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# HOW TO NAVIGATE OUR REPORT

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

- 😮 Online reference for further information
- i This icon directs the reader to pages and/or supplementary reports for more information
- B King IV™
- COVID-19
- Governance Framework

# OUR REPORTING SUITE

Our corporate governance report forms part of our integrated reporting suite for 2020, and reflects the governance approach to structures and to realising our Vision 2020 Vision through our achievements, successes and journey.

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

The full suite consists of the following:

- Online integrated report
- Corporate governance report
- Sustainability report
- Investment portfolio report
- Consolidated annual financial statements
- AEEI King IV™ Governance Register 2020 (King IV™)
- Notice of annual general meeting
- Independent Third-Party Assurance Statement from Integrated Assurance & Reporting Services (IRAS)

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

# INTRODUCTION

This Corporate Governance Report has been approved by the Board of directors of AEEI ("the Board") and is provided to inform our stakeholders how the AEEI Group is governed and how we responded to governance developments during the

# AN OVERVIEW

We are a leading black economic empowerment Company listed on the JSE. We create value for our stakeholders through our innovative and sustainable business model, concise strategy, diverse product portfolio, and through our subsidiaries, associates and strategic investments – complemented by our experienced and empowered leadership team that focuses on our communities and stakeholder wealth creation.

year. These developments were informed by stakeholders and changes in regulatory requirements.

## **OUR GOVERNANCE AT A GLANCE**

At AEEI, we believe that effective corporate governance is critical to delivering on our strategic objectives and creating short-, medium- and 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.

### VALUE-CREATING GOVERNANCE 🦊

At AEEI, our governance structures and processes ensure that our business is well-managed and controlled. We have an inclusive strategy review process which considers the risk and opportunities connected to the broader context in which we operate. Our sound corporate governance and ethics processes ensure that we deliver against our strategy to create long-term value for our stakeholders . To achieve sustained value, we need to establish and maintain trust with our stakeholders.

Our sound corporate governance and ethics form the foundation of our business and are pivotal in delivering long-term value to our stakeholders.

We have adopted a stakeholder-inclusive approach on the execution of our governance role and responsibilities and we are guided by our commitment to the principles of King IV<sup>™</sup> <sup>®</sup> recommendations which are entrenched in our policies, internal controls, terms of reference and procedures and processes.

### OUR GOVERNANCE PHILOSOPHY

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

2020 CORPORATE GOVERNANCE REPORT

INVESTMENT



### STATEMENT OF COMPLIANCE AND COMMITMENT

The Board are pleased to report that during the year ended 31 August 2020, the Company has fully complied with the provisions as set out in its Memorandum of Incorporation ("MOI"), the Companies Act, Listings Requirements of the JSE Limited ("JSE") and all relevant legal and regulatory laws.

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.

AEEI is listed on the JSE, therefore the Company is subject to and has implemented controls to provide reasonable assurance with all relevant regulatory requirements in terms of its listing.

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  $IV^{IM}$  and the Companies Act 2008 (Act 71 of 2008), as amended ("Companies Act"). ( $\mathbf{B}$  - *Principle 6*)

### OUR RESPONSE TO COVID-19 🌞

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

The response by the government to declare a national state of disaster, which we support as a response to curtail the spread of the disease, is out of our control. Despite this, we managed the spread of the virus and business continuity by being proactive and responsible. We established a COVID-19 committee and nominated Compliance Officers to oversee our actions and manage the risks in line with our Office Workplace Plan in terms of the Disaster Management Act: Regulation 16(6)(b). The Exco focused on operational matters, including managing business continuity plans, maintaining liquidity and managing risks.

We remain committed to doing all that we can to help our stakeholders during this unprecedented and uncertain time.

### EFFECTIVE AND ETHICAL LEADERSHIP

The Board comprises 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 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 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.

Our fundamental objective has always been to conduct 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 Board is satisfied that it has discharged its duties and obligations as described in the Board Charter.



# REMUNERATION COMMITTEE REPORT

INVESTMENT COMMITTEE REPORT

# OUR GOVERNANCE FRAMEWORK

The Board is the principal decision-maker and has an oversight role in terms of carrying out its strategic objectives. 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 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 assumes collective responsibility for the performance of the Company and for:



The Board is supported by various committees and the executive management team with clear terms of reference to assist in discharging its responsibilities. It is responsible for the strategic direction of the Group's and the Company's governance framework. Further information on these structures can be found on page 7 of this report.



The Group's governance framework focuses on the following:

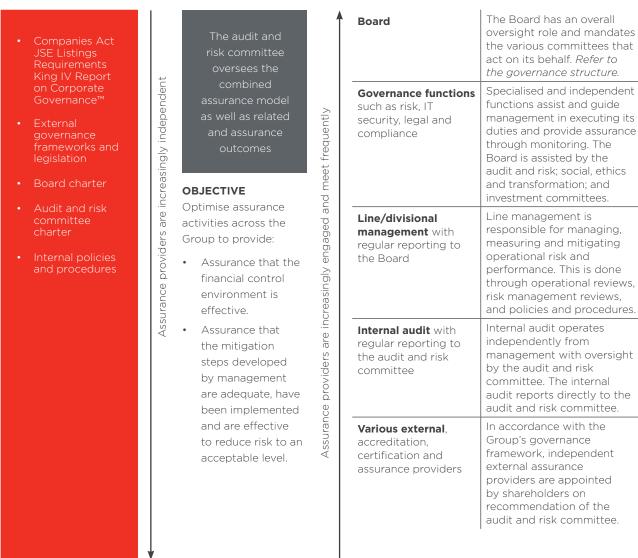
- Vision, strategy and performance
- Ethical and responsible leadership
- Finance, including budgets and forecasts
- Corporate citizenship
- Risk management
- Information technology
- Investment
- Products quality, cost, delivery and competitiveness
- Human capital health, safety, employee wellness and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

# OUR COMBINED ASSURANCE MODEL AND INTERNAL CONTROL FRAMEWORK

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

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

# COMBINED ASSURANCE MODEL Governance Framework



### APPLICATION AND APPROACH TO KING IV™

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

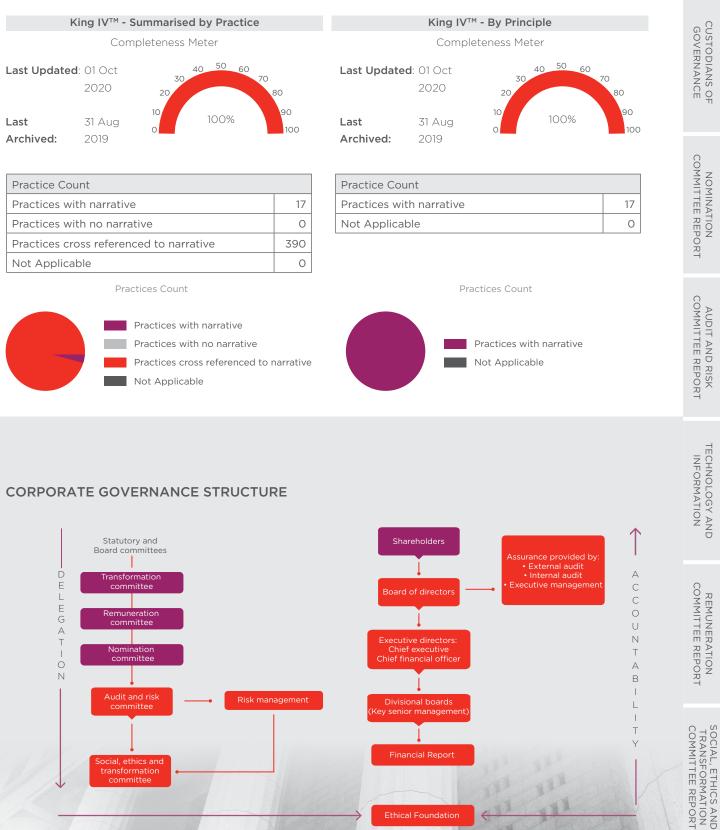
- lead ethically and effectively;
- supported an ethical culture;
- set the strategic direction for the Group for the year ahead;
- approved policies and planning; and
- administered and monitored the Group's risks and opportunities, strategy, business model, performance and sustainable development.

Under the year in review, 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  $\clubsuit$  and transparent and that the integrity of information for decision-making internally and externally was assured.

B A statement of AEEI's application of the principles of King IV™ is available on http://aeei.co.za/king-iv-on-corporategovernance/.

### KING IV<sup>™</sup> GOVERNANCE PERFORMANCE

ocial, ethics and transformation committee



# **OUR EFFECTIVE LEADERSHIP**

WHO LEADS US AT AEEI



# Valentine Dzvova Chief executive officer

During the year under review, Valentine took over from Khalid Abdulla and was responsible for leading the implementation and execution of the approved strategy, policy and operational planning. She served as the chief link between management and the Board and is accountable to the Board.

Valentine is responsible for aiding the achievement of performance goals, objectives and targets as well as maintaining an effective management team and management structure. She continued with the implementation of the Group's Vision 2020 Vision strategy as approved by the Board. She reviewed the annual business plans and budgets that support the Company's long-term view and made recommendations thereon. She 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. Valentine also steered the Company to respond adequately to the challenges posed by COVID-19.

A succession plan is in place for the CEO in the event of unplanned leave or planned resignation. ( $\hat{\mathbb{B}}$  – *Principle 10*)



# Jowayne van Wyk Chief financial officer

During the year under review, Jowayne took over from Chantelle Ah Sing. He assisted the Board to protect and manage the Company's financial position with the assistance of the audit and risk committee.

He supervised and reviewed the financial statements to ensure they are fairly presented and contain the requisite disclosures. Jowayne 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 confirmed that the Company has, with consideration to all entities included in the consolidated Group IFRS financial statements, established appropriate financial reporting procedures and that those procedures are operating to ensure that it has access to all the financial information of the Company to allow AEEI to effectively prepare and report on the financial statements. (🖻 – *Principle 10*)

- Valentine Dzvova was appointed as the acting chief executive officer effective 12 March 2020 and took on the permanent role as of 1 July 2020.
- Jowayne van Wyk was an independent non-executive director and chairman of the audit and risk committee from September 2019 and took up the role of chief financial officer effective 1 August 2020.

Non-executive directors are given no fixed-term appointments and all directors are subject to retirement by rotation in terms of the Company's MOI.

Executive directors are subject to a 3-month notice period.

## WHO GOVERNS US

## **EXECUTIVE DIRECTORS**



Valentine Dzvova (37) Chief executive officer CA(SA), ACMA, CGMA (Charter Global Management Accountant), Certified Internal Auditor CA(SA), Postgraduate Diploma in Accounting and BCom Accounting Appointed: 12 March 2020\* **Board committees:** 





Jowavne van Wvk (34) Chief financial officer CA(SA), BAcc (Hons), BCom, SAICA Independent Reviewer Certificate Appointed: 1 August 2020\*\* **Board committees:** Investment committee Social, ethics and transformation committee





Appointed: 12 November 2012 Board committees: Remuneration committee Nominations committee Investment committee

Aziza Amod (58)

Non-executive chairperson

NON-EXECUTIVE DIRECTORS 🖻

😚 \$ 🛆 (1) 🕥 🕘 🏛

Willem Raubenheimer (61) Lead-independent non-executive director BCom (Hons), CA(SA) and Diploma in Forensic Accounting Appointed: 9 July 2020 **Board committees:** Audit and risk committee



Ismet Amod (64) Non-executive director Engineering

Social, ethics and transformation committee

> Gaamiem Colbie (31) Non-executive director

> > Accounting

Board committees:

Audit and risk committee

BTech Cost and Management Appointed: 30 August 2019

Remuneration committee Nominations committee Investment committee Bongikhaya Qama (43) Independent non-executive director Project Management: Finance for Non-Financial Managers Certificate; Customer Relations Certificate;

Facilitation and Data Management Certificate Appointed: 2 July 2020 **Board committees:** Social, ethics and transformation committee

(6) Asset management

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REMUNERATION COMMITTEE REPORT

# **EFFECTIVE CONTROL**

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In terms of our Memorandum of Incorporation (MOI) and Board Charter, the Board is responsible for the strategic direction and ultimately controls the Company.

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\*Previously acting chief executive office

\*\*Previously an independent non-executive director



National Diploma in Civil Appointed: 21 January 2019 Board committees: Audit and risk committee Remuneration committee Nominations committee

INTRODUCTION

GOVERNANCE

NOMINATION COMMITTEE REPORT

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COMMITTEE REPORT INVESTMENT

### PRESCRIBED OFFICER

Valentine Dzvova is the prescribed officer of the Company. The prescribed officer is required to perform her function and exercise her duties to the same standard of conduct applicable to all directors and is subject to the same liability provisions applied to directors.

She is not remunerated separately for this function.

### COMPANY SECRETARY

Damien Terblanche is the company secretary and is accountable to the Board.

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.
- Prepared Board packs and recorded detailed minutes of meetings.
- Ensured that Board and committee meetings and the AGM of the Company were conducted in a proper and orderly manner.
- 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.

### LEADERSHIP OF THE BOARD 🗟

The primary role of our chairperson is to provide leadership and to ensure that the Board functions effectively by providing guidance and overall leadership to the Board and the Company. The chairperson sets the tone for the Company's performance and undertakes the management thereof.

