



INTEGRATED REPORT 2016



**AFRICAN EQUITY  
EMPOWERMENT  
INVESTMENTS  
LIMITED**



# DEAR STAKEHOLDER

We trust that you like the new look and feel of the condensed printed version of our integrated report. The full report can be found on our website: [www.aeei.co.za](http://www.aeei.co.za).

The Group completed the first cycle of its five-year strategy and accordingly this report will address our performance for the year as well as look beyond 2016.

Our 2016 integrated report reflects on our achievements, the successes and the learnings of our journey and adapting to our five-year strategic plan and how we will continue towards realising our Vision 2020 Vision.

During the past year, our strategic plan was refined slightly as we reflected on our strategic focus areas and to improve on its implementation.

We hope that our new brand and corporate identity has grown on you over the last 18 months. We did a survey to establish what stakeholders thought of our new identity and the feedback was extremely positive.

As mentioned previously, the rationale and reason for the change of name was to better reflect the underlying businesses and investments of the Company going forward.

The colour red is quite bold but was selected for its numerous positive connotations, both conscious and subconscious. The concept redefines the already successful, established investment holding Company, as a brand that is both visually engaging to new and existing stakeholders and also evocative of the ethos and principles that govern all aspects of the Company's operations.

**Share code:** AEE

**ISIN:** ZAE000195731

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# ABOUT THIS REPORT

African Equity Empowerment Investments (AEEI) is committed to the principles of integrated reporting in terms of our thinking and approach to long-term value creation and the role we play as a corporate citizen.

The leadership of the Group develops and directs the strategy and manages the business in an integrated way, taking into account the interests of our stakeholders and taking cognisance of the capital resources required.

In preparing our integrated report we were guided by the following:

- The International Integrated Reporting Council's Integrated Reporting <IR> Framework;
- The principles of the King Code of Governance (King III);
- The JSE Listings Requirements;
- The International Financial Reporting Standards (IFRS);
- The Companies Act, 2008 (No. 71 of 2008), as amended ("Companies Act"); and
- BBBEE regulations.

We have provided commentary on page 69 to explain the reasons why we elected to not comply fully with certain principles of King III.

## SCOPE, BOUNDARY AND REPORTING CYCLE

This is the Group's sixth integrated report and is primarily targeted at our shareholders which include our stakeholders, the investment community and providers of capital while taking into account the interests, concerns and information requirements of a wider group of stakeholders. The report includes financial and non-financial information related to the Group's main businesses, key functions and strategic investments. The Group's income is generated mainly within South Africa with approximately 36% generated from Africa and abroad. It aims to enable our readers to obtain a balanced view and to make an informed assessment of the Group's ability to create stakeholder value in the short, medium and long term.

It covers the financial year ended 31 August 2016, with no restatements of data.

This report provides material information which relates to the Group's strategy, governance, performance and sustainability in respect of all the business divisions and sectors, which comprises food and fishing, technology, health and biotherapeutics, events and tourism as well as strategic investments. All non-financial indicators include subsidiaries but exclude strategic investments unless specifically indicated. Through a formal process by each committee of the Board including executives in the Group, material issues were identified in terms of relevance and was approved by the Board of AEEI. Material issues and developments are comprehensively dealt with throughout the report. For specific information on material issues refer to pages 39 to 42.

## COMBINED ASSURANCE

AEEI has a combined assurance model to obtain the assurance from management as well as internal and external assurance providers. Management provides the Board with assurance on their accountabilities in terms of the implementation and monitoring of the Group's risk register and plan, as well as the controls related to the Group's day-to-day activities.

The audit and risk committee oversees the internal audit function and ensures the effectiveness of systems of internal control and risk management. It also monitors the relationship between the external assurance providers and the Company.

An independent audit of the Group's financial statements was performed by Grant Thornton Cape Inc. External verification has been provided for the Broad-based Black Economic Empowerment (BBBEE) accreditation level. The verification is carried out by an organisation accredited by the Independent Regulatory Board of Auditors (IRBA). The rest of this integrated report has not been subjected to an independent audit or review. The information reported on is derived from the Group's own internal records and information available in the public domain.

