KING III ON CORPORATE GOVERNANCE

The Board of African Equity Empowerment Investments Limited (AEEI) remains committed to and endorses the principles of the Code of Corporate Practices and Conduct as set out in the King III Report. Corporate governance ensures that the manner in which directors manage and control the Company, treat stakeholders and interact with the environment is done with respect, integrity, transparency and responsibility.

In supporting the Code, the directors recognise the need to conduct the Group's businesses with integrity and in accordance with International Financial Reporting Standards (IFRS) and international best practice.

The AEEI level of compliance continually increases since the introduction of the Code.

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DIRECTORS: PROF VC MEHANA (NON-EXECUTIVE CHAIRMAN); K ABDULLA (CHIEF EXECUTIVE OFFICER); C AH SING (CHIEF FINANCIAL OFFICER)
CF HENDRICKS; * JM GAOMAB; * A AMOD; * S YOUNG (DEPUTY CHAIRMAN); * T HOVE * Z BARENDS; CF HENDRICKS (INTERIM COMPANY SECRETARY) * NON-EXECUTIVE DIRECTORS

		PRINCIPLE	COMMENT
1.		**Ethical leadership and corporate citizenship**	
	1.1	The Board should provide effective leadership based on an ethical foundation	Complied with – Ethics form part of the values of the Company and the Board
	1.2	The Board should ensure that the Company is, and is seen to be, a responsible corporate citizen	Complied with – The Board is responsible for economic, social and environmental performance and reporting and the Company's corporate social investments are regularly assessed
	1.3	The Board should ensure that the Company's ethics are managed effectively	Complied with – The Company has a Code of Ethics and Code of Conduct which is communicated internally and externally and reviewed by the social and ethics committee
2.		**Board of directors**	
	2.1	The Board should act as the focal point for and custodian of corporate governance	Complied with – The Board operates within the mandate of the Company's Memorandum of Incorporation and Board Charter
	2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable	Complied with – The Board reviews the Company's objectives, strategies on an annual basis and the risk on a quarterly basis
	2.3	The Board should provide effective leadership based on an ethical foundation	Complied with – refer item 1.1 above
	2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen	Complied with – refer item 1.2 above
	2.5	The Board should ensure that the Company's ethics are managed effectively	Complied with – refer item 1.3 above
	2.6	The Board should ensure that the Company has an effective and independent audit committee	Complied with – refer item 3 – Audit committees below
	2.7	The Board should be responsible for the governance of risk	Complied with – refer item 4 – The governance of risk below
	2.8	The Board should be responsible for information technology (IT) governance	Complied with – refer item 5 – The governance of information technology below
	2.9	The Board should ensure that the	Complied with – refer item 6 – Compliance with laws,

		Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	codes, rules and standards below
	2.10	The Board should ensure that there is an effective risk-based internal audit	Complied with – refer item 7 – Internal audit below
	2.11	The Board should appreciate that stakeholders' perceptions affect the Company's reputation	Complied with – refer item 8 – Governing stakeholder relationships below
	2.12	The Board should ensure the integrity of the company's integrated report	Complied with – refer item 9 – Integrated reporting and disclosure below
	2.13	The Board should report on the effectiveness of the Company's system of internal controls	Complied with – refer items 7 and 9 below – Internal audit and integrated reporting and disclosure below
	2.14	The Board and its directors should act in the best interests of the Company	Complied with – The Board and directors are required to exercise care, skill, diligence and act in good faith. Declare any personal financial interests and not deal in the Company's securities during closed or price-sensitive periods
	2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act	The Board monitors the Company's solvency and liquidity and understands its responsibility regarding business rescue proceedings
	2.16	The Board should elect a chairman of the Board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	The chairman of the Board is an independent non-executive chairman and not employed by the Company. The Company also has an independent non-executive chairman in place.
	2.17	The Board should appoint the chief executive officer and establish a framework for the delegation of authority	Complied with – The CEO is appointed by the Board and the role and responsibilities are defined in the Company's Board Charter
	2.18	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	Complied with – The Board comprises a majority of independent non-executive directors
	2.19	Directors should be appointed	Complied with – The Board has a formal charter in place