Our chairperson regularly engages with Board members:

- to ensure that they are fully involved in and informed of any business issues on which decisions have to be made;
- ensures that members exercise independent judgement and act objectively; and
- all relevant matters are placed on the agenda and prioritised accordingly for discussion at Board meetings.

Our chairperson engages with Board members both as a collective and separately with the non-executive directors through one-on-one meetings to maintain the collegiality amongst directors. She also ensures that executive members play an effective management role and participates fully in the operations, governance and ethics of the Company. She avails herself to the CEO and executive management between Board meetings to provide counsel and advice.

In the absence of the chairperson, our lead independent non-executive director leads the Board. He acts as an intermediary between the chairperson and other members of the Board, and if applicable will chair discussions and decision-making by the Board on matters where the chairperson has a conflict of interest. ( $\square$  – *Principle 7*)

# CUSTODIANS OF GOVERNANCE

### BOARD POWERS AND PROCEDURES 🖪

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

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

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

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

### APPOINTMENTS TO THE BOARD 🖪

As required by the terms of the Company's MOI, no director is appointed for life or for an indefinite period and the directors rotate in accordance with the provisions set out in the MOI. All directors retire from office provided that, if a director is appointed as an executive director or an employee of the Company in any other capacity, he/she shall not, while he/she holds that position or office, be subject to retirement by rotation and he/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/her duties effectively and is free from conflicts that cannot be managed satisfactorily. Should the nominations committee be of the view that a director is overcommitted or has an unmanageable conflict, the chairperson will meet with that director to discuss the resolution of the matter, to the satisfaction of the committee. (🖻 – *Principle 7*)

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

The Board is of the view that all non-executive directors exercise independent judgement at all times with respect to material decisions of the Board. ( $\hat{\mathbf{B}}$  - *Principle 8*)

2020 CORPORATE GOVERNANCE REPORT

INVESTMENT

### CHANGES TO THE BOARD

Mr Khalid Abdulla resigned as the chief executive officer effective 12 March 2020 to take up the position of deputy chairman within the Group. Mrs Valentine Dzvova was appointed as the acting chief executive officer effective 12 March 2020 and took up the permanent position on 1 July 2020.

Ms Moloboheng Mosia and Advocate Ngoako Ramatlhodi voluntarily elected to step down from the Board at the AGM of the Company, which was held on 16 April 2020.

With a focus on growing the Board's independence, Mr Bongikhaya Qama was appointed as an independent non-executive director effective 2 July 2020, and Mr Willem Raubenheimer was appointed as the lead independent non-executive chairman effective 9 July 2020, replacing Mr Jowayne van Wyk. Ms Chantelle Ah Sing resigned as the chief financial officer after a 10-year tenure with the Group on 31 July 2020 to pursue her higher education and other personal interests. Mr Jowayne van Wyk remained on the Board in an executive capacity as the chief financial officer, effective 1 August 2020.

The Board remains mindful of the possible loss of intellectual capital as a result of the resignations of the aforementioned long-standing executive directors. With a focus on our intellectual capital and maintaining our social and relationship capital, the Board sought to maintain some relationships in an advisory capacity, to ensure that we are able to draw on the wealth of experience and input when needed.

Following the changes to the Board during the year, we believe that we have the right team to guide the Company into the future. For more information regarding the current composition of the Board, refer to page 23 of this report.

### ETHICAL AND RESPONSIBLE LEADERSHIP 🗟

The Board assumes ultimate responsibility for the Group's ethical performance and adherence to human rights principles. The Board provides effective leadership based on the principled foundation and the Group subscribes to the highest ethical standards.

The continued enhancement of the Group's ethical culture remains top of mind through relevant Board committees and executive management, especially against the backdrop of various commissions of inquiry, backdrop of state capture, and corporate failures. In addition, due to material matters such as the impact of the Fourth Industrial Revolution, a challenging macroeconomic environment increases emphasis on treating stakeholders fairly and the fight against corruption. This responsibility is delegated to the executive management.

### OUR CUSTODIANS OF GOVERNANCE

The Board is constituted in terms of the Company's MOI and in line with King IV™.

Board members accept responsibility as custodians of governance within the Group. The Board members bring diversity to Board deliberations and create sustained value by constructively challenging management. The Board members diversity statistics are set out on page 15. The composition of the reconstituted Board post the changes are reflected on page 23.

### RESPONSIBILITIES OF THE BOARD 🗟

### ROLES AND RESPONSIBILITIES

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

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

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

### Decision-making

The Board believes that the Board papers, which accompany the agenda, provide the directors with the relevant information needed to apply their independent mind to matters, and to discharge their statutory and fiduciary duties.

The Board is involved in the decision-making of its subsidiaries on material matters and is satisfied that its delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities. ( $\mathbf{B}$  - *Principle 1, 2, 3 and 16*)



INVESTMENT

### Communication

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

### Regulatory

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

- The Diversity at Board Level Policy was adopted and supersedes the Race and Diversity Policy;
- The following Charters and Policies were updated to take into account legislative changes:
- The audit and risk committee charter;
  - The social, ethics and transformation charter; and
- The Dividend Policy.

### OBJECTIVES OF THE BOARD

The Board is the principal decision-maker and is supported by various committees and the executive management team. Board members accept responsibility as custodians of governance within the Group. The Board members bring diversity to board deliberations and create sustained value by constructively challenging management.

The Board is the principal decision-maker and is supported by various committees and the executive management team. Board members accept responsibility as custodians of governance within the Group. The Board members bring diversity to Board deliberations and create sustained value by constructively challenging management.

### Leadership, ethics and corporate governance

The Board sets the tone to lead the Group ethically, responsibly and effectively. This ensures that Board members act independently in terms of decision-making, competence, diligence and inclusivity with the necessary awareness and insight. The Board ensures that the Group plays a pivotal role in society. (B - Principles 1-3)

### Governance areas

The Board provides leadership and vision to the Group to sustain growth and delivery on our strategic focus areas and purpose for all stakeholders. (🖻 - *Principles 11-15*)

### Governing structures and delegation

### Strategy, performance and reporting

The Board takes responsibility and accountability for the performance of the Group. It also supports the Group in setting its purpose and achieving its strategic objectives. (🖻 – *Principles 4–5*)

### Stakeholder relationships

The Board ensures a stakeholder inclusive approach. (🖻 - Principles 16-17)

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

As recommended in King IV™, the Boards works to fulfil its primary governing roles and responsibilities, namely to:

- approve policy and planning; and
- provide oversight and monitoring

The Board has committed to fulfilling the following responsibilities:

- Delegate the management of the Group to the executive management team.
- Ensure compliance with appropriate legislation (including regulations), and appropriate best practices.
- Govern disclosures in order that stakeholders can assess the performance of the Group effectively.
- Ensure that a robust strategy is in place and executed by management.
- Oversee the management of technology and information.
- Oversee the risk management function.
- Protect the interests of the Group's stakeholders and ensure responsible, fair and transparent employee practices.

### BOARD COMPOSITION AND SKILLS

The Board comprises an appropriate balance of knowledge, skills, experience, diversity and independence to discharge their duties effectively and objectively.

### KNOWLEDGE, SKILLS AND EXPERIENCE

A well-diversified Board adds value to the Group.

The Board determines the required composition of skills in response to the rapidly changing environment. Having the appropriate mix of skills and experience ensures that the Board is well equipped to guide the Company's strategy and creating value.

### BOARD SKILLS REQUIRED

During the year, the chairperson led a review of the Board's composition, with a specific focus on diversity, skills, experience and expertise, having regard to the Company's strategy, purpose, changing external environment and future prospects.

The analysis revealed potential areas where Board skills can be enhanced, which will be addressed in the year ahead. These areas of expertise will be addressed through suitable training in due course.

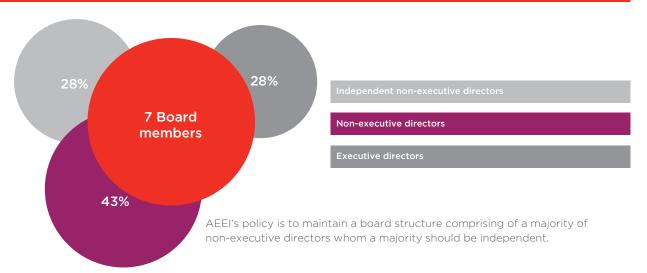
### INDEPENDENCE 🖻

Protecting the interest of all shareholders.

The majority of Board members are non-executive directors.

Non-executive directors bring independent judgement and experience to the Board's deliberations and decisions, with the structure of the Board ensuring that no one individual or group of individuals has unfettered powers of decision-making.

### EXECUTIVE AND NON-EXECUTIVE DIRECTORS %



# REMUNERATION COMMITTEE REPORT

# BOARD DIVERSITY

AEEI is committed to promoting diversity at Board level. We remain transformed and continue to meet our diversity targets. In line with the JSE Listings Requirements and King IV<sup>™</sup>, the Board replaced its Race and Gender Diversity Policy with a Diversity Policy which is more inclusive and can be requested from the company secretary. This policy was adopted on 11 June 2020.

### DIVERSITY AT BOARD LEVEL - POLICY STATEMENT

The Company believes that the promotion of broader diversity at Board level maximises opportunities to achieve its business goals through an informed understanding of the diverse environments in which we operate. A truly diverse Board will include, and make good use of differences in age, gender, race, culture, field of knowledge, skills and experience and other distinctions between directors. These differences will be considered in determining the optimum composition of the Board and when possible, should be balanced appropriately.

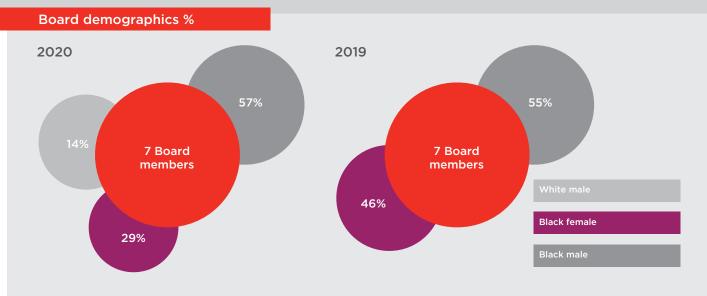
Non-executive directors bring independent judgement and experience to the Board's deliberations and decisions, with the structure of the Board ensuring that no one individual or group of individuals has unfettered powers of decision-making. The selection of Board members is made on merit, in the context of the skills, experience, independence and knowledge, which the Board as a whole requires to be effective.

A copy of the policy may be viewed at the Company's head office or requested from the company secretary, Damien Terblanche – damien@aeei.co.za.

The results of our diversity are listed below:

### Promotion of Diversity at Board Level %

2020 %	2019 %	
86	100	Voting rights of black board members
29	43	Voting rights of black women board members
100	100	Black executive members
50	100	Black women executive members
43	43	Black independent non-executive board members

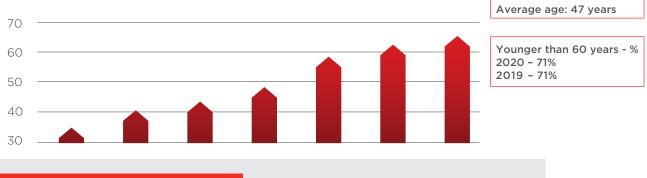


AEEI's policy – Considers and promotes the validity of the voluntary diversity targets having due regard for the demographics of South Africa and the Group's customer profile. In considering new appointments, the nominations committee considers the Board's current composition in respect of the voluntary diversity targets as well as gaps identified in the Board's fields of knowledge, skills and experience.

20

### BOARD TENURE AND EXPERIENCE Executive and non-executive directors' ages

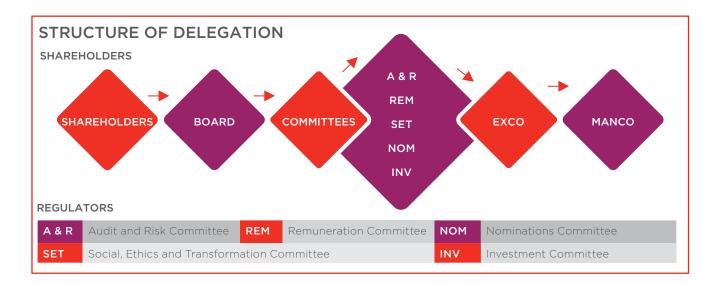
### AGE (YEARS)



### Non-executive time on the Board

<1YEAR	4
1-3 YEARS	2
5-8 YEARS	1

AEEI's policy – Non-executive directors must retire by rotation at the AGM or after nine years of being on the Board as a non-executive director. The staggered rotation of members ensures the introduction of new expertise and perspectives, retaining valuable industry knowledge, skills and experience while maintaining continuity.



INVESTMENT

### COMMITTEES

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

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

- Executive committee
- Nominations committee 🛢
- Audit and risk committee 🛢
- Remuneration committee 🛢
- Social, ethics and transformation committee 🛢

### STATUTORY DUTIES

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

### TERMS OF REFERENCE

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

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

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

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

# EVALUATION OF THE BOARD, COMMITTEES AND INDIVIDUAL DIRECTORS

Ever-changing challenges facing companies make it essential to look at the agenda of the Board to ensure that it stays aligned with good governance and ethics, and also meets current needs, best practices and matters of strategic importance. The independence of directors and their other commitments are also evaluated.