## DISCLAIMER: FORWARD-LOOKING STATEMENTS

In this report we make certain statements that relate to analyses and other information based on forecasts of future results based on historical data, which are based on estimations of new business and investment assumptions. These statements may also relate to our future prospects, developments and business strategy. As defined, these are forward-looking statements. These statements may be identified by words such as "expect", "look forward to", "anticipate", "intend", "plan", "believe", "seek", "estimate", "will", "project" or words of similar meaning which are intended to identify such forward-looking statements but are not the exclusive means of identifying such statements. These are subject to a number of risks, uncertainties and factors, including, but not limited to those described in disclosures and in the risk management report.

Should one or more of these risks or uncertainties materialise, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of AEEI may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. AEEI neither intends nor assumes any obligation to update or revise these forward-looking statements in light of developments that differ from those anticipated.

## DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE INTEGRATED REPORT

The audit and risk committee is responsible for reviewing and recommending the integrated report and annual financial statements to the Board for approval. The Board acknowledges its responsibility to ensure that the integrity of the integrated report is uncompromised. The Board has applied its mind to the integrated report and believes that it addresses all material issues and fairly represents the integrated performance of the Group.

The integrated report including the annual financial statements for the Group for the year ended 31 August 2016 were approved by the board of directors and signed on their behalf by Professor VC Mehana and Mr K Abdulla on 26 October 2016.

The special resolutions passed during the year for the Company relate to the approval of/for:

- remuneration for executive and non-executive directors;
- intercompany financial assistance;
- financial assistance for the acquisition of shares in a related or inter-related Company; and
- the Company or its subsidiaries to repurchase Company shares.

We welcome your feedback and comments on the integrated report. Please address any queries to the corporate affairs and sustainability director, Cherie Hendricks at [cherie@aeei.co.za](mailto:cherie@aeei.co.za).

# WHO WE ARE

African Equity Empowerment Investments Limited (“AEEI” or “the Company” or “the Group”) is a majority black-owned and black-managed investment holding Company based in South Africa.

The Group has investments in food and fishing, technology, health and biotherapeutics, events and tourism, all supporting Broad-based Black Economic Empowerment (“BBBEE”) and small, medium and micro enterprises (“SMMEs”). The Group also holds strategic investments in British Telecoms South Africa, Saab Grintek Defence, Pioneer Foods and Sygnia, some with international partners.

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

## MISSION STATEMENT

African Equity Empowerment Investments Limited is a diversified Company that empowers people through profits and partnerships.

## VISION STATEMENT

We are a dynamic and innovative Company that creates superior stakeholder value.



## WHERE WE OPERATE

While AEEI's primary market remains in South Africa, we continue to expand into the rest of Africa. Outside of South Africa we have a market presence in Asia, the United States of America (USA), Africa, Europe, Dubai, the United Kingdom (UK), Zambia, Ghana, Uganda, Cameroon, Australia, Zimbabwe, Tanzania, Nigeria, Kenya and Namibia through our subsidiaries.



## KEY FACTS

<p>DATE OF LISTING ON THE JSE</p> <p><b>3 May 1999</b></p>	<p>MARKET CAPITALISATION AT 31 AUGUST 2016</p> <p><b>R1,45bn</b></p>	<p>MAJORITY SHAREHOLDER</p> <p>Sekunjalo Investment Holdings (Pty) Ltd</p> <p><b>61.09%</b></p>
<p>REVENUE</p> <p>Increased from R672m in 2015 to R752m in 2016</p>	<p>ASSETS</p> <p>Increased from R1,3bn in 2015 to R1,7bn in 2016</p>	<p>NUMBER OF PERMANENT EMPLOYEES</p> <p><b>680</b></p>
<p>NUMBER OF CONTRACTORS</p> <p><b>3 250</b></p>	<p>TOTAL NUMBER OF EMPLOYEES INCLUDING STRATEGIC INVESTMENTS</p> <p><b>12 250</b></p>	<p>HEAD OFFICE</p> <p><b>V&amp;A Waterfront, Cape Town</b></p>
<p>% OF INCOME GENERATED OUTSIDE SOUTH AFRICA</p> <p><b>36</b></p>	<p>BBBEE LEVEL</p> <p><b>1</b></p>	<p>BLACK OWNERSHIP %</p> <p><b>79%</b></p>

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**TOTAL ASSETS (R'000)****1 691 219****2015:** 1 345 471 | **2014:** 1 178 084