		through a formal process	for appointments
	2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	Complied with - Training and development is conducted through a formal process
	2.21	The Board should be assisted by a competent suitably qualified and experienced company secretary	An interim company secretary has been appointed after the resignation of Mrs Carmelita Arendse. An extern resource has been identified and will be appointed in December 2016.
	2.22	The evaluation of the Board, its committees and the individual directors should be performed every year	Performance of directors is reviewed annually. A formal charter has been established for committees which will be rolled out in the coming year
	2.23	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Complied with – The Board has delegated certain responsibilities to the audit and risk committee, remuneration committee, social and ethics committee, nominations committee, investment committee and transformation committee without abdicating its own responsibilities
	2.24	A governance framework should be agreed between the Group and its subsidiary boards	Complied with – The same framework and principles apply for all subsidiaries in the Group
	2.25	Companies should remunerate directors and executives fairly and responsibly	Complied with – The remuneration committee reviews directors and executive remuneration annually against benchmarking exercises and performance
	2.26	Companies should disclose the remuneration of each individual director and certain senior executives	Details of the directors' remuneration are disclosed and a decision was taken to not publicly disclose the information of senior executives for reasons of confidentiality and sensitivity
	2.27	Shareholders should approve the Company's remuneration policy	Complied with – Shareholders approve the Company's remuneration policy at the AGM
3.		**Audit committees**	
	3.1	The board should ensure that the Company has an effective and independent audit committee	Complied with – The Company has an effective and independent audit committee which is elected at the AGM by the shareholders
	3.2	Audit committee members should be suitably skilled and experienced independent, non-executive directors	Complied with – All committee members are assessed and found to be suitably skilled independent non-executive directors
	3.3	The audit committee should be	Complied with – The audit committee is chaired by an

		chaired by an independent non-executive director	independent non-executive director
	3.4	The audit committee should oversee integrated reporting	Complied with – The audit committee is responsible for overseeing integrated reporting
	3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	Complied with – The assurance activities of management, external and internal audit is coordinated
	3.6	The audit committee should satisfy itself of the expertise, resources and experience of the Company's finance function	Complied with – The audit committee annually reviews and evaluates the expertise, resources and experience of the finance function
	3.7	The audit committee should be responsible for overseeing internal audit	Complied with – The audit committee oversees and monitors the effectiveness of the internal audit function
	3.8	The audit committee should be an integral component of the risk management process	Complied with – The risk committee is combined with audit committee function
	3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Complied with – The audit committee annually recommends the appointment of the external audit for approval by shareholders at the AGM
	3.10	The audit committee should report to the Board and shareholders on how it has discharged its duties	Complied with – The audit committee reports to the Board at every Board meeting and at the AGM
4.		**The governance of risk**	
	4.1	The Board should be responsible for the governance of risk	Complied with – The Board is responsible for the governance of risk as specified in the Board Charter
	4.2	The Board should determine the levels of risk tolerance	Complied with – All risks are reviewed and prioritised in the terms of the Risk Charter on a regular basis and is part of the operational process
	4.3	The risk committee or audit committee should assist the Board in carrying out its risk responsibilities	Complied with – refer item 4.1 above
	4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan	Complied with – Management is responsible for the risk management framework and plan which was adopted by the Board and is monitored by the audit committee
	4.5	The Board should ensure that risk	Complied with – Risks are assessed on an ongoing basis