The Board and committees were evaluated during the year. With regards to the findings, it was concluded that the Board and committees operate efficiently, openly and transparently, and there is a productive level of discussion between members and attendees. The evaluation revealed some areas for improvement, which will be addressed appropriately.

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

2020 CORPORATE GOVERNANCE REPORT

ares

### CORPORATE CODE OF ETHICS AND CODE OF CONDUCT 🗟

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

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

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

In executing its responsibilities, the social, ethics and transformation committee considered and monitored the Group's activities, having regard to legislation, human rights and prevailing practice in matters relating to social and economic development, including compliance with the 10 principles of the UN Global Compact and labour and employment activities. All directors and employees are aware of the Code of Ethics and Code of Conduct, which are maintained throughout the Group. Through The Way We Work Policy, the Group subscribes to a code of ethical and moral behaviour that requires total transparency for all stakeholders. AEEI prides itself on fairness and honesty and is intolerant of theft and dishonesty. ((**B** - *Principles 1, 2, 3 and 16*)

### **REPORTING UNETHICAL BEHAVIOUR**

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

# CREATING SHARED VALUE FOR SUSTAINABLE OUTCOMES

The Company creates value for its stakeholders through an innovative and sustainable business model, concise strategy, a diverse product portfolio and through our subsidiaries, associates and strategic investments – all complemented by our experienced and empowered leadership team that focuses on our communities and stakeholder wealth creation.

Our Board is aware of its growing role in innovation governance and the strategic importance of innovation to create sustainable value.

TM

### VALUE-CREATING GOVERNANCE PROCESSES Primary governance roles and collective responsibility

THE BOARD OF DIRECTORS Is the custodian of governance Ensures structures of delegation Provides ethical and effective leadership Ensures compliance with applicable laws, regulations and governance practices

#### INPUTS

Monitors strategy, performance and risk Overall accountability for the Company Monitoring and reviewing policies and procedures Oversight of the business

### OUTCOMES

Ensuring sound governance principles Investing in a prosperous society Responsible services and products to our clients Promoting environmental responsibility Achievement of the value drivers for all our stakeholders Results in King IV™ governance outcomes

#### OUTPUTS

Monitors the Company's strategy and performance Focus on the Company's efforts in terms of society and the environment

INVESTMENT

### BOARD EFFECTIVENESS

At present, AEEI has seven Board members. The size gives the Board adequate membership for its five committees while maintaining adequate levels of independence. It also ensures the Board and management the capacity and time to guide the Group's strategy. 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 practice and matters of strategic importance.

Our Board and committees are monitored annually for effectiveness and transparency. The internal valuations of the Board and committees are done annually. Decisions are reviewed for the value that they add to the Company. 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.

# LEADING FROM THE TOP DOWN 🖻

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

### **BOARD ACTIVITIES IN 2020**

The Board uses its quarterly meetings as a mechanism for discharging its duties in terms of the JSE Listings Requirements, Companies Act and King IV™, as well as monitoring the strategic direction and the Company's approach to risk management.

### Performance against strategic objectives

At each Board meeting, the CEO provides an update on the progress made against the Company's strategic objectives.

### Board committee updates

The chairs of the various Board committees provide verbal reports to the Board regarding the actions of their respective committees as well as the material matters arising from their latest meetings.

### Corporate reports

Based on the corporate reports, the Board oversees and monitors the Company's performance.

During the year, the Board and its various committees discussed, monitored and oversaw the Company's performance and key strategic initiatives.

### TIMELINE

SEPTEMBER TO DECEMBER 2019	JANUARY TO APRIL 2020	MAY TO AUGUST 2020
<ul> <li>Approved the annual financial statements and final dividend</li> <li>Approved the 2019 integrated report</li> <li>Approved online suite of reports</li> <li>Appointed new Board members</li> <li>Discussed the reappointment of the external auditors</li> </ul>	<ul> <li>Held the AGM</li> <li>Appointment of external auditors</li> <li>Resignation of Board members</li> <li>Appointment of Board members</li> <li>Discussed the impact of COVID-19 on the business</li> <li>Discussed and approved the updated strategy</li> </ul>	<ul> <li>Approved interim results and dividend declaration</li> <li>Potential dilution of AEEI's shareholding in Bowwood and Main No 180 (Pty) Ltd</li> <li>Trading statement and restatement of prior period interim results</li> <li>Appointment of new Board members</li> <li>Reconstitution of committee members</li> <li>Approved the 2021 budget</li> </ul>

### OUR APPROACH TO 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.

### CONFLICTS OF INTEREST 🗟

Directors may accept other Board appointments provided that any potential conflicts are considered, disclosed appropriately and managed, and that the appointments do not conflict with the Group and/or adversely affect the director's duties. Any proposed Board appointment must be agreed with the chairperson prior to the director accepting such appointment.

Directors and officers are also required to inform the Board timeously of conflicts, or potential conflicts of interest that they may have in relation to particular items of business or other directorships. At the start of each Board meeting, the chairperson requests Board members to declare any actual and/or potential conflict of interest with matters to be considered at that meeting. A register of directors' interests in and outside the Company are maintained and signed by the relevant director.

A director or prescribed officer is prohibited from using their position or confidential price-sensitive information to benefit themselves or any related third party.

### POLICY ON TRADING IN COMPANY SECURITIES

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

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

### DEALING IN COMPANY SHARES

In terms of the JSE Listings Requirements, directors, officers and employees of the Company are not permitted to trade in the shares of the Company during closed periods, which commence at the end of the first six months of the financial year (end February) and financial year-end (end August) and upon publication of the relevant results and during periods when the Company is trading under a cautionary announcement. The company secretary disseminates written notices to all directors and senior management informing them that it is prohibited to deal in AEEI shares during closed periods.

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

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

### **INTERNAL POLICIES**

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

### ANNUAL FINANCIAL STATEMENTS 🗟

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

AEEI's financial statements are based on appropriate accounting policies as set out in the notes to the financial statements and are supported by reasonable and prudent significant judgements and estimates. The external auditors are responsible for considering internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control systems.

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

REMUNERATION COMMITTEE REPORT

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

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

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

The external auditors offered reasonable, but not absolute, assurance of the fair presentation of the financial statements as a whole are free from material misstatement, whether due to fraud or error. Refer to the external audit report in the full annual financial statements. AEEI's management is responsible for the preparation of the financial statements. ((B – *Principle 15*)

### ENGAGING WITH OUR STAKEHOLDERS 🗟

Our stakeholder engagement is governed by the recommendations of King IV<sup>™</sup>. 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. Engaging with stakeholders is decentralised and forms part of the operations of our various business units. Each business unit is required to report regularly on its stakeholder engagements.

The role, responsibilities and focus areas for the year are comprehensively addressed on pages 28 to 35 of the integrated report – Building value relationships with our stakeholders (🖻 – Principle 16)

### REPORTING TO STAKEHOLDERS ON STRATEGY AND PERFORMANCE 🗟

AEEI appreciates the role and support 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. For the year in review, we built and maintained trust and respect with our various stakeholders, thus ensuring a positive impact on our reputation.

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

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

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

### COMMUNICATION

AEEI's primary emphasis is to protect its reputation by managing the Company's relationships with its stakeholders.

The Group subscribes to a policy of full, accurate and consistent communication with regards 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 and annual financial statements deals adequately with disclosures relating to financial statements, auditors' responsibility, accounting records, internal controls, risk management, accounting policies, adherence to accounting standards, going concern issues, as well as the Group's adherence to established codes of governance.

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

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

### 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.* (**B** – *Principle 3*)



### **BOARD COMMITTEES**

	Name Shareholding	Designation Major directorships	NOM	A&R	REM	SET	INV
		Terms of reference	Yes	Yes	Yes	Yes	Yes
ITIVE	Valentine Dzvova	Chief executive officer					
EXECUTIVE	Jowayne van Wyk	Chief financial officer				***	
TORS	Aziza Amod	Non-executive chairperson	-		-		***
DIRECTORS	Willem Raubenheimer #	Lead independent non-executive director					
	Bongikhaya Qama #	Independent non-executive director				***	
NON-EXECUTIVE	Ismet Amod #	Non-executive director				-	
Gaamiem Colbie		Non-executive director	-				
•	Chairman	Committee	member				

INVITEES										
NOM	A&R	REM	SET	INV						
Executive management team	Internal auditor External auditor Executive management team Consultant	Executive management team Consultant	Executive management team Human resources Corporate affairs	Executive management team						

# Standing for election/re-election at the Company's next AGM on 25 February 2021.

#### NOM Nominations Committee

- A&R Audit and Risk Committee
- REM **Remuneration Committee**
- SET Social, Ethics and Transformation Committee
- INV Investment Committee

The Nominations Committee is mandated to make judgements on whether directors are overcommitted in terms of board positions. This enables directors and executives to meet their commitments and effectively discharge their duties. GOVERNANCE

INTRODUCTION

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SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

INVESTMENT COMMITTEE REPORT

### OVERVIEW OF OUR COMMITTEES

	Board of dire	ctors – chairperson – Mr	s Aziza Amod	
Audit and risk committee	Remuneration committee	Social, ethics and transformation committee	Nominations committee	Investment committee
<b>Chairman:</b> Mr Willem Raubenheimer	<b>Chairperson:</b> Mrs Aziza Amod	<b>Chairperson:</b> Mr Ismet Amod	<b>Chairperson:</b> Mrs Aziza Amod	Chairperson: Mr Gaamiem Colbie
The audit and risk committee's primary purpose is: • to ensure the integrity of the financial statements; • to oversee the effectiveness of the internal financial controls; and • the internal and external audit function. To assist the Board in: • carrying out its duties relating to accounting policies; • internal controls; • financial reporting practices; and • the identification of significant risk exposure. Due to the changes in the Board during the year, the committee was reconstituted and consists of three non-executive directors, all of whom have the requisite business acumen and experience as well as financial skills to fulfil the committee's duties. Messrs Willem Raubenheimer, Ismet Amod and Gaamiem Colbie were appointed during the year and Mrs Aziza Amod and Advocate Dr Ngoako Ramatlhodi resigned from the committee.	The committee was established: • to assist the Board with the monitoring of the Group's remuneration practices; and • perform the statutory functions as required in terms of King IV <sup>™</sup> , the JSE Listings Requirements and the Companies Act. The remuneration committee's main purpose is: • to implement the guiding principles in the application of remuneration governance, practices and policies; • to ensure that the Group remunerates fairly, responsibly and transparently; • to promote the achievement of the strategic objectives; and • to effect a positive outcome in the short-, medium- and long-term. The committee was tasked by the Board to oversee: • the implementation of the remuneration policy; • enabling it to achieve the Group's strategic objectives;	The social, ethics and transformation committee is: committed to sustainable development; is therefore responsible for ensuring that the Group conducts its operations in an ethical manner; and that it 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;	The nominations committee is: • the custodian of appointments to the Board; and • assists the Board in identifying suitable candidates for appointment for election by the shareholders at the AGM. During the year, significant changes were made to the Board with the most notable being: • the appointment of four new directors, two of whom are executive directors; • making a selection based on merit in terms of their independence, skillset, experience and knowledge; • ensuring the process involved all facets of a broader diversity, with the appropriate balance of skills and knowledge relevant to the Group; • meeting the requirements as set out in the MOI as well as regulatory requirements; and • assessing the size and structure of the Board to ensure its ability to execute its duties effectively.	The committee has an independent role: • operating as an overseer; • making recommendations to the Board for its consideration and final approval in terms of investment opportunities; and • ensuring that investments are strategic fit with synergistic benefits to the current level of return, with a reasonable payback period based on the specific industry. Due to the changes in the Board during the year, the committee was reconstituted, is well balanced and has the relevant expertise to fulfil its duties. The committee comprises of two non-executive directors and one executive director. Mrs Aziza Amod, and Messrs Ismet Amod and Gaamiem Colbie were appointed during the year under review. Mr Khalid Abdulla and Advocate Dr Ngoako Ramatlhodi resigned during the year.