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**HEADLINE EARNINGS (R'000)****211 930****2015:** 152 615 | **2014:** 78 552

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**HEADLINE EARNINGS** per share (cents)**43.13****2015:** 31.06 | **2014:** 16.03

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**DIVIDEND DECLARED****12 283****2015:** 9 827

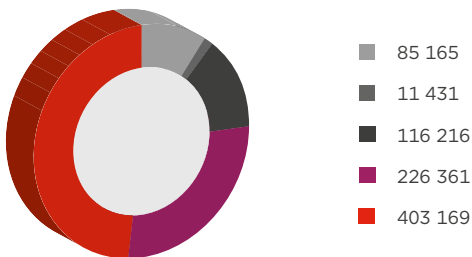
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WHO WE ARE - continued

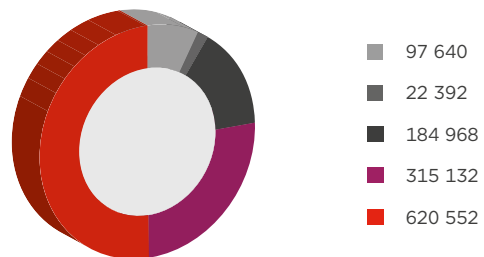
# REVENUE CONTRIBUTION PER DIVISION

## REVENUE R'000

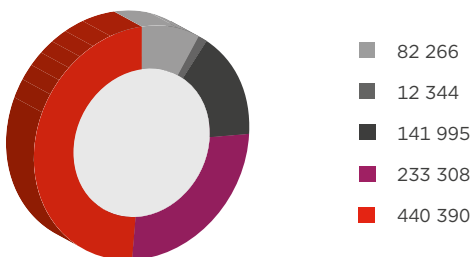
2010



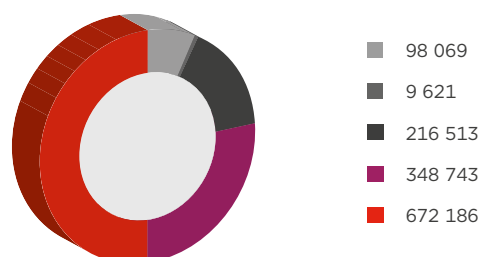
2014



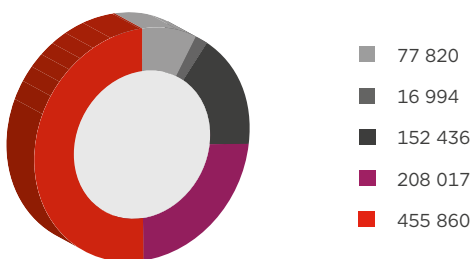
2011



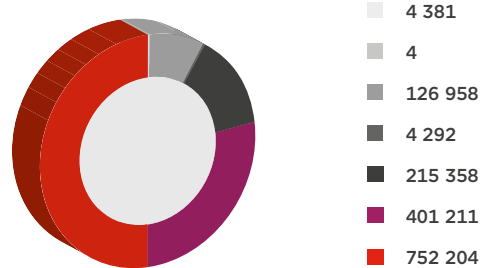
2015



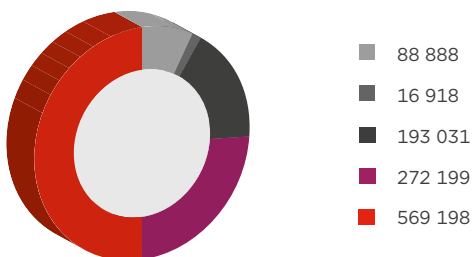
2012



2016



2013



■ Revenue ■ Fishing ■ IT ■ Health ■ Events ■ Biotechnology ■ Corporate

## OUR KEY PERFORMANCE INDICATORS (KPIs)

FINANCIAL KPIs	2015	2016	2017 TARGET
REVENUE GROWTH	Achieved 8%	Achieved 12%	20% increase revenue growth
OPERATING PROFIT	Achieved 88%	Achieved 53%	20% increase operating profit
NET CASH FLOWS FROM OPERATING ACTIVITIES	Achieved (11%)	Achieved 47%	Increase cash flows 15%
INCREASING NET ASSET VALUE	Achieved 21%	Achieved 24%	Increase net asset value 15%
GROWTH IN TOTAL ASSETS	Achieved 14%	Achieved 26%	Grow total assets 20%

