

INDEPENDENT NON-EXECUTIVE CHAIRMAN'S REPORT

“I have three precious things which I hold fast and prize. The first is gentleness; the second is frugality; the third is humility, which keeps me from putting myself before others. Be gentle and you can be bold; be frugal and you can be liberal; avoid putting yourself before others and you can become a leader among men.” – Lao Tzu



DEAR SHAREHOLDER

African equity empowerment investments limited is well positioned for further growth: we are now one of the largest B-BBEE-owned and managed powerhouse in the country.

It has been another milestone year in the history of AEEI. AEEI has flourished over this past financial year by reaching its goals for the year and receiving recognition and acknowledgement for its leadership style and management control, financial performance, corporate governance and reporting structures.

I must admit that our operating environment has been especially tough this year. However, I will err on the side of optimism by hoping that the impact of the economic downturn, unpredictable weather patterns as well as the socio and political volatility in South Africa will reach an even keel over the next year or two.

I believe that one's team takes its lead from the top and through being optimistic, one is able to lead through stormy situations with the utmost confidence that there will be an upturn in the very near future.

OUR PERFORMANCE

AEEI's resilience in uncertain times is testimony to its value system and work ethic that has stood the test of time for 19 years. Reflecting on the past year, I would like to highlight the following:

- AEEI's acknowledgement by its peers for its B-BBEE credentials, good corporate governance and reporting, as well as for its financial performance
- The acknowledgment of the Group's chief executive officer, Khalid Abdulla, for his leadership skills and management style
- The successful listing of Premier Fishing and Brands Limited on the main board of the JSE
- The acquisition of equity in companies that will facilitate sustainability and growth for AEEI in the short to long-term
- The successful listing of the technology division on the main board of the JSE

VISION 2020 VISION

A key feature of our 2018 financial year is the significant progress we have made in executing our Vision 2020 Vision strategy to become the leading diversified company that creates superior stakeholder value and empowers people through profits and performance in South Africa.

Our 2018 performance is testament to the broader Group rallying together to drive continued optimisation and efficiency of our operations while growing a sustainable cash flow and creating value for our shareholders.

Our Vision 2020 Vision strategy is underpinned by our diverse portfolio and is reflected in our results. This growth strategy has laid a strong foundation for the next phase of the AEEI Group's evolution.

We now have a more diversified asset and product base to reduce risk exposure and to secure access to distribution channels nationally and internationally; this aimed at further enabling value creation for our shareholders.

CORPORATE GOVERNANCE AT AEEI

The Board serves as the focal point and custodian of good corporate governance and provides continued oversight while taking into account the Group's strategic direction and purpose.

The Board is committed to the highest standards of ethics, governance and business integrity and has adopted an integrated approach to managing the Group to ensure that the governance structure actively identifies, communicates on and responds to material matters that impact the Group's capacity to create value. 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.

Sound corporate governance and ethics form the foundation of AEEI's business and are pivotal in delivering long-term value to our stakeholders.

During the year under review, Mr Salim Young, our lead independent non-executive deputy chairman, did not make himself available for re-election at the annual general meeting. We would like to thank Mr Young for his valuable contribution to the Board during his tenure.

INDEPENDENT NON-EXECUTIVE CHAIRMAN'S REPORT – continued

The Board reviewed its current membership composition taking into account gender and race diversity and appointed Advocate Dr Ngoako Ramatlhodi as the lead independent non-executive director and Mr Abdul Malick Salie as an executive director in the capacity of chief investment. The Board has the appropriate balance of race and gender diversity, skills, experience and independence to provide strategic direction and sound corporate governance. Read more about this on page 71.

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.

The Group's policies, practices and charters are updated regularly to remain compliant with the relevant laws, rules, regulations, codes and standards including but not limited to the JSE Listings Requirements and the Companies Act. We continue to embrace the inclusion of King IV™ in all areas applicable. More about this can be read on page 79.

TRANSFORMATION

Race and gender diversity and inclusion at all levels of the business are essential to the sustainability of AEEI. Transformation is in our DNA and we will continue to provide meaningful transformation through our operations. The Group currently provides employment for 889 employees of which 80% are black South Africans (this excludes the new acquisitions).

I am delighted to mention that records indicate that AEEI has played a part in carving the way for our future nation through its skills development and corporate social responsibility programmes which are implemented throughout the country, but especially in the communities in which we operate. Refer to page 105 for a detailed report on our corporate social responsibility projects.

During the year, we renewed our focus on critical skills and leadership capability development as key enablers to build a resilient organisation for the future. We continued to invest in sponsored study and learning programmes which include leadership, career and succession development plans.

To secure a pipeline for the future of experienced talent, we invested significantly in skills development and training, ranging from basic literacy and health and safety training to further training for our professionals to remain at the top of their games.

The empowerment of women remains a key focus area and our skills development programmes are accordingly designed to secure the critical and scarce skills required to operate our divisions and deliver long-term growth ambitions.

I am proud to announce that we have increased the number of women employed at our Group – not only on the ground but also in executive positions. In addition to this and related to transformation, we recognise that it is imperative to continue with the adequate upskilling of our employees and communities through the skills development and training programme. Read more about this on page 20 of the online sustainability report.

Our culture which is underpinned by our values, is essential to support us in achieving our goals and transformation aspirations. To this end, we will continue to further embed the behaviours that support our transformation objectives in all our divisions.

OUR EMPLOYEES

Our employees are fundamental to the success of the Group and I have to acknowledge that it is because of the resilience and diligence of our values-driven, high-performing employees, that we are able to create value for all our stakeholders.

We adopted a risk-based approach to minimise labour volatility challenges. This required a review of the broader employee relations landscape and the adoption of a more integrated approach across all stakeholder groups, aimed at achieving greater employee engagement and ensuring business continuity.

SUSTAINABILITY AT AEEI

At AEEI, we are cognisant of our material sustainability focus areas and its impact on our stakeholders. Refer to page 105 for in-depth details of these focus areas.

Stakeholder engagement at AEEI is supported by transparent and effective communication, mutually beneficial outcomes and inclusiveness and integrity. We participate in initiatives to inform and ensure a best practice approach in the areas of sustainability and social impact. We actively engage with our stakeholders to ensure the achievement of the best outcomes.

SINCERE APPRECIATION

It is with sincere appreciation that I thank all our shareholders for their unwavering support and confidence in me as the independent non-executive chairman of the Board. Not only do they have the utmost confidence in me, but also in the leadership teams who have remained steadfast in their implementation of our strategy of growth and value creation.

I would like to recognise the support and contribution of my fellow Board members, who have willingly and without prejudice contributed their collective skills, expertise and experiences during the year.

Hearty congratulations to Khalid Abdulla on receiving several accolades in recognition of his leadership, skills, insight and commitment in realising the potential of our Group. A special word of thanks goes to the executive management teams and all our employees in the Group, without whom we could not have achieved such positive growth.

I look forward to chairing the Board through the next exciting growth phase of AEEI.

Dankie baie.



Reverend Dr Vukile Charles Mehana
Independent non-executive chairman