### Overview of our committees continued

Board of directors - chairperson - Mrs Aziza Amod										
Audit and risk committee	Remuneration committee	Social, ethics and transformation committee	Nominations committee							
<b>Chairman:</b> Mr Willem Raubenheimer	Chairperson: Mrs Aziza Amod	<b>Chairperson:</b> Mr Ismet Amod	<b>Chairperson:</b> Mrs Aziza Amod							
<ul> <li>Risk management</li> <li>The Board has delegated the management of risk to the audit and risk committee.</li> <li>The Board is committed to effective risk management in pursuit of the Group's strategic objectives with the aim of growing shareholder value sustainably.</li> <li>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.</li> <li>Compliance</li> <li>The committee is responsible for reviewing the compliance with legal, regulatory, code and other standards and continually monitors the implementation process.</li> <li>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.</li> </ul>	<ul> <li>market-related yet affordable performance linked rewards; and</li> <li>to ensure balanced and transparent outcomes that align with shareholder interests over the short- and long-term.</li> <li>Due to the changes in the Board during the year, the committee was reconstituted. The committee comprises three non-executive directors. Mrs Aziza Amod, Mr Ismet Amod and Mr Gaamiem Colbie was appointed during the year under review. Advocate Dr Ngoako Ramatlhodi resigned during the year.</li> <li>The committee is satisfied that is has fulfilled all its statutory duties assigned by the Board.</li> </ul>	<ul> <li>to measure the Company in terms of compliance with the Department of Trade and Industry's Code of Good Practice;</li> <li>the JSE Listings Requirements;</li> <li>the B-BBEE Commission requirements;</li> <li>all labour legislation;</li> <li>transformation;</li> <li>oversight of the Group's corporate social investments and social and economic development programmes; and</li> <li>tabled a report including the election of members in the Notice of AGM for approval at the next shareholders meeting.</li> </ul>	On 17 October 2019, BDO South Africa Inc. advised that they would not be seeking re-appointment as the auditors of the Company and its subsidiaries at the next AGM of the Company. The Company engaged in a tender process for the appointment of auditors and Crowe JHB (Crowe), a member of Crowe Global, and THAWT Inc. were appointed as the Company's joint external auditors effective 4 May 2020. Due to the changes in the Board during the year, the committee was reconstituted. The committee comprises three non-executive directors. Mrs Aziza Amod, Mr Ismet Amod and Mr Gaamiem Colbie were appointed during the year under review.							

CUSTODIANS OF GOVERNANCE

### Overview of our committees continued

Board of directors – chairperson – Mrs Aziza Amod										
Audit and risk committee	Social, ethics and transformation committee	Nominations committee								
<b>Chairman:</b> Mr Willem Raubenheimer	<b>Chairperson:</b> Mr Ismet Amod	<b>Chairperson:</b> Mrs Aziza Amod								
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 thefinance function have the appropriate expertise and experience and are adequately resourced. The audit and risk committee is responsible for the oversight of risk management technology and information. <b>Group internal auditor</b> The Group internal auditor performs an independent function. The primary objective of this role is to provide independent objective assurance and consulting on the adequacy and effectiveness of the Group's systems of governance, risk management and internal controls. The Group internal auditor reports functionally to the audit and risk committee.	Due to the changes in the Board during the year, the committee was reconstituted, is well balanced and has the relevant expertise to fulfil its duties. The committee comprises of two non-executive directors and one executive director. Mr Ismet Amod and Messrs Gaamiem Colbie and Bongikhaya Qama were appointed during the year under review. Ms Chantelle Ah Sing and Advocate Dr Ngoako Ramatlhodi resigned during the year. For the year under review, the committee was satisfied that it had fulfilled all its mandate as prescribed by the Companies Regulations to the Companies Act and other statutory obligations assigned by the Board in terms of the Board-approved charter and that there are no instances of non-compliance. The chairman of the social, ethics and transformation committee reports to the Board on the activities of the committee at each Board meeting.	<ul> <li>Mrs Valentine Dzvova was appointed as acting chief executive effective 12 March 2020 and took up the permanent role on 1 July 2020 Messrs Bongikhaya Qama and Willem Raubenheimer were appointed as non-executive directors on 2 and 9 July 2020, respectively. Mr Jowayne van Wyk was appointed as the chief financial officer on 1 August 2020.</li> </ul>								

The role, responsibilities and focus areas for the year under review for each committee are comprehensively addressed in the full corporate governance report, available on www.aeei.co.za. The full remuneration report can also be found on pages 45 to 51.

# REMUNERATION COMMITTEE REPORT

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

> INVESTMENT COMMITTEE REPORT

### BOARD AND COMMITTEE ATTENDANCE

	BOARD	A & R	REM	SET	NOM	INV
Total number of meetings	3	3	2	2	4	3
A Amod	3		2		4	3
V Dzvova	2					2
J van Wyk	1	2*		2		2
I Amod	3	3	1	2	4	
G Colbie	3	3	2		4	3
B Qama	1			2		
W Raubenheimer	1	1				

### COMMITTEE APPOINTMENTS DURING THE YEAR

- \*J van Wyk was the chairman of the audit and risk committee until the appointment of W Raubenheimer and also chaired the investment committee until 11 August 2020.
- W Raubenheimer was appointed to the audit and risk committee on 9 July 2020.
- J van Wyk was appointed to the social, ethics and transformation committee on 6 August 2020.
- I Amod was appointed to the remuneration and the social, ethics and transformation committees on 6 August 2020.
- B Qama was appointed to the social ethics and transformation committee on 6 August 2020.
- V Dzvova was appointed to the investment committee on 6 August 2020.
- G Colbie was appointed as the chairman of the investment committee on 11 August 2020.

# ATTENDANCE

All directors attended 100% of the meetings of the Board and the committees on which they served during the 2020 financial year. Board and committee meetings were held in line with the Group's financial reporting cycle.

~								
13								
20								
27								

July						August										
			Μ	т	W	т	F	S	S	М	Т	W	Т	F	S	S
						1		3	4							1
12	13			6				10	11	2	3	4	5	6		
19			12	13	14	15	16	17	18	9	10	11	12	13	14	15
26			19		21	22	23	24	25	16	17	18	19		21	22
			26		28					23	24	25	26	27	28	29
										30	31					

	November				December											
S	S		М	т	W	т	F	S	S	М	т	W	т	F	S	S
2	3		1	2	3	4	5	6	7			1	2	3	4	5
9	10		8	9	10	11	12	13	14	6	7	8	9	10	11	12
16	17		15	16	17	18	19	20	21	13	14	15	16	17	18	19
23	24		22	23	24	25	26	27	28	20	21	22	23	24	25	26
30	31		29	30						27	28	29	30	31		







020 CORPORATE GOVERNANCE REPO



Dear Stakeholder

As the chairperson of the nominations committee, it is my pleasure to report on the activities of the committee during the year.

The nominations committee consists of three non-executive directors, all of whom have the prerequisite skills. The CEO attends the committee meetings by invitation.

### The committee is composed of the following members:

Name	Role	Meeting attendance
Aziza Amod	Chairperson	4/4
Gaamiem Colbie	Non-executive director	4/4
Ismet Amod	Non-executive director	4/4

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

In reviewing the Board composition, the committee considered the benefits of all aspects of diversity to enable it to discharge its duties and responsibilities effectively. In identifying suitable candidates for appointment to the Board, the committee considers candidates on merit against objective criteria and with due regard to the benefits of a broader diversity on the Board. Our aim is to target a Board size and composition that promotes independence, skills, accountability and encourages constructive decision-making to execute its duties effectively as well as meeting regulatory requirements.

### REPORT OF THE NOMINATIONS COMMITTEE

During the year under review, the committee assisted the Board with identifying suitable candidates for appointment to the Board and for election by shareholders. The committee considered the balance, skills, experience and the diversity of the future Board members as well as other factors relevant to its effectiveness to ensure that the Board has the appropriate composition in terms of structure, size and independence for it to execute its duties effectively through a formal and transparent process.

Significant changes were made to the Board during the year, with the most notable being:

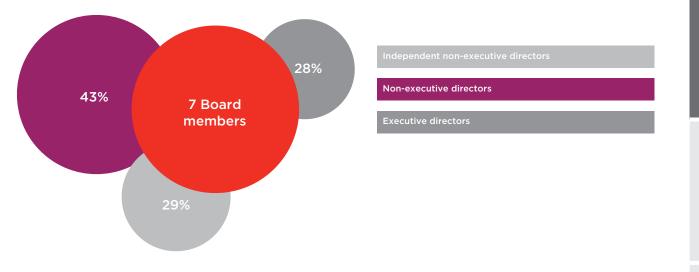
- Mr Khalid Abdulla stepped down as the CEO and member of the investment committee effective 12 March 2020;
- Mrs Valentine Dzvova was appointed as the acting CEO effective 12 March 2020;
- Advocate Dr Ngoako Ramatlhodi did not avail himself for re-election at the AGM held on 16 April 2020;
- Ms Moloboheng Mosia did not avail herself for re-election at the AGM held on 16 April 2020;
- Mrs Valentine Dzvova was appointed as the permanent CEO effective 1 July 2020 and a member of the investment committee effective 6 August 2020;
- Mr Bongikhaya Qama was appointed to the Board as a non-executive director effective 2 July 2020;
- Ms Chantelle Ah Sing resigned as the CFO and member of the social, ethics and transformation committee effective 31 July 2020;
- Mr Willem Raubenheimer was appointed to the Board as a lead independent non-executive director effective 9 July 2020; and
- Mr Jowayne van Wyk resigned from his position as a non-executive director and was appointed as the CFO effective 1 August 2020.

INVESTMENT

Due to the changes in the Board, the committees were reconstituted, and the following changes took place:

- Mr Jowayne van Wyk resigned from his position as a chairman of the audit and risk committee effective 9 July 2020;
- Mr Gaamiem Colbie was appointed as the acting chairman of the audit and risk committee effective 30 June 2020;
- Mr Willem Raubenheimer was appointed as the chairman of the audit and risk committee effective 9 July 2020 and Mr Ismet Amod as a member effective 6 August 2020;
- Mr Ismet Amod was appointed as the chairman of the social, ethics and transformation committee with Mr Bongikhaya Qama and Mr Jowayne van Wyk as members effective 6 August 2020;
- Mrs Valentine Dzvova and Mr Jowayne van Wyk were appointed as a members of the investment committee effective 6 August 2020; and
- Mr G Colbie was appointed as the chairman of the investment committee effective 11 August 2020.

The policy is to maintain a Board structure comprising a majority of non-executive directors of whom a majority should be independent. The current Board comprises seven members of which five are non-executive directors, and two executive directors. The committee is satisfied with the current composition in terms of diversity, age, skills and experience.



The committee conducted the following during the year:

- Identified suitable members in terms of a broader diversity for appointment to the Board;
- Performed reference and background checks of candidates, who were independently investigated and their qualifications independently verified prior to nomination;
- Formalised the appointment of directors through an agreement between the Company and the director;
- Offered professional development programmes for directors;
- Provided regular briefings on changes in regulatory compliance, risks, laws and the environment in which the Company operates;
- Developed formal succession plans for the Board, chairperson, CEO and executive management;
- Evaluated the performance of the chairperson and the Board and confirmed their performance in terms of independence, balance of power, fiduciary duties, ethical leadership, corporate governance and the effective discharge of their duties;
- Reviewed the reappointment of directors with regard to retirements due to rotation on the basis of that member's performance, including attendance at Board and committee meetings;
- Ensured that a brief professional profile of each candidate standing for election at the AGM, including details of professional commitments, accompanied the notice of the AGM, together with a statement from the Board confirming its support for each candidate's election or re-election;
- Ensured regular briefings on legal and corporate governance developments and risk and changes in the external environment of the organisation; and
- Adopted a Broader Diversity Policy which supersedes the Gender and Race Diversity Policy.

The chairperson of the committee reports to the Board on the activities of the committee at each Board meeting. For the year under review, the committee is satisfied that it has fulfilled its statutory duties assigned by the Board.

Mrs Aziza Amod Nominations committee chairperson





Dear Stakeholder

As the chairman of the audit and risk committee, it is my pleasure to present my first report on the activities on behalf of the committee during the year under review as recommended by the JSE Listings Requirements, Companies Act and King IV<sup>™</sup>.

During the year under review, I took over the role of chairman from Mr Jowayne van Wyk. The committee was reconstituted during the financial year and consists of three non-executive directors, whom have the requisite financial experience, business acumen and necessary experience to fulfil the committee's duties. The independent external auditors, executive management, internal auditor and an independent consultant attended the meetings by invitation.

The audit and risk committee is composed of a statutory committee of the Board of directors in respect of its statutory duties in terms of section 94(7) of the Companies Act, and a committee of the Board in respect of all other duties assigned to it by the Board.

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

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

The external and internal auditors had unrestricted access to the audit and risk committee and attended all the committee meetings by invitation during the year ended 31 August 2020. Detailed reports were presented by the internal and external auditors. The chairman of the audit and risk committee reported on the findings at the Board meetings.

### Audit and risk committee charter

The audit and risk committee has a formal audit and risk charter which is subject to the provisions of the JSE Listings Requirements, Companies Act, the MOI, King IV<sup>™</sup> and other applicable law and regulatory provisions with formal rules governing the services provided by the external auditors in terms of systems and processes.

### REPORT OF THE AUDIT AND RISK COMMITTEE

### Composition of the committee

For the period under review the committee was composed of the following members:

Name	Role	Meeting attendance			
Jowayne van Wyk	*Chairman	2/2			
Willem Raubenheimer	Chairperson	1/1			
Gaamiem Colbie	Non-executive director	3/3			
Ismet Amod	Non-executive director	3/3			

\*Jowayne van Wyk was a non-executive and the chairman of the committee until 9 July 2020 and attended all meetings during his tenure.

COMMITTEE REPORT

INVESTMENT

Impact of the COVID-19 pandemic Due to the recent COVID-19 pandemic, markets across the globe have been severely impacted due to restrictive measures implemented by governments worldwide. The subsidiaries in the Group took the necessary precautionary measures to

cybersecurity and governance compliance, to ensure that risk management was applied appropriately.