NON-FINANCIAL KPIs	2015 ACHIEVEMENT	2016 ACHIEVEMENT	2017 TARGET
BROAD-BASED BLACK ECONOMIC EMPOWERMENT	Level 1 status	Level 1 status	Retain Level 1 status
HEALTH AND SAFETY	Zero fatality	Zero fatality	Maintain zero fatality
STAKEHOLDER RELATIONSHIPS	Increased communication to stakeholders	Increased communication to stakeholders	Increase stakeholder communication through various platforms
EMPLOYEE TRAINING AND DEVELOPMENT	277 employees undertook training	372 employees undertook training	Continue with training and development

As a BBBEE company, AEEI has strong roots among historically disadvantaged individuals (HDIs) and community organisations. These form the majority of the Company's shareholder base. Black ownership of AEEI exceeds 79% and the majority of its economic benefits are enjoyed by black stakeholders.

AEEI is recognised by its peers as a pioneer in promoting the interests of HDIs and previously marginalised communities. The Group's commitment to transformation, including employment equity, skills and enterprise development, as well as corporate social investment, makes it a role model for BBBEE.

## OUR RECENT AWARDS/ACHIEVEMENTS

Winner of the Empowerdex 100 Most Empowered Companies in 2016.

Financial Mail as one of the Top 10 JSE-listed Companies and 7th in the investment sector. In 2015 AEEI was ranked 13th overall for financial performance.

Level 1 BBBEE Status in terms of Broad-based Black Economic Empowerment.

Highest Sustainability Data Transparency Index score – Financial Services sector in 2016 and 10th overall in 2015 by the Integrated Reporting and Assurance Services out of the top 500 JSE-listed companies.

A finalist in the Top Empowered Business of the Year Award at the Annual Oliver Empowerment Awards in 2015.

Impumelelo Certificate of Excellence Award – Top Empowered Companies – in recognition of our commitment to transformation for the 2015 year.

Finalist of the Oliver Empowerment Awards – Top Business of the Year Award in 2014.

Ranked by Empowerdex as South Africa's Most Empowered Management Control Company in 2016.

Runner-up – 100 Most Empowered Black Ownership in 2016 by Empowerdex.

## OUR VALUE-CREATING BUSINESS MODEL

 <p><b>FINANCIAL CAPITAL</b></p>	 <p><b>HUMAN CAPITAL</b></p>	 <p><b>MANUFACTURED CAPITAL</b></p>
<p>Capital: R916m Assets: R1,7bn Strategic investments: R536 261m</p>	<p>680 permanent employees Employment created for 3 250 contractors</p>	<p>Quality products Quality services Innovative organic products Investment in our businesses</p>
<p> <a href="#">Read more on page 120.</a></p>	<p> <a href="#">Read more on page 121.</a></p>	<p> <a href="#">Read more on page 122.</a></p>
 <p><b>INTELLECTUAL CAPITAL</b></p>	 <p><b>SOCIAL AND RELATIONSHIP CAPITAL</b></p>	 <p><b>NATURAL CAPITAL</b></p>
<p>Patents Copyrights Software licences Strategic partnerships Empowerment partner of choice</p>	<p>Stakeholder engagement Leader in transformation Leader in social responsibility</p>	<p>Responsible use of natural resources, effective environment management systems and long-term goals to address carbon emissions, water and electricity usage</p>
<p> <a href="#">Read more on page 123.</a></p>	<p> <a href="#">Read more on page 124.</a></p>	<p> <a href="#">Read more on page 125.</a></p>

## FLOW OF INCOME AND EXPENSES

### INCOME

- Income is generated through the sales of products and services provided.
- Management fees.

### OTHER INCOME

- Private equity income derives from the realisation or revaluation of investments and dividends received.
- This includes private equity income and fair-value adjustments among others.
- Fair-value adjustments arise from the hedging of our balance sheet to mitigate fixed interest rate and basis risk.
- Associate income is generated through our investments in non-controlling shareholdings.

### EXPENSES

- We invest in our operations through infrastructure, technology and marketing.
- We also invest in developing, motivating and retaining employees.

### IMPAIRMENT CHARGES

- Fair-value adjustments arise from the hedging of our balance sheet to mitigate fixed interest rate and basis risk.