		assessments are performed on a continual basis	and forms part of the operational process
	4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Complied with – Unpredictable risks are incorporated into the framework and reviewed on a regular basis
	4.7	The Board should ensure that management considers and implements appropriate risk responses	Complied with – Appropriate risk responses are managed on an ongoing basis
	4.8	The Board should ensure continual risk monitoring by management	Complied with – Risk monitoring is incorporated into the Exco and monthly meetings
	4.9	The Board should receive assurance regarding the effectiveness of the risk management process	Complied with – Risk management is incorporated into regular meetings and exceptions are highlighted to the Board
	4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Complied with – The annual financial statements include disclosure on risks and the operating environment is commented on in the integrated report
5.		**The governance of information technology**	
	5.1	The Board should be responsible for information technology (IT) governance	Complied with - The IT governance plan was approved and implemented.
	5.2	IT should be aligned with the performance and sustainability objectives of the Company	Complied with – IT is aligned with the sustainability objectives and performance of the Company
	5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework	Complied with – The IT governance framework implementation is the responsibility of the executive team
	5.4	The Board should monitor and evaluate significant IT investments and expenditure	Complied with – The Board monitors and evaluates all IT expenditure
	5.5	IT should form an integral part of the Company's risk management	Complied with – IT forms part of the risk management of the Company
	5.6	The Board should ensure that information assets are managed	Complied with – The Company's IT assets form part of the risk management process

		effectively	
	5.7	A risk committee and audit committee should assist the Board in carrying out its IT responsibilities	Complied with – refer item 5.1 above
6.		**Compliance with laws, codes, rules and standards**	
	6.1	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Complied with – The Board is committed to compliance with all applicable laws, codes and standards
	6.2	The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business	Complied with – All directors are required to have a working knowledge of all applicable laws, rules, codes and standards that govern the Company and are educated on these matters regularly
	6.3	Compliance risk should form an integral part of the Company's risk management process	Complied with – Compliance forms part of the risk management process
	6.4	The Board should delegate to management the implementation of an effective compliance framework and processes	Complied with – Compliance risk forms part of the risk management framework and is overseen by the audit committee
7.		**Internal audit**	
	7.1	The Board should ensure that there is an effective risk-based internal audit	Complied with – The Company has an effective risk-based internal audit who reports to the audit committee
	7.2	Internal audit should follow a risk-based approach to its plan	Complied with – Internal audit follows a risk-based approach
	7.3	Internal audit should provide a written assessment of the effectiveness of the Company's internal control and risk management	Complied with – Internal audit provides a written assessment of the effectiveness of the Company's internal control and risk management to the audit committee
	7.4	The audit committee should be responsible for overseeing internal audit	Complied with – The audit committee is responsible for overseeing the internal audit
	7.5	Internal audit should be strategically positioned to achieve its objectives	Complied with – The internal audit is independent and objective

8.		**Governing stakeholder relationships**	
	8.1	The Board should appreciate that stakeholders' perceptions affect a company's reputation	Complied with – Stakeholder engagement is important to the Company and material stakeholders are identified and engaged with on material and relevant issues
	8.2	The Board should delegate to management to proactively deal with stakeholder relationships	Complied with – Management proactively engages with relevant stakeholder groups
	8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company	Complied with – The Company engages with various stakeholder groupings on relevant and material issues
	8.4	Companies should ensure the equitable treatment of shareholders	Complied with – All holders of the same class of shares are treated equitably in accordance with the rights and terms applicable to such shares
	8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Complied with – The Company communicates with all stakeholders in various forums as detailed in this integrated report
	8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Complied with – Disputes with stakeholders would be addressed in the appropriate forum and steps taken to ensure that such disputes are resolved effectively, efficiently and expeditiously as possible
9.		**Integrated reporting and disclosure**	
	9.1	The Board should ensure the integrity of the Company's integrated report	Complied with – The Board is responsible for integrated reporting including the integrity of the report
	9.2	The Board should ensure that sustainability reporting and disclosure should be integrated with the Company's financial reporting	Complied with – Sustainability reporting and disclosure form an integral part of the integrated report
	9.3	The Board should ensure that sustainability reporting and disclosure should be independently assured	External assurance for the financial data for the year ended 31 August 2016 and in accordance with the International Standards on Accounting was performed by Grant Thornton Cape Inc, our BBBEE Verification was done by Veridex BBBEE Agency. AEEI will consider external assurance on the non-financial data in the future.