4 May 2020. The appointment of the auditors will be voted on by shareholders at the next AGM of the Company.

implemented by governments worldwide. The subsidiaries in the Group took the necessary precautionary measures to ensure the sustainability of their businesses by reviewing and updating their cash flow forecasts and implemented costcutting measures to curtail any future losses and to sustain the businesses through the lockdown and national disaster period. Further business decisions were taken to mitigate any risks that arose from the force majeure event to enable the Group and its subsidiaries to remain sustainable. The Group continues to monitor and make progress in responding to the evolving COVID-19 pandemic and the primary focus is on the health and safety of our employees and providing support to our stakeholders. Certain measures have been taken to mitigate the risk impact on operations as disclosed on SENS in the Provisional reviewed condensed consolidated annual financial results for the year ended 31 August 2020.

During the year under review, the external auditors, BDO South Africa Inc., advised that they would not avail themselves for re-election at the AGM and that their resignation would be effective 30 April 2020. The Company went through a process of consultations with audit firms and Crowe JHB and THAWT Inc. were appointed as the Company's joint auditors effective

The committee reviewed all significant risks and challenges and assessed the adequacy of internal controls and the combined assurance delivered over the identified risks. We monitored the effectiveness of the control environment through reviewing reports from management, the external auditors and internal audit and ensured the quality of financial reporting by reviewing the 2020 interim financial results and the 2020 annual financial statements. We also reviewed the impact of the Company's medium- to long-term strategy against pertinent factors of technology and communication, including

### In the execution of its duties, the committee reviewed the following:

- The independence, appointment and remuneration of the external auditors and the audit process.
- Internal financial controls and systems are monitored through the internal auditors and external audit findings, and the action taken by management from the significant findings.
- The effectiveness of risk management and controls through the evaluation of the risk management report and Group risk register.
- The quality and integrity of the integrated report, including the annual financial and interim statements and public announcements in respect of the financial results.
- The effectiveness of the internal audit function, by monitoring the scope and execution of its audit plan, independence, skills, staffing and overall performance.
- Sustainability and environmental issues.
- Governance compliance.

In the conduct of its duties and in accordance with paragraph 3.8(g) of the JSE Listings Requirements and section 94 of the Companies Act, the committee:

- monitored the transition and onboarding of the newly appointed external auditors Crowe JHB and THAWT Inc.;
- recommended to shareholders the appointment of the external auditors for the 2020 financial year;
- considered the separate information about Crowe JHB and THAWT Inc., the receiving audit firms, as the Company is appointing them for the first year;
- ensured that the appointment of the external auditors complied with the Companies Act;
- satisfied itself that the external auditors are independent of AEEI, as set out in section 94(8) of the Companies Act and considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements;
- considered and approved the external audit plan, related scope of work and fees for the year ending 31 August 2020;
- approved the amended Audit and Risk Committee Charter taking into account the latest regulatory requirements;
- recommended to the Board, the interim and preliminary announcements of results, interim reports, trading statements and approved the restatement of the prior year's interim results;
- reviewed the annual financial statements of the Company, the Group and its subsidiaries and considered the audit report and findings, together with combined assurance from management and the external auditors, and recommended it for approval by the Board;
- reviewed the disclosure within the integrated report and reports to shareholders, taking into account all factors and risks
  that may impact on the integrity of the integrated report, including factors that may predispose management to present
  a misleading picture, significant judgements and reporting decisions made, monitoring of enforcement actions by a
  regulatory body, any evidence that brings into question previously published information, forward-looking statements
  or information;
- considered concerns regarding accounting practices and internal audit matters;
- continued to oversee the Group's top 10 risks and its strategy, to ensure that the Group manages its risks in an optimal manner;
- monitored and challenged, where appropriate, actions taken by management regarding adverse internal-audit findings;



- approved, reviewed and evaluated the adequacy and efficacy of the risk policies, procedures and controls applied in the day-to-day management of the business;
- reviewed and approved the response to the JSE's investigations letter received on 19 May 2020 relating to clarity around the restatement of AYO Technology Solutions Ltd in the 2018 period and the restatement of the investment in British Telecommunication Services South Africa (Pty) Ltd, as well as adjustments made in the change statement;
- obtained assurance from the external auditors that adequate accounting records are being maintained;
- approved non-audit services when required for tax opinions and any independent internal quality assurance reviews related to the internal auditor's operational audits;
- evaluated the independence, effectiveness and performance of the internal auditor and compliance with its charter;
- confirmed that the Company has, with consideration to all entities included in the consolidated Group IFRS financial statements, established appropriate financial reporting procedures and that these procedures are operating to ensure that it has access to all the financial information of AEEI to allow AEEI to effectively prepare and report on the financial statements;
- adopted the audit and risk committee's obligations in terms of paragraph 3.84(g) of the JSE Listings Requirements letter dated 24 July 2020; and
- adopted the newly effective IFRS 16 Leases which replaces IAS 17 requirements retrospectively from 1 September 2019.

### FOCUS FOR 2021 AND BEYOND

- monitor the continuing implementation of the amended JSE Listings Requirements and in particular the internal financial controls;
- continue to focus on ensuring the Group's financial systems, processes and internal financial controls are operating
  effectively;
- continue to review the risks and changing risk trends or new emerging risks and managements response; and
- oversee and manage the impact of the market crisis in terms of COVID-19 with specific focus on how this will affect the Group's top 10 risks.

#### Expertise and experience of the CFO and the finance function

The 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 are adequately resourced.

#### Risk management process

One of the key components of the committee was to review the top 10 material matters in order to respond to new and emerging risks and to ensure alignment with regulatory changes and best practice that the Company may face. In doing so, the committee considered stakeholder needs, corporate governance principles, risk trends, global trends and external dynamics. Refer to page 35 for the full risk management report.



**Mr Willem Raubenheimer** Audit and risk committee chairman

# SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

# INVESTMENT COMMITTEE REPORT

# GROUP INTERNAL AUDIT

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

The Group internal auditor recommended the annual internal audit plan for approval to the audit and risk committee. The committee approved the formal internal audit plan, which included risk-based operational and system audits on the Group's governance and business processes for 2020. The operational internal audit plan was reviewed by an independent external firm.

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

- the Company's assets and information are safeguarded;
- operations are efficient and effective; and
- applicable laws and regulations are complied with.

The Group internal auditor undertook the following during the year:

- Prepared and submitted a risk-based internal audit plan to the audit and risk committee for review and approval.
- An independent review of the internal audit plan by Nexia SAB&T.
- Implemented recommendations by Nexia SAB&T on quality improvement of the internal audit function.
- Performed reviews on the Company's governance processes and ethics.
- Systematically analysed and evaluated the business processes and associated controls.
- Performed consulting activities requested by management.
- Followed a risk-based approach.
- Monitored and challenged, where appropriate, action taken by management with regard to the internal audit findings.
- Monitored and reported on the risk management process to the audit and risk committee.
- Liaised with the external auditors as part of the combined assurance process where internal audit followed up and ensured that management implemented the external auditors' recommendations from the prior year.
- Provided a source of information on fraud, corruption, unethical behaviour and irregularities.

Internal audit takes a risk-based approach to audit performance. Internal audits were performed at most subsidiaries during the year and no significant breakdowns in internal controls were identified. A formal quarterly report on the key findings of these audits was submitted to the audit and risk committee summarising the results of the internal audit activity and management's progress in addressing control weaknesses. This enabled the audit and risk committee to ensure that action was taken to address areas of concern. (🖻 – Principles 11 and 15)

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

### EXTERNAL AUDIT

The scope, independence and objectivity of the external auditors, Crowe JHB and THAWT Inc., were reviewed. The committee considered the annual audit plan and related scope of work, determined the terms of engagement and fees of the external auditors. In the committee's opinion, the audit firms, Crowe JHB and THAWT Inc., and the audit partners are independent of the Company and the Group.

Crowe JHB and THAWT Inc. provide an audit opinion in accordance with the Companies Act, the JSE Listings Requirements and King IV<sup>™</sup>. Under Company law, their responsibility is to the shareholders of the Group. In addition, they have professional responsibilities to report irregularities in terms of section 45(1) of the Auditing Profession Act, 2005, and key audit matters in their audit report to the committee.

As auditors of a public interest company, Crowe JHB and THAWT Inc. were appointed during the year, with Gary Kartsounis and Gil Gorgulho serving as the partners.

The external auditors liaised with the Group internal auditor and attended certain audit and risk committee meetings by invitation. As auditors of the Company, they will attend the AGM where the annual financial statements of the Company for the financial year are presented, in order to respond to any questions relevant to the audit of the financial statements.





### **RISK MANAGEMENT REPORT**

The Board has delegated the management of risk to the audit and risk committee.

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

### THE IMPACT OF COVID-19 🏶

2020 has been a year where we had to reconsider the way we approach risks and how we prioritised risk as the result of the COVID-19 pandemic. Not only has COVID-19 had an impact on the financials and operations of the Group, it also had an impact on our employees, who are key assets of our businesses. The health and safety of our employees remained of utmost importance to the Group.

### **GOVERNANCE OF RISK MANAGEMENT**

### THE THREE LINES OF DEFENCE

AEEI realises the importance of the THREE LINES OF DEFENCE in managing risk and has assigned the responsibilities and accountability in line with the THREE LINES OF DEFENCE.

### First line of defence

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

### Second line of defence

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

### Third line of defence

The internal and external assurance providers are the third line of defence. During the year, internal audit continued to assess the adequacy and effectiveness of the risk management process. The results of those risk assessments were communicated to the audit and risk committee.

BOARD								
STRATEGY, RISK APPETITE AND POLICY								
Risk ownership	Risk control and monitoring	Independent assurance and validation						
CEO and executive committee	Audit and risk committee	Internal and external assurance						
Implementing and recording	Internal verification	Independent verification						
<ul> <li>Delegated Board authority to:</li> <li>Develop and implement the business strategy;</li> <li>Measure and manage performance; and</li> <li>Implement internal control and a risk management framework within the agreed appetite.</li> </ul>	<ul> <li>Objective oversight of risks</li> <li>Key activities include:</li> <li>Designing and deploying the overall risk management framework;</li> <li>Developing and monitoring policies and procedures; and</li> <li>Monitoring adherence to the risk framework and strategy.</li> </ul>	<ul> <li>Assurance that the risk management process is functioning as designed and identifies improvement opportunities.</li> <li>Independent and objective assurance of the effectiveness of corporate governance standards and business compliance.</li> </ul>						
MANAGEMENT-BASED ASSURANCE	AUDIT AND RISK COMMITTEE ASSURANCE	INDEPENDENT-BASED ASSURANCE						

As part of Vision 2020 Vision, AEEI identified the following six material matters, with each material matter having strategic objective/s:

- Financial
- Human capital
- Business operations
- Macroeconomic
- The environment
- Social and relationship capital

The material risks that are identified are linked to the strategic objectives in these material matters.

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

The following was performed by the audit and risk committee during the financial year:

- Reviewed the risk management process in light of the COVID-19 pandemic;
- Assisted the directors in fulfilling their responsibilities for ensuring there is an effective risk management process in place throughout the Group;
- Assessed reports from management concerning the Group's risk management and compliance processes and controls in order to oversee the effectiveness of them;
- Assessed reports from divisional management concerning business, operational risk and compliance risk in order to oversee these risks and assess their impact on the Group;
- Assessed reports from management concerning the risk implications of new and emerging risks, legislative or regulatory initiatives and changes in order to ensure the risk is held at an acceptable level;
- Received reports from management concerning the resolution of significant risk exposure and risk events, in order to monitor them in accordance with the Board's risk appetite;
- Assessed whether all significant new business opportunities have been appropriately considered from a risk perspective;
- Oversaw regulatory compliance by the Group with applicable external and regulatory obligations, and significant internal policies relating to the operation of its business units;
- Facilitated communication of risk issues to all management; and
- The Group complies with the principles of King IV™.

#### OUR APPROACH TO RISK MANAGEMENT

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

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

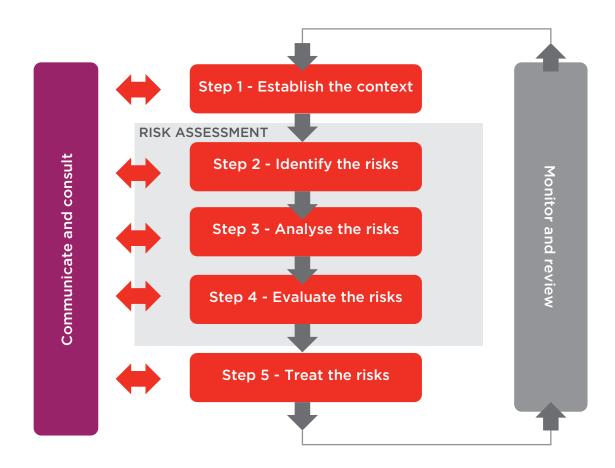
The responsibility for monitoring the management of each of these risks is assigned to the executive committee of each business unit. The risks are then considered at a Group level through the monitoring process of the audit and risk committee.