### TAX

- Taxation is the regulatory requirement to pay direct and indirect taxes.



# PRODUCTS AND SERVICES PROVIDED BY THE GROUP

THROUGH OUR VARIOUS BUSINESS ACTIVITIES,  
THE FOLLOWING PRODUCTS AND SERVICES ARE PROVIDED:



**FOOD  
AND FISHING**

Sales, marketing and production of west coast rock lobster, south coast rock lobster, canned fish products, longline hake, squid, fish meal, abalone and Seagro (organic fertiliser).



**TECHNOLOGY**

Offer a range of Information Communication Technology solutions well suited to the health care industry, hospital information and laboratory systems, pharmacy information systems. This is backed by the necessary professional services such as consulting, technical expertise, professional services, system integration, engineering of bespoke solutions, business intelligence, software development and engineering. Included in this sector is mobile inspection management, mobile field service, property inspections, franchise evaluations, cloud solution architecture, mobile banking and commissioning. Digital marketing, digital content redistribution for the publishing and media industry as well as commercial, industrial and agricultural solar PV solutions fall in this sector.



**HEALTH AND  
BIOTHERAPEUTICS**

Manufacture, sales and marketing of an extensive range of natural chemicals for the food, agriculture, hygiene and general health sectors as well as research and development of biopharmaceuticals and biosimilars for commercialisation.



**EVENTS  
AND TOURISM**

Events management, travel solutions as well as advertising and sponsorship income.



For further information refer to pages 153 to 216 – Responsible Investments.  
The above excludes our strategic investment portfolio (refer to pages 218 to 221).

## RISKS RELATED TO OUR ACTIVITIES



RISK

- Financial risk
- Operational risk
- Strategic risk
- Legal risk
- Human resource risk
- Environmental risk



Refer to page 98 for further information on the above risks.

## OUR INVESTMENT PHILOSOPHY

**AEEI'S HIGH-LEVEL INVESTMENT PHILOSOPHY IS TO:**

- hold a diversified portfolio of investments in businesses;
- acquire control of the majority of its operational investments;
- acquire and maintain non-controlling equity in strategic investments;
- add value, influence business processes, provide management expertise and synergies with existing investments;
- provide capital investment to grow the businesses;
- ensure above market shareholder returns; and
- provide and maintain high-quality infrastructures and assets.

**AEEI HAS A TRACK RECORD OF BEING AN EMPOWERMENT PARTNER OF CHOICE. AEEI INVESTS IN COMPANIES WITH THE FOLLOWING CHARACTERISTICS:**

- Strong investment partners that are aligned with our strategic objectives;
- Leading brand; and
- Defined growth strategy



Refer to page 110 for further details.

## WHAT SETS US APART

- Diversified business portfolio
- Sustainable and organic growth while containing costs and driving efficiencies
- Low debt and gearing ratio
- Hands-on approach in our business development strategy
- BEE partner of choice
- Built on solid empowerment credentials and return on investment
- Successful track record and excellent business reputation
- Strong management team and experienced executives leading our business units
- Rated as one of the JSE's most transformed companies
- Maintained our BBBEE Level 1 status since 2010
- Strategic investment portfolio
- Strong risk-based management of investments
- Vision 2020 Vision strategy, implementation plan with clear short-, medium- and long-term business strategies
- Invested in renewable energy and environmentally friendly products
- Strong brand, credentials and proven delivery
- Proven transformation culture and results

	EMPLOYEES	2016	2015	2014
Number of employees		680	618	619
Number of contractors		3 250	2 772	332
Number of employees and contractors		3 930	3 390	1 803
Percentage of employees who are deemed HDSA		86%	85.43%	80.46%
Percentage of employees who are women		31.5%	31.40%	31.66%
Percentage of employees who are permanent		98%	98%	98%
Percentage of employees who are unionised		19%	19.40%	16%
Percentage of employees and contractors operating in South Africa		100%	100%	100%
Percentage of management deemed HDSA		73%	73%	73%
Employee turnover as percentage		18%	3.72%	12%
Number of days lost due to absenteeism		1 576	797	981
Total number of person days lost		0	0	0
Total compensation paid to employees		191 709	147 459 864	139 925 364
Person hours worked - reported		5 689 715	3 602 202	2 789 043
Person hours worked - calculated		7 168 320	6 183 360	3 289 280
Total number of employees trained		372	227	326
Rand value of total employee training spend		2 372 218	1 209 074	1 002 035
Percentage of employees trained in South Africa		96%	100%	100%
Percentage of training spend in South Africa		91%	95%	95%
Number of days lost due to industrial action/strikes		0	0	0

