaai and Hawston Primary Schools</li> <li>• Western Province Boys Hockey</li> <li>• Thornhill United Football Club</li> <li>• Fish Rite Hanover Park Cricket Club</li> </ul>
 <p><b>ENTERPRISE DEVELOPMENT</b></p> <ul style="list-style-type: none"> <li>• Funding for businesses</li> <li>• Anela Agri Enterprise Development</li> <li>• Engeli Enterprise Development</li> </ul>	 <p><b>SOCIAL DEVELOPMENT</b></p> <ul style="list-style-type: none"> <li>• AEEI/Health System</li> <li>• Technologies Annual Golf Day</li> <li>• Women in Praise</li> <li>• Things on Wheels</li> <li>• The Sunflower Fund</li> <li>• The Amy Foundation</li> <li>• Durbanville Children's Home</li> <li>• Mandela Day Initiative</li> <li>• Women's Day – Women in Shelters</li> </ul>	 <p><b>OTHER</b></p> <ul style="list-style-type: none"> <li>• Sekunjalo Development Foundation</li> <li>• Survé Philanthropies</li> <li>• Direct support for NGOs and community groupings</li> </ul>

AEEI and the SDF continue to move away from ad hoc requests towards focused areas, which are shaped by an increasing need to ensure effective stakeholder relations and the socio-economic needs of the communities in which the Group conducts its business.

For the year ahead, AEEI and the SDF will continue with its CSI programmes in the focused areas with more emphasis in the areas of social and enterprise development.

## RETURN ON CORPORATE SOCIAL INITIATIVES

1.58% SPEND VS PROFIT

	IMPACT	RETURN ON INVESTMENT
 ARTS AND CULTURE	SOCIETY	<ul style="list-style-type: none"> <li>• Shared value with communities and organisations</li> <li>• Education of arts and culture, especially in the music arena</li> <li>• Education and mentorship</li> <li>• Self-sufficient – many of our students have become musicians in their own right and have become self-sufficient, and some are the only breadwinners in their families</li> <li>• Benefits to the communities</li> <li>• Promotion of African Arts and Culture</li> </ul>
 EDUCATION	COMMUNITIES	<p>Education is a global equaliser. With education, people and communities around the world can become self-sufficient and prosper. Our investments in the communities have resulted in the following:</p> <ul style="list-style-type: none"> <li>• Improved education outcomes</li> <li>• Increased literacy rates</li> <li>• Development of learnership programmes</li> <li>• Development of an internship programme</li> <li>• Increased student engagements and performance</li> <li>• Training</li> <li>• Skills development</li> <li>• Access to early childhood development – live, learn and play</li> <li>• Nurtured growth and entrepreneurship</li> <li>• Employment opportunities</li> <li>• Empowered previously disadvantaged women and men to actively participate in building healthy communities</li> </ul>
 SPORTS DEVELOPMENT	COMMUNITIES	<ul style="list-style-type: none"> <li>• Promotion of sports development in impoverished communities</li> </ul>
 ENTERPRISE DEVELOPMENT	COMMUNITIES	<ul style="list-style-type: none"> <li>• Promotion of an entrepreneurship culture</li> <li>• Ensured stability, growth and profitability of young entrepreneurs</li> <li>• Promotion of supply chain development and business incubation</li> <li>• Promotion of emerging farmers at grassroots level</li> <li>• Promotion of businesses owned and businesses run by women to become sustainable</li> <li>• Workforce development</li> <li>• Assisted to steer the economy to promote a stable environment</li> </ul>

## SUSTAINABILITY REPORT – continued

	IMPACT	RETURN ON INVESTMENT
 <b>SPECIAL PROJECTS</b>	<b>ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>Created awareness around sustainability, pollution, water, air, electricity and other</li> </ul>
 <b>SOCIAL DEVELOPMENT</b>	<b>SOCIETY</b>	<ul style="list-style-type: none"> <li>Ensured a better quality of life</li> <li>Promoted education</li> <li>Improved access to childcare and families</li> <li>Promoted access for women in shelters</li> <li>Supported NGOs to build capacity and improve efficiency of resources to the communities they support</li> <li>Ensured a better quality of life for people with disabilities</li> <li>Provided skills development through our various initiatives</li> <li>Provided internships</li> <li>Social education</li> </ul>

## CSI/SED EXPENDITURE

	2019 R'000	2018 R'000	2015 R'000
Rand value of CSI/SED	10 277	6 657	15 851
Percentage of CSI/SED spend invested in South Africa	100%	100%	100%
Education	1 359	617	562
Skills development	4 430	1 873	1 235
Health and HIV/Aids	0	0	0
Basic needs/social	543	684	641
Enterprise development	6 109	172	1 588
Arts and culture	1 833	1 100	7 721
Infrastructure development	0	711	1 562
Rand value spend on environmental management projects	0	59	345
Rand value spend on small business development	1 040	540	859
Discretionary spend	2 473 267	1 338	81 840
Spend as a percentage of net profit after tax	1.6%	0.1%	2.3%

Note: The above excludes AYO and Talhado