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

INVESTMENT COMMITTEE REPORT

#### **RISK MANAGEMENT PROCESS**

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



Communicate and consult	Communicate and consult with those who are involved in the assessment of risk and engage those who will be involved in the treatment, monitoring and review of risk.
Establish the context	Consider the environment internally and externally within which the risks are present.
Identify the risks	Identify all possible uncertainties (risks) that may impact and prevent the organisation from achieving its objectives.
Analyse the risks	Analyse and assess the risk in terms of likelihood and impact.
Evaluate the risks	Compare the level of risk found during the analysis process and decide whether these risks are acceptable or require treatment.
Treat the risks	Identify actions and controls to manage the inherent risks to an acceptable residual level. Assess the effectiveness of actions and controls.
Monitor and review	Monitor risks and review the effectiveness of the treatment plan, strategies and management system.

STRATEGIC OBJECTIVE → Apply risk management process → OUTCOME → Risk mitigating and implementation choices Strategy execution - Manage risk exposure - Risk control and measurement ← RISK-MANAGED OUTCOMES









Macroeconomic



The Environment

Social and Relationship

#### MATERIAL RISKS

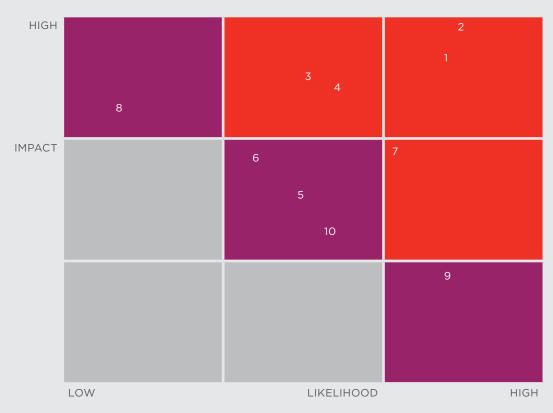
	Risk and Rationale	Mitigation	Opportunity	Link to material matter strategy
1	COVID-19 global pandemic and lockdown affecting the economy locally and globally.	<ul> <li>The Group had to relook at its business operations, processes and structures under the "new norm". The Group continues to follow government's COVID-19 protocols in dealing with the pandemic. Employees self-isolate and continue to work remotely where possible to minimise any chance of infection. Essential service employees continue to work on a rotational basis from the various business units. The government placed a temporary ban on business and leisure travel during the pandemic. COVID-19 protocols, measures have been implemented in all the Group's operations. <i>Kindly note that the lockdown level of the pandemic may have changed since the publication of this report.</i></li> <li>The following services are available and accessible for employees during the lockdown period:</li> <li>Health-line for COVID-19 support</li> <li>Financial support</li> <li>Counselling services for individuals and families in lockdown</li> <li>Advisory services on health coping, daily behaviours and planning</li> <li>Managerial advice for oversight and keeping contact during lockdown</li> </ul>	Health and safety of employees are optimised. Productivity increased as a result of savings on travel time to the workplace.	
2	Increased risk on ICT environment as the Group relies more on technology during this pandemic. This could result in business interruptions in the Group's systems from malicious software and increasingly advanced cyber and ransomware attacks, which could lead to a loss of information and increased risk of fraud.	Restricted access to the Group's Information Communication and Technology systems. Constant monitoring of systems for any possible infections and intrusions. Rollout and implementation of new ICT system. Backups performed daily and stored on different external servers as well as off- site.	The Group can maintain data integrity and decrease downtime on secure IT systems. Uninterrupted business practises which will lead to efficiency and maximising profits.	œ

	Risk and Rationale	Mitigation	Opportunity	Link to material matter/strategy	TION
3	Reallocation of the long-term fishing rights may impact the profitability of the fishing segment.	Active engagement with communities for Outside Quota holders. Monitoring government policy and processes on requirements for reallocation. Diversification into other products to reduce the impact on growth strategy. Expansion in the aquaculture division to minimise impact.	Favourable quota allocation by DAFF will substantially increase revenue, resulting in better financial performance by the Group. That will also present an opportunity for more spend on SMMEs, socio and economic investments.		CUSTODIANS OF GOVERNANCE
4	Compliance with CIPC, JSE Listings Requirements, and all legislation and regulations require the Group to constantly adapt to keep abreast of the latest changes.	Training and awareness is continuously assessed and provided across the Group. Policies and procedures are updated to adapt to all new regulations and legislative requirements on a regular basis. King IV™ compliance review.	Compliance with the applicable laws and regulations governing the Group's results in the Group being seen as a good corporate citizen.	$\Delta$	NOMINATION COMMITTEE REPORT
5	The loss of major customers could result in a potential reduction in revenue in the ICT sector.	Restructuring of affected companies in the Group to minimise the effects of the loss of income and to also preserve jobs where possible. Pursue and extend the client base, underpinned by long-term support and maintenance agreements.	Focus on executing strategy on acquisitions to ensure revenue is not negatively affected. Gain business confidence from stakeholders resulting in long-term relations.	Ŷ	AUDIT AND RISK COMMITTEE REPORT
6	Environmental pressures have an impact on the production and consumption of our products: • COVID-19 lockdown implications; • adverse weather	Mitigation of these risks comes from constant monitoring of these environmental variables to allow flexibility in our response to these external factors.	Products of good quality will be produced and offered to the market. This can increase revenue and the Group's reputation in the market.		TECHNOLOGY AND INFORMATION
	<ul> <li>adverse weather conditions affect landings of fish stocks;</li> <li>water temperature variables and disease affecting the location; and</li> <li>uncertainty in the distribution and availability</li> </ul>				REMUNERATION COMMITTEE REPORT
7	of certain marine resources due to changes in sea variables. Unstable economic and political environment.	The Group is in constant engagement with trade unions and continue to seek	Focus on executing strategy on		SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT
	political environment.	Necessary insurance cover has been taken where applicable.	acquisitions to ensure revenue is not negatively affected.		S AND IN ITION COMI

INVESTMENT COMMITTEE REPORT

	Risk and Rationale	Mitigation	Opportunity	Link to material matter strategy
8	Environmental challenges include a carbon emissions impact, waste management, climate change and marine coastal management, and must be reviewed constantly.	Adherence to marine management policies from the Marine and Coastal Management to ensure no overfishing takes place. Recycling and better waste removal techniques are being employed across the Group.	There is an opportunity for the Group to maintain a clean, safe environment, reduce carbon emissions and be seen as a good corporate citizen.	
9	Limited access to funding may slow down the ability to capitalise on the various niche growth initiatives in the Biotech companies.	The sources of available funding have been allocated to each project based on an approved business plan, and this is monitored by the Group's finance team to ensure that it meets the Group's strategic objectives. Management is actively engaging potential investors.	Success of these projects can result in ground-breaking medical treatment developed and manufactured in South Africa.	
10	The inability to recruit and retain key skilled employees, hence skills retention and succession planning remain a constant challenge for all divisions.	Better recruitment policies have been implemented to recruit and retain high- calibre personnel. A continuous review of employee training, development and succession planning occurs annually to ensure that it is in line with the Group's strategy.	Retention of key skilled employees ensuring efficiency and effectiveness of business processes.	2

### **RISK METRICS**





# TECHNOLOGY AND INFORMATION

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

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

The fourth industrial revolution is being heralded by the World Economic Forum as the answer to many of the continent's socio-economic woes but, understanding just what this revolution is and what positive and negative impacts it will have on the future of the continent, has not been fully considered. More importantly, neither has what should be responsibly done about it. Due consideration needs to be taken as to the impact it will have on the Group, well into the next millennia. What we do now will have everlasting consequences. We need to make sure that we use this new wave of technology as a force for good. This requires us to not just look at the short-term financial interest, but to adopt a holistic approach to technology.

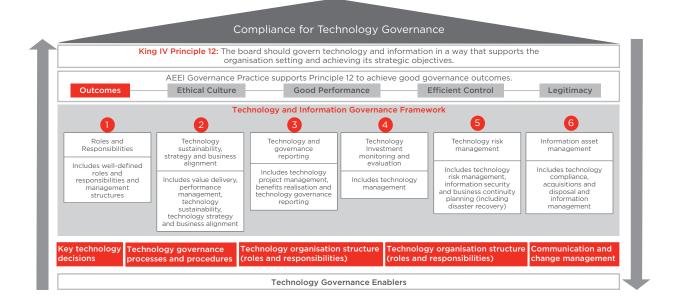
#### TECHNOLOGY AND INFORMATION GOVERNANCE

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

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

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

#### TECHNOLOGY AND INFORMATION GOVERNANCE FRAMEWORK



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

- The activities and functions of the technology and information strategy are aligned to the business strategy and opportunities to improve the use of technology, and information within the Group are identified and exploited.
- The investment made in technology and information, ensuring costs are managed and the return on investment is measured by the relevant divisional Boards and committees. Where applicable, synergies between technology and information initiatives are enabled and technology and information choices are in the best interest of the Group as a whole.
- Technology and information risks are identified and adequately addressed in line with the Group's risk management framework. The Group ensures that it has adequate business resilience arrangements in place for disaster recovery and assurance has been provided to the Board.
- Technology and information resources are sourced optimally and legitimately, keeping core capabilities in-house.
- Processes and procedures are in place to ensure that the Group's IT assets are managed, maintained, replaced and disposed effectively and in accordance with applicable policies.
- Infrastructure, systems and policies are in place for the management of information which includes information security and information privacy.
- The audit and risk committee considers technology and information as it relates to financial reporting and the going concern of the Company/Group through regular risk-based audit coverage.
- Technology and information use remains sustainable with respect to the environment.

#### REPORT OF THE COMMITTEE

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

Cybersecurity threats are not just technical, but societal and political. The seven most critical threats to business in 2020 include:

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

#### TECHNOLOGY TRENDS, INNOVATION AND TRANSFORMATION

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

We need to look closer at what 2021 and beyond may have in store, and most importantly, how best to prepare for it. The Group continues with its baseline principles with the development and implementation of a technology and information governance framework. These principles incorporate standards included in King IV<sup>™</sup>, Control Objectives for Information Technology (COBIT) and Information Technology Infrastructure Library. This started from the premise that technology and information need to deliver the information that the Group requires to achieve its objectives.

These governance baseline principles are as follows:

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

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- proactive monitoring of intelligence to identify and respond to incidents, including cyber attacks and adverse social media events;
- managing the performance of and the risks pertaining to third-party outsourced service providers;
- assessing the value delivered to the Group through significant investments in technology and information, including evaluation of projects throughout their life cycles and of significant operational expenditure;
- the responsible disposal of obsolete technology and information in a way that should have a minimal impact on environmental and information security;
- ethical and responsible use of technology and information;
- compliance with relevant laws;
- ongoing oversight of the management of information that resulted in the following
  - the leveraging of information to sustain and enhance the Group's intellectual capital;
  - an information architecture that supports confidentiality, integrity and availability of information;
  - the protection of privacy of personal information; and
  - the continual monitoring of security information.
- Management of technology that resulted in the following:
  - a technology architecture that enables the achievement of strategic and operational objectives;
  - the management of risks pertaining to the sourcing of technology; and
  - monitoring and implementing appropriate responses to development in technology, including the capturing of potential opportunities and the management of disruptive effects on the Group and its business model.
- Supplier performance management practices outlining the implementation and monitoring of service level agreements and commercial agreements.
- Business continuity/disaster recovery requirements and practices regarding the processes in terms of technology and information disruptions.
- Security regarding data privacy, cybersecurity and user access.
- Compliance in terms of internal monitoring and external assurance.
- Compliance with the Protection of Personal Information (PoPI) Act, 2013. (🖻 Principle 12)

#### TECHNOLOGY RISK AND CYBERSECURITY

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

#### **RISK MITIGATION**

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

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

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

#### CHANGING ROLE OF IT

The Group's current focus is on maintaining the existing traditional enterprise systems where operational reliability is paramount. We continued to enhance the current systems within the Group's business units and consolidation for improved corporate controls and reporting.

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

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

The Board oversees the following:

- The adoption of a governance framework and IT policies that detail the strategic direction on the use of technology and information.
- The report from management that contains progress against the following objectives in terms of compliance:
   The IT administrator management the IT investment to onsure the alignment and convergence of various IT tools are
  - The IT administrator manages the IT investment to ensure the alignment and convergence of various IT tools and devices to improve the communication within the business units.
  - IT risks are identified and adequately addressed and assurance is obtained to ensure that the IT control framework is in place to address IT risks efficiently.
  - IT resources are sourced within subsidiary companies or externally.
  - Information, IT assets and intellectual property contained in the IT systems are protected and effectively managed and used.
  - IT has adequate business resilience arrangements in place for disaster recovery.
  - Information management is a joint IT and business responsibility.
  - IT governance conforms to laws and related rules, codes and standards are considered.
  - The use of IT is sustainable with respect to the environment and security.

#### FOCUS FOR 2021 AND BEYOND

- Continue to monitor the Group's IT risk, cybersecurity and regulatory changes, taking into account the systemic developments and increased cyber risks.
- Oversee the successful deployment of the Group's platform in the technology space.
- Continue to ensure that the appropriate frameworks and policies are in place to effectively monitor and explore the Fourth Industrial Revolution.

