

Independent Assurance Statement

To the Board and stakeholders of African Equity Empowerment Investments (AEEI):

Integrated Reporting & Assurance Services (IRAS) was commissioned by AEEI to provide independent third-party assurance (ITPA) over the sustainability content within AEEI's 2020 Sustainability Report (hereafter, referred to as "the Sustainability Report"), covering the period 01 September 2019 to 31 August 2020. For the purposes of this statement, the Sustainability Report refers to the printed report, and downloadable/online version, and all relevant supplemental information made available via the web at www.aeei.co.za.

AccountAbility AA1000S v3

To the best of our ability, this assurance engagement has been managed in accordance with AccountAbility's AA1000AS v3 assurance standard, where the format of the engagement was structured to meet the AA1000AS Type 1 (Moderate) requirements.

Independence and competence

IRAS was not responsible for the preparation of any part of the Report and has not undertaken any commissions for AEEI in the reporting period that would impede our independence. Although **IRAS** has previously provided commentary regarding reported data as per our Sustainability Data Transparency Index (SDTI) research process (annually), this assurance engagement represents the first formal interaction with AEEI.

IRAS's responsibility in performing its assurance activities is to the management of AEEI alone and in accordance with the terms of reference agreed with them.

The assurance team consisted of Michael H. Rea, a Lead Certified Sustainability Assurance Practitioner with 21 years' experience in environmental and social performance measurement, including sustainability reporting and assurance, with support from two junior associates. Michael has previously completed 97 assurance engagements for 38 different companies, and has completed 153 assurance site visits in 19 countries.

Assurance objectives

The objectives of the assurance process were to...

- Assess the extent to which Group collection, collation and reporting of key sustainability data from AEEI's 17 business units meets reasonable expectations for accuracy, consistency, completeness and reliability, as tested at the desktop/off-site level.
- Assess AEEI's ability to provide transparent disclosure of quantitative comparable sustainability data (also referred to as "Environmental, Social and Governance", or "ESG" data).
- Assess the extent to which the Sustainability Report adheres to reasonable local and international expectations for effective reporting, including guidance provided by the International Integrated Reporting Committee (IIRC) recommendations for integrated reporting (the <IR> Framework).

Scope of work performed

The process used in arriving at this assurance statement is based on AccountAbility's AA1000AS v3 guidance, as well as other best practices in assurance. Our approach to assurance included the following:

- A review of sustainability measurement and reporting procedures at AEEI's head offices, via management interviews with the reporting team, as well as through desktop research;
- A review of data collection, collation and reporting procedures at the Group level, with specific reference to the 34 ESG data points identified below;
- Reviews of drafts of the Report for any significant errors and/or anomalies, inclusive of any lapses in the reporting of material issues identified during our internal and external materiality assessments;
- Reviews of drafts of the Report to test for adherence to reasonable reporting expectations; and,
- A series of interviews with the individuals responsible for collating and writing the Sustainability Report in order to ensure sustainability performance assertions could be duly substantiated.

The 34 ESG data points reviewed are as follows:

Labour

1. Number of employees and contractors as at year end
2. Percentage of employees who are deemed HDSA
3. Percentage of Management who are deemed HDSA
4. Percentage of employees who are female
5. Percentage of employees who are deemed permanent
6. Percentage of employees who are unionised
7. Employee Turnover Rate
8. Total number of Person Hours Worked (PHW)
9. Absenteeism Rate
10. Number of days lost due to industrial action/strikes
11. Rand value of training spend per person trained

Health & Safety

12. Number of Fatalities
13. Number of First Aid Cases (FACs)
14. Number of Medical Treatment Cases (MTCs)
15. Number of Lost Time Injuries (LTIs)
16. Total Number of Recordable Injuries
17. Fatal Injury Frequency Rate (FIFR)
18. Lost Time Injury Frequency Rate (LTIFR)
19. Total Recordable Injury Frequency Rate (TRIFR)

Environment

20. Total Direct Energy Consumption (GJ)
21. Total Indirect Energy Consumption (GJ)
22. Total Energy Consumption (GJ)
23. Total Electricity Consumption (MWh)
24. Average electricity Consumption per PHW
25. Total carbon emissions (Tons CO₂e) - Scope 1
26. Total carbon emissions (Tons CO₂e) - Scope 2
27. Total carbon emissions (Tons CO₂e) - Scope 3
28. Average Carbon Emissions per PHW (T/PHW)
29. Total Water Consumption (kl)
30. Average Water Consumption per PHW (l/h)
31. Total non-hazardous waste sent to landfill (tons)
32. Total hazardous waste sent for disposal (tons)
33. Total volume of waste sent for recycling (tons)
34. Percentage of waste sent for recycling (tons)

Findings & Recommendations

Based on our analysis of AEEI's sustainability reporting since 2014, it is our believe that the company's ESG data collection, collation and reporting processes have demonstrated measured improvement, yet still require additional enhancement with respect to systems and controls throughout the Group. Nonetheless, the current Sustainability Report reasonably reflects an accurate accounting of AEEI's performance, including the review of data collected, collated and reported by the various business units.