# GROUP STRUCTURE



**FOOD  
AND FISHING**



**TECHNOLOGY**



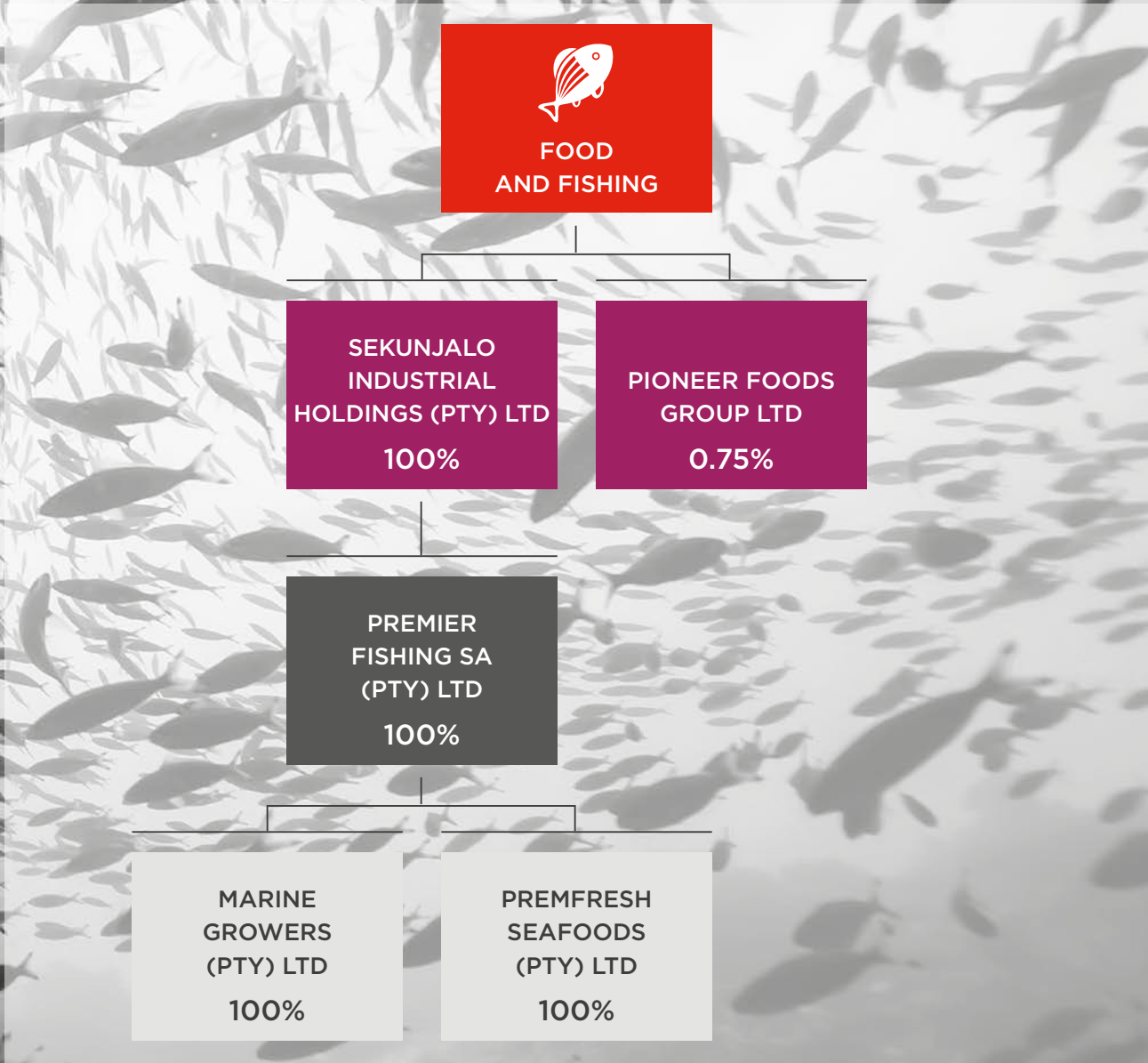
**HEALTH AND  
BIOTHERAPEUTICS**