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



#### LETTER FROM THE CHAIRPERSON OF THE REMUNERATION COMMITTEE - MRS AZIZA AMOD

Dear Shareholders

This report sets out the Group's remuneration philosophy and policy with an emphasis on non-executive and executive directors. It also provides a description of how the policy has been implemented and discloses payments made to non-executive and executive directors during the year as required by the provisions of King IV<sup>™</sup>. This report will be considered and voted upon at the forthcoming AGM of shareholders on behalf of the remuneration committee.

Championing the King IV<sup>™</sup> Code on Corporate Governance and in line with our commitment to fair and responsible remuneration, we continuously review our remuneration policy and practices to ensure that they remain relevant and aligned to our strategy. Stakeholder focus remains on ensuring rewards for performance are aligned with shareholder goals and enhanced disclosure. We are committed to maintaining strong relationships with our shareholders, which is built on trust and a clear understanding of the quantum, rationale and drivers of executive remuneration and that our remuneration policy and the practices have been implemented.

It is fundamental to our core remuneration principles that executive remuneration is aligned to the Group's performance. 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.

In the face of the deteriorating economic environment and slower growth due to the COVID-19 pandemic, executives, management and employees were requested to take a salary cut during the year under review.

Mrs Aziza Amod Chairperson of the remuneration committee

#### REPORT OF THE REMUNERATION COMMITTEE

#### 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.

#### BACKGROUND

This report describes the material matters dealt with by the committee and summarises the Group's approach to transparent, fair and responsible remuneration. It sets out how the committee discharged its duties in terms of the statutory requirements as well as other duties assigned by the Board. It also provides an overview of the Group's remuneration philosophy and remuneration framework.

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The committee was established to assist with the monitoring of the Group's remuneration practices, and perform the statutory functions as required in terms of King IV™, the JSE Listings Requirements and the Companies Act.

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.

#### COMPOSITION OF THE COMMITTEE

For the period under review the committee was composed of the following members:

Name	Role	Meeting attendance
Aziza Amod	Chairperson	2/2
Gaamiem Colbie	Non-executive director	2/2
Ismet Amod*	Non-executive director	1/1

\*Ismet Amod was appointed on 6 August 2020.

In order to assist the committee with the implementation of its mandate, the CEO attended the meetings by invitation. Committee members do not decide on their own remuneration. In line with its Charter, the committee held two meetings during the year.

#### RESPONSIBILITIES AND REPORT

This report highlights the key components of our policy and how these are aligned to our performance and strategic objectives for the 2020 financial year. The remuneration committee is governed by its charter that is reviewed annually.

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.

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.

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.

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.

INTRODUCTION

#### DETERMINATION OF PERFORMANCE INCENTIVES

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 Group has formal and informal frameworks for performance that are directly linked to either increase in total cost to company or annual short-term incentive bonuses.

#### Remuneration components

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.

Base salary	Performance bonuses	Other benefits
<ul> <li>Base salary is guaranteed annual pay on a cost-to-company basis.</li> <li>Benchmarking is performed with reference to companies comparable in size, industry, and business complexity.</li> </ul>	<ul> <li>It motivates executive directors and key management to achieve the strategic objectives of the Group.</li> </ul>	<ul> <li>Membership to the pension provident fund (providing death, disability and dread disease benefits).</li> <li>Medical aid.</li> <li>Unemployment Insurance Fund.</li> </ul>
The level of responsibility that the individual assumes.		• Funeral cover. This improves the employees' financial security on retirement and planning.

Methodology				
<ul> <li>Annual increase parameters are set, taking into account the financial performance, general economic environment, governance compliance, strategy, risk management practices, individual performance and the performance of the Group.</li> <li>It takes into account the general market in which the business operates and the skills required.</li> <li>General adjustments to guaranteed pay levels are effective 1 September annually.</li> </ul>	<ul> <li>Executive directors have 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.</li> <li>Performance bonuses are dependent on the financial performance and achievement of the individual's agreed strategic KPIs.</li> <li>Performance bonuses are not earned if the minimum financial target is not met.</li> <li>Performance bonuses are paid annually.</li> </ul>	<ul> <li>This is determined as a fixed percentage of the base salary.</li> </ul>		
	Eligibility			
All employees in the Group.	Includes all permanent employees commencing from junior management upwards.	All permanent employees.		

#### CONDITIONS FOR DETERMINING PERFORMANCE BONUSES

Financial targets	Non-financial targets
Executive directors:	Performance against individual job requirements
- Profit before tax	Operational efficiencies
Key management	Organic growth
- Divisional operating profit	Strategic acquisitions

The Group aims to ensure that for executive remuneration, the performance-based remuneration of executive directors and senior management should form a significant portion of their expected total compensation. The committee ensures that there is an appropriate balance between fixed and performance-related elements of executive remuneration and the aspects of the package linked to short-term performance and those linked to long-term shareholder value creation.

#### 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

Mrs Valentine Dzvova is not remunerated for her 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 between February and April 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.

#### IMPLEMENTATION OF REMUNERATION

The committee ensured that total remuneration is aligned with sustainable value-creating strategic objectives and the legitimate expectations of all stakeholders, while being mindful of the income gap in South Africa. The committee is satisfied that the variable remuneration outcomes for the 2020 financial year are aligned with the Group's financial performance.

#### GUARANTEED REMUNERATION

The committee agreed to recommend to the Board the approval of a general salary increase based on the current price index of 5% for all employees in the Group, in line with inflation.

#### The 2020 guaranteed remuneration of the executive directors is set out below:

	2020 R'000	2019 R'000
K Abdulla*	2 358	3 845
C Ah Sing**	1 641	1 470
V Dzvova***	734	-
J van Wyk****	120	-

\* Mr K Abdulla's remuneration only reflects his time served on the Board from 1 September 2019 to 12 March 2020. \*\* Ms C Ah Sing's remuneration only reflects her time served on the Board from 1 September 2019 to 31 July 2020. \*\*\* Mrs V Dzvova's remuneration only reflects her time served on the Board from 12 March 2020 to 31 August 2020.

\*\*\*\* Mr J van Wyk's remuneration only reflects his time served on the Board from 1 to 31 August 2020

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#### SHORT-TERM INCENTIVE

Performance bonuses paid to executive directors are based on financial and non-financial performance targets.

The table below sets out the targets for actual targets achieved:

Performance	Weighting	Threshold	Target
Profit before tax	70%	70%	70%
Non-financial targets	30%	30%	30%

There are no long-term incentives for executive directors.

The table below sets out the remuneration received by executive directors for the 2020 financial year:

	Achievement of financial targets	Achievement of non-financial targets	Total as a percentage of maximum	(% of guaranteed
K Abdulla*	100%	100%	0%	-
C Ah Sing*	100%	100%	35%	100%

The achievement of targets for executive directors in respect of the 2020 financial year:

2020	Base remuneration	Performance Bonus R'000	Provident Fund R'000	Expense Allowance R'000	Total R'000
K Abdulla*	2 055	-	280	22	2 358
C Ah Sing**	1 438	500	186	17	2 141
V Dzvova***	619	-	113	2	734
J van Wyk****	113	-	7	1	120

\* Mr K Abdulla's remuneration only reflects his time served on the Board from 1 September 2019 to 12 March 2020. \*\* Ms C Ah Sing's remuneration only reflects her time served on the Board from 1 September 2019 to 31 July 2020. \*\*\* Mrs V Dzvova's remuneration only reflects her time served on the Board from 12 March 2020 to 31 August 2020. \*\*\*\* Mr J van Wyk's remuneration only reflects his time served on the Board from 1 to 31 August 2020.

The 2020 annual remuneration of the non-executive directors is set out below:

Non-executive	2020 R'000	2019 R'000
A Amod	207	212
N Ramatlhodi	-	227
I Amod	207	-
W Raubenheimer*	33	-
B Qama*	32	-
J van Wyk	179	-
TOTAL	658	439

Mr G Colbie and Ms M Mosia waived their non-executive directors' remuneration for the 2020 financial year. \*Messrs J van Wyk, W Raubenheimer and B Qama's non-executive remuneration only reflects their time served on the Board.

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.

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.

#### FOCUS FOR 2021 AND BEYOND

- Ensuring that the implementation of remuneration is in accordance with the remuneration policy.
- The continued fulfilment of the requirements of the remuneration committee's policy.
- Continued dialogue with stakeholders ensuring the relevance and appropriateness of the Remuneration Policy in achieving our strategic objectives.
- Ensure that the Remuneration Policy and resultant outcomes support our strategic objectives and are appropriate in the environment of unprecedented health, safety and economic challenges as a result of the COVID-19 **\*** pandemic. The duration, nature and extent of these challenges are uncertain.

#### **AEEI'S 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, 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.

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#### 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<sup>™</sup> 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.

#### NON-BINDING ADVISORY VOTES ON THE REMUNERATION POLICY AND IMPLEMENTATION REPORT

In the event that more that 25% of the votes cast on the resolutions 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 2020.

#### 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 2020, a general salary increase was approved based on the yearly average current price index of 5% for all employees in the Group.

#### DISCRETIONARY BONUS

A discretionary bonus may be awarded and 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 may receive a discretionary cash bonus, dependent on them meeting both financial and qualitative strategic performance objectives. Employees may receive 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 will be deemed to be fair to the Company and the executive/senior manager/employee.

The CEO and executive management team's performance will be 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 is appropriate for the performance of the Group and in relation to its operational peers. In doing so, the committee will consider 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. ( $\mathbf{B}$  – *Principle 14*)

#### SHAREHOLDER VOTING/FEEDBACK

As required by King IV<sup>™</sup> 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.

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.
- 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 16 April 2020, as a percentage of the total number of shares voted at the AGM, is indicated below and therefore no shareholder engagement was required:

	2020	2019
	%	%
Approval of the remuneration policy	99.85	100
Implementation of the remuneration policy	99.85	100
Non-executive directors' fees	99.85	100





Dear Stakeholder

As the chairman of the social, ethics and transformation committee, it is my pleasure to present my first report on the activities on behalf of the committee during the year under review as recommended by the JSE Listings Requirements, Companies Act and King IV<sup>™</sup>.

During the year under review, I took over the role of chairman from Mrs Aziza Amod. The committee was reconstituted during the financial year and consists of three non-executive directors, who have the requisite experience, business acumen and necessary skill to fulfil the committee's duties. The executive management and Human Resources attend the meetings by invitation.

For the period under review the committee comprised of the following members:

Name	Role	Meeting attendance
Ismet Amod	Chairperson	2/2
Bongikhaya Qama	Independent non-executive director	2/2
Jowayne van Wyk	Executive director	2/2

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

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

The guidance, oversight, policy direction and monitoring of these initiatives by the committee give substance to its moral mandate to balance the Company's need to compete for limited resources in the interest of commercial success, with the need to sustain the health of the ecosystem we live in, with its interconnected social, economic and natural elements. This means we accept that we have a duty to support our stakeholders in reinforcing their own sustainability. The challenge of the committee is not merely to ensure that the Company is on the prescribed track, but that we continue to contribute to bending the moral arc towards social, economic and environmental justice.

#### OUR TRANSFORMATION PHILOSOPHY

As a Group, we believe in the development and empowerment of our employees and to enhance performance by "growing our timber". The Group remained committed to its shared values which include people, accountability, integrity, commitment, stakeholders, respect, trust and investment. Refer to the sustainability report report for more details on our vision and objectives.

2020 CORPORATE GOVERNANCE REPORT

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#### REPORT OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

During the year, the committee assisted the Board in ensuring that the Group is and remains a committed, socially responsible corporate citizen. It performed the statutory functions required in terms of the Companies Act and King IV<sup>™</sup>.

We assisted the Board in effectively discharging its responsibilities for the oversight of transformation management, and ensured that management implemented and maintained an effective transformation management process in the Group. We assisted the Board to lead transformation within the Group and to ensure that there are appropriate policies and procedures in place to address transformation.

We monitored the tone from the top down, including the ethics culture of the Group and how the Group responded to these, as directors bear the ultimate responsibility for any corruption that occurs within the Company. Whistle-blowers are an integral part of compliance-focused corporate governance business models as they assist executives in identifying matters. The Group's Code of Conduct is a public statement of ethical conduct and consistently applies this.

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

During the year, the committee undertook the following:

- Updated the social, ethics and transformation committee charter to take into account regulatory changes.
- Updated the social, ethics and transformation committee "Monitoring Indicators and Workplan".
- Updated the Transformation Plan.
- Governed the ethics of the Group in a way that supports the establishment of an ethical culture and monitored the Group's activities, having regard to all relevant legislation, legal requirements, codes of best practice through ongoing employee awareness around the following policies:
  - The Way We Work Policy
  - Anti-corruption and bribery
  - Code of Conduct
  - Code of Ethics
  - Complied with the ethics framework detailed below.
- Included a statement by the committee in the integrated report that it has fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act and that there are no instances of material non-compliance to disclose.
- Included in the Notice of AGM that the committee members will be appointed/re-elected at the next shareholders meeting.