AA1000AS v3 (Type 1, Moderate)

- As per a review of management assertions, inclusive of discussions at the Group level, it is reasonable to assert that AEEI engages key stakeholders, as defined within this Report, thus meeting the requirements of **Inclusivity**.
- The content of the Report does not differ, in any significant way, from an analysis of the material issues discussed within AEEI, or within its sphere of influence, as per our desktop materiality scans. Adequate systems and controls appear to be in place to identify and prioritise the company's "most material issues", thereby meeting reasonable **Materiality** expectations.
- As per a review of management assertions, inclusive of discussions at the Group level, it is reasonable to assert that AEEI addresses stakeholder concerns through engagement activities, inclusive of, but not limited to, the content within its Integrated Annual and Sustainability reports., thereby meeting reasonable **Responsiveness** expectations.
- As per a review of management assertions, inclusive of discussions at the Group level, it is reasonable to assert that while AEEI addresses some of its most material impacts on stakeholders and the natural environment in which it operates through risk management policies and procedures at both the Group and Business Unit levels, more could be done to improve its ability to demonstrate how their actions affect their broader ecosystems, and what is being done to mitigate these impacts. At a moderate level, we believe AEEI's activities, inclusive of, but not limited to, the content discussed within its Sustainability Report, meets basic **Impact** expectations, but requires further improvement.

Sustainability Data Performance

- AEEI's systems for data collection, collation and reporting, at both the Group and Business Unit (BU) level, appear to require further improvement. The current reliance on BU reporting of ESG data via a dated Excel template demonstrates need for significant improvement, particularly with respect to ensuring alignment of understanding of indicator-specific definitions, and internal reviews of data reliability.

- NOTE:** On this basis, **IRAS** believes that AEEI should update its current ESG data reporting policies, procedures, systems and controls to not only improve data reliability, but also to expand current reporting to meet emerging stakeholder expectations. This would include expanded reporting with respect to the 10 principles of the Global Compact, the 17 United Nations Sustainable Development Goals (SDGs), and rising attention to the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Improvements should include an update to existing ESG data indicator definitions, as well as the intensity of Group internal and/or external scrutiny over data supplied by the various BUs.
- Aside from the following exceptions, the tested data was found to be reasonably accurate and/or reliable, although process improvements at some BUs may still be required with respect to the implementation of internal control procedures for data accuracy and reliability. Exceptions:
- **Number of Employees Trained**
It is our belief that a significant proportion of data reported for the number of persons trained was unreliable due to insufficient systems to avoid over-counting of persons who attended more than one training intervention during the year. AEEI should enhance its instructions to the BUs to ensure that each company can provide reliable data regarding the percentage of employees who participated in “skills development training” (i.e., excluding mandatory awareness, or similar, training interventions), and that individuals are not counted more than once per annum.
 - **Injuries on Duty**
It is our belief that, based on patterns of reported data, at least some BUs require further improvement to the identification and/or reporting of injuries on duty. While we have no reason to believe that BUs are not managing injuries responsibly, we suspect that at least some cases of First Aid and/or Medical Treatment injuries are not being reported to the Group.
 - **Direct Energy Consumption and Scope 1 Emissions**
Based on the information supplied, it is our belief that at least some of the BUs deem Direct Energy Consumption (i.e., fuels burned, such as petrol/diesel in company owned/operated vehicles) to be immaterial, and therefore do not have systems in place to report that data to Group. This could potentially result in the under-reporting of both Direct Energy Consumption and Scope 1 greenhouse gas (GHG) emissions.
 - **Indirect Energy Consumption and Scope 2 Emissions**
Based on the information supplied, it is our belief that several of the BUs deem Indirect Energy Consumption (i.e., electricity consumed in offices and/or other buildings) to be immaterial, and therefore do not have systems in place to report that data to Group. In several cases, it was suggested that because the cost of electricity is built into rental/lease agreements, no such data could be obtained for reporting purposes. This could potentially result in the under-reporting of both Indirect Energy Consumption and Scope 2 greenhouse gas (GHG) emissions.
 - **Water Consumption**
Based on the information supplied, it is our belief that several of the BUs deem Water Consumption to be immaterial, and therefore do not have systems in place to report that data to Group. In several cases, it was suggested that because the cost of water consumption is built into rental/lease agreements, no such data could be obtained for reporting purposes. This has undoubtedly resulted in the under-reporting of Water Consumption data, although it’s uncertain whether the scale of under-reporting meets a reasonable threshold for materiality (i.e., 5.0% of total water consumed).
 - **Waste Management**
Based on the information supplied, it is our belief that several of the BUs deem the management on non-hazardous waste to be immaterial, and therefore do not have systems in place to report that data to Group. In several cases, it was suggested that because the total estimated volume of waste disposed of and/or sent for recycling is so low, it would be “immaterial” to the overall Group volumes. This has undoubtedly resulted in the under-reporting of data for non-hazardous waste sent to landfills, as well as the volume of waste recycled, although it’s uncertain whether the scale of under-reporting meets a reasonable threshold for materiality (i.e., 5.0% of total waste generated and/disposed of).
- Based on the depth of reporting of ESG data within the Integrated Annual Report (IAR) and Sustainability Report, including data tables within the body of the reports, we believe that AEEI demonstrates significant

leadership relative to public disclosure of the ESG data. As per our SDTI analysis of AEEI's current reporting, their ESG data transparency falls within the Top 10% of all JSE-listed companies.

Conclusions

Based on the information reviewed, **IRAS** is confident that this Report provides a comprehensive and balanced account of the sustainability performance of AEEI during the period under review. The data presented is based on a systematic process, albeit requiring further improvement, and we are satisfied that, aside from the exceptions stated above, the reported performance data accurately represents the current performance of AEEI, while meeting the AA1000AS v3 principles of *Inclusivity*, *Materiality*, *Responsiveness* and *Impact*. Moreover, and although the quality or quantity of data can be improved, this Report demonstrates effective leadership with respect to ESG data transparency.



Integrated Reporting & Assurance Services (IRAS)

Johannesburg

14 December 2020