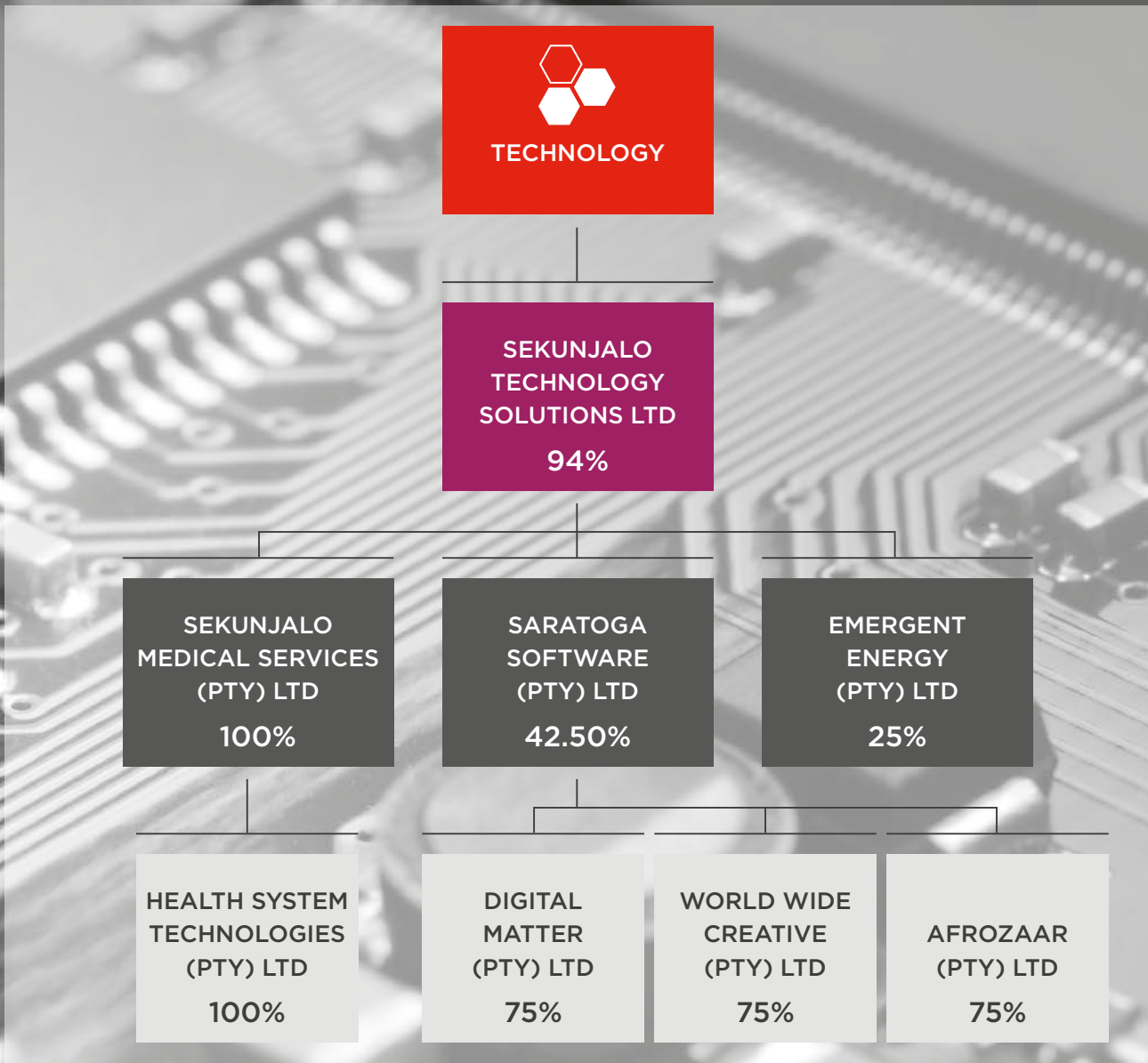
**EVENTS AND  
TOURISM**



**STRATEGIC  
INVESTMENTS**



GROUP STRUCTURE - continued





**HEALTH AND  
BIOTHERAPEUTICS**