TRACKING PERFORMANCE	BUSINESS CASE	STRATEGY
<ul> <li>Used provisions of the Companies Act to track performance and the SETC Charter.</li> <li>Developed and implemented methodology for acquiring quantitative and qualitative data.</li> <li>Reviewed data and included in the SETC reporting.</li> </ul>	<ul> <li>Understanding what the SETC is.</li> <li>Understanding how it relates to business.</li> <li>Identify the risks, responsibilities and opportunities.</li> <li>Building the business case for SETC.</li> <li>Obtaining executive commitment.</li> </ul>	<ul> <li>Finding out what other committees are doing that may overlap with the SETC.</li> <li>Identifying potential risks and opportunities.</li> <li>Revise strategy in light of the SETC considerations.</li> </ul>
Report at the AGM.	<ul> <li>Engaging colleagues.</li> </ul>	

For the year in revision, the committee is satisfied that is has fulfilled its statutory duties and obligations assigned by the Board. It also fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act and there were no instances of material non-compliance to disclose

Mr Ismet Amod Chairman of the social, ethics and transformation committee

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#### OUR GOVERNANCE OF ETHICS FRAMEWORK

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



#### **OUR FRAMEWORK FOR COMPLIANCE - REGULATION 43 OF 2011**

CAPACITY AND CAPABILITY	PROCESSES AND PROCEDURES	POLICIES
<ul> <li>Understand how the SETC can be embedded in the business culture.</li> <li>Build relationships with other committees.</li> <li>Review different types of training, select training programmes and target groups.</li> <li>Integrate the SETC considerations into these groups.</li> </ul>	<ul> <li>Form a SETC base limit for the Company.</li> <li>Undertake the SETC risk assessment.</li> <li>Integrate the SETC into ongoing management of a project or act on findings as appropriate.</li> </ul>	<ul> <li>Identify what the SETC considerations are already included in policies.</li> <li>Develop a policy statement regarding the SETC considerations and Board Charter.</li> <li>Define management responsibilities.</li> <li>Ensure policy implementation and results are reviewed systematically.</li> </ul>

The committee:

- ensured that employees and stakeholders familiarised themselves with the Group's ethical standards;
- exercised ongoing oversight of the management of ethics, which resulted in the application of the Group's ethical standards to the processes for the recruitment and evaluation of employees, as well as the sourcing of suppliers;
- monitored, reviewed and made recommendations to the Board to amend policies and procedures regarding the Group's: personnel manuals, and ensured that all policies are in line with the amended Basic Conditions of Employment Act,
  - 1997 (No. 75 of 1997) (Basic Conditions of Employment Act), the Employment Equity Act, 1998 (No. 55 of 1998) as well as skills development:
  - compliance with the UN Global Compact's 10 principles in the areas of human rights, labour, the environment and anti-corruption:
  - ongoing human resources, employment relationships and skills development through the contribution of educational development of employees by conducting a skills audit and training analysis which identified training needs; and
- the promotion of equality and prevention of unfair discrimination;
- monitored, reviewed and ensured compliance with the Group's standing in terms of social and economic development and ensured that the business units contribute and give back to the communities in which they operate and made recommendations;

- monitored, reviewed and ensured that the businesses in the Group recognise that they have a responsibility to apply
  good environmental practices and to improve on their environmental performance as part of the Group's strategy and
  commitment to sustainability; to meet and where possible exceed environmental legislative and regulatory requirements;
  and to promote sustainability by monitoring their environmental impact in terms of health and public safety, including
  the impact of their activities and/or products or services;
- monitored and ensured that the Group is seen to be and is a responsible corporate citizen through societal and environmental initiatives and the Group's contribution to the development of communities in which the Group's activities are conducted, including sponsorship, donations and charitable giving;
- monitored the Group's consumer relationships, including advertising, public relations and compliance with consumer protection laws;
- monitored the anonymous tip-off line and dedicated email address and confirmed that no corruption or fraud was reported;
- monitored the three-year Transformation Plan rolled out in 2018;
- reviewed the B-BBEE status of the Group's subsidiaries;
- implemented and tracked the long-term goals in terms of the Group's Vision 2020 Vision;
- reviewed and made recommendations to the skills development plans and the placement of interns in the Group;
- reviewed and made recommendations to employing more people with disabilities;
- reviewed and made recommendations on the learnership and mentorship programmes;
- reviewed the equity ownership of the Group;
- reviewed and made recommendations on the employment equity plans;
- contributed to our corporate social investment programmes;
- contributed to our social economic, enterprise development and supplier development initiatives;
- reviewed human resources' roles;
- · continued to build on our solid empowerment credentials empowerment partner of choice; and
- ensured that all regulatory obligations were met, including the submission of employment equity plans to the Department of Labour. (

   *Principles 2, 13 and 16* )

#### FOCUS ON 2021 AND BEYOND

- Monitor the Social, Ethics and Transformation Monitoring Indicators and Workplan and provide guidance and input.
- Monitor labour, employment relationships, training and skills development, employment equity, promotion of equality and the prevention of unfair discrimination.
- Exercise oversight of the management of ethics and, in particular, oversee that it results in the following:
  - Application of the Group's ethical standards to the processes for the recruitment, evaluation of employees, as well as the sourcing of suppliers.
  - Ensuring that sanctions and remedies are in place in the event that the Group's ethical standards are breached.
  - Monitor the use of protected disclosure and whistle-blowing mechanisms to detect breaches of ethical standards and deal with such disclosures appropriately.
  - Monitor adherence to the Group's ethical standards by employees and other stakeholders through, among others, periodic independent assessments.
- · Monitor, review and ensure compliance to the Group's standing in terms of social and economic development.
- Monitor and review to ensure that the businesses in the Group recognise that they have a responsibility to apply good environmental practices and to improve on their environmental performance.
- Ensure compliance and standing in terms of the regulations governing B-BBEE as set out by the Department of Trade and Industry.
- Monitor and ensure that the Group is seen to be a responsible corporate citizen through societal and environmental initiatives and the Group's contribution to the development of communities in which the Group's activities are conducted.
- Monitor the Group's consumer relationships, including advertising, public relations and compliance with consumer protection law.
- Employer of Choice continue to create and nurture a working environment and a corporate culture that attract and retain the best talent and skills; to redress residual inequalities regarding race, gender and disability in accordance with our employment equity plan; and to accelerate the development and retention of a diverse pool of skilled employees in order to achieve equitable representation in all occupational categories and levels of employment.
- Gender and race diversity to continue to value all people who make up the diverse population of South Africa and to accelerate and cultivate an environment where diversity is valued and prospers.
- Leadership and management to ensure that employees who manage and lead broadly reflect the diverse profile of the South African and African populations and that they are appropriately empowered and skilled to manage the Company towards its strategic objectives.
- Economic sustainability to create long-term economic value.
- Environmental sustainability:
  - brands to further improve brand value for the Company.
  - resource stewardship to drive resource management throughout our supply chain.
- Social sustainability stakeholders to contribute to a society through our own practices and relationships with communities.

- Internal communication to continue to overcome barriers to communication related to race, gender, culture and status
  and to encourage open, honest and effective communication between all people, both individually and within the
  appropriate communication forums.
- Transformation image and profile continue to ensure that the Group's image and profile are aligned with its transformation strategy and the changing South African and African environments.

Management is responsible for the preparation, presentation and integrity of information and all matters about which the committee should be informed. ( $\mathbf{B}$  - *Principles 2, 3, 4, 13 and 16*)

Continue to govern ethics in the Group in a way that supports the establishment of an ethical culture as detailed below:

DIMENSION NAME	DIMENSION DESCRIPTION
Clarity	The degree to which the rules and procedures are accurate, concrete and complete, so that employees understand what is expected regarding ethical conduct.
Positive role modelling	The degree to which management sets a good example for the Group and its employees.
Feasibility	The degree to which the Group's targets correspond to predetermined values and norms.
Support/commitment	The degree to which employees endorse the proper use of corporate assets and the active realisation of the interests of the Group and its stakeholders.
Transparency	The degree to which employees conduct themselves and how the effects are manifested.
Open communication	The degree to which employees can discuss ethical dilemmas.
Accountability	The degree to which employees are called to account about unethical behaviour.
Enforcement	The degree to which employees are punished for irresponsible conduct or rewarded for responsible behaviour.

For the year, the committee is satisfied that is has fulfilled all its statutory duties assigned by the Board. The chairman of the social, ethics and transformation committee reports to the Board on the activities of the committee at Board meetings.



Dear Stakeholder

As the chairman of the investment committee, it is my pleasure to present my first report on behalf of the committee during the year under review.

During the year under review, I took over the role of chairman from Mrs Aziza Amod. The committee was reconstituted during the financial year and consists of two non-executive directors and two executive directors, is well balanced and has legal, financial and strategic expertise to fulfil the committee's duties. The executive management attend the meetings by invitation.

#### For the period under review the committee was composed of the following members:

Name	Role	Meeting attendance
Gaamiem Colbie	Chairperson	3/3
Aziza Amod	Non-executive director	3/3
Jowayne van Wyk	Executive director	2/2
Valentine Dzvova	Executive director	2/2

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

The committee performed all the functions necessary to fulfil its role as set out in the charter.

#### REPORT OF THE INVESTMENT COMMITTEE

Following the COVID-19 # pandemic, financial pressures were placed on certain divisions within the Group in terms of their acquisition strategy.

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

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

For the year under review the following investments were concluded in the Group:

- On 2 and 6 April 2020, respectively, AYO Technology Solutions Ltd (AYO) subscribed for 3 000 cumulative redeemable preference shares of no-par value with 4Plus Technology Fund Africa and K2018010234 SA for a consideration of R15m and R30m, respectively.
- On 8 May 2020, AYO settled the liability of R12m owed to the non-controlling shareholder of Kalula Communications (Pty) Ltd for the purchase of an additional 25% shareholding.
- An offer was sent to Intelligence Technologies Network Alliance (Pty) Ltd on 14 August 2020 for a 51% stake in the Company.
- As set out in the announcement released on SENS on 21 August 2020, AYO announced their intent to purchase Kathea Communications Solutions (Pty) Ltd and Kathea Energy (Pty) Ltd equipment. Having the two organisations in the AYO stable, which will catapult the AYO Group into the largest provider of such equipment on the African continent.
- Kathea Energy (Pty) Ltd, will offer AYO an entrée into the rapidly growing green power solutions, which they believe will be instrumental to the development of the African technology industry. AYO has an exclusive period of six months to complete the above transactions.

#### ASSOCIATE INVESTMENTS

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



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#### STRATEGIC INVESTMENTS

Through the Company's non-controlling strategic investments, it has been able to add value and influence the business process to create wealth and achieve transformation. The Company has become the partner of choice for multinationals seeking a B-BBEE partner that brings value through active participation in its businesses.

Through its investment portfolio AEEI continues to:

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

#### FOCUS FOR 2021 AND BEYOND

AEEI will continue to look at investing in companies with the following characteristics:

• Strong investment partners that are aligned with our strategic objectives

- Leading brands
- Defined growth strategy
- Successful track record
- Management expertise
- High-growth sector

#### THE FOLLOWING POST-BALANCE SHEET INVESTMENTS WERE CONCLUDED:

Saab Grintek Defence (Pty) Ltd ("SGD") exercised its call option on the 25% plus I share ("Subject Shares") the Group held in SGD in line with agreements signed in 2015 when the Group acquired the investment in SGD. The Subject Shares were held, prior to their disposal, by Bowwood and Main no. 180 Proprietary Limited ("Bowwood"), a 60% subsidiary of AEEI.

The disposal of the Subject Shares is a category 1 transaction in terms of the JSE Listings Requirements, requiring the issuance of a circular ("Circular") to AEEI shareholders calling for a general meeting of shareholders to obtain approval for such disposal.

Due to the legally binding agreements entered into in 2015 not making provision for shareholder approval by AEEI, Bowwood had no option but to dispose of the Subject Shares as per the aforementioned agreements, notwithstanding that AEEI itself needs to obtain shareholder approval. A failure or refusal by Bowwood to do so would have exposed Bowwood to a substantial damages claim for breach of contract. The disposal of the Subject Shares has thus taken place. This process took place and was concluded on 3 December 2020.

AEEI however, in terms of good corporate governance, will comply as far as possible, with the JSE Listings Requirements despite Bowwood disposing of the Subject shares prior to AEEI obtaining approval from its shareholders and in this regard is preparing the Circular.

On 6 September 2020, AYO withdrew its funds from the Cadiz Life Investment Enterprise Development Fund ("Cadiz"). The funds will be utilised by AYO as part of its entrepreneurship development expenditure into small-to-medium-sized enterprises in the information, communication, and technology sector for B-BBEE compliance.

AYO withdrew R200m from the Bank of China on 8 October 2020, and R100m on 28 October 2020. The withdrawn funds were invested with Ninety One Fund Managers SA (RF) Proprietary Limited ("Ninety One"). The funds with Ninety One will be utilised to invest in the money market. At the time of issue of the financial results, AYO had invested funds of R520m with Ninety One.

The committee is currently in negotiations around new opportunities. These opportunities still have to be adjudicated and will be concluded only if the investment criteria are satisfied. Prior to the conclusion of any new opportunities the investment committee ensures that:

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

For the year under review, the committee is satisfied that is has fulfilled all its statutory duties assigned by the Board. As the chairman of the investment committee I report to the Board on the activities of the committee at Board meetings.

Mr Gaamiem Colbie Chairman of the investment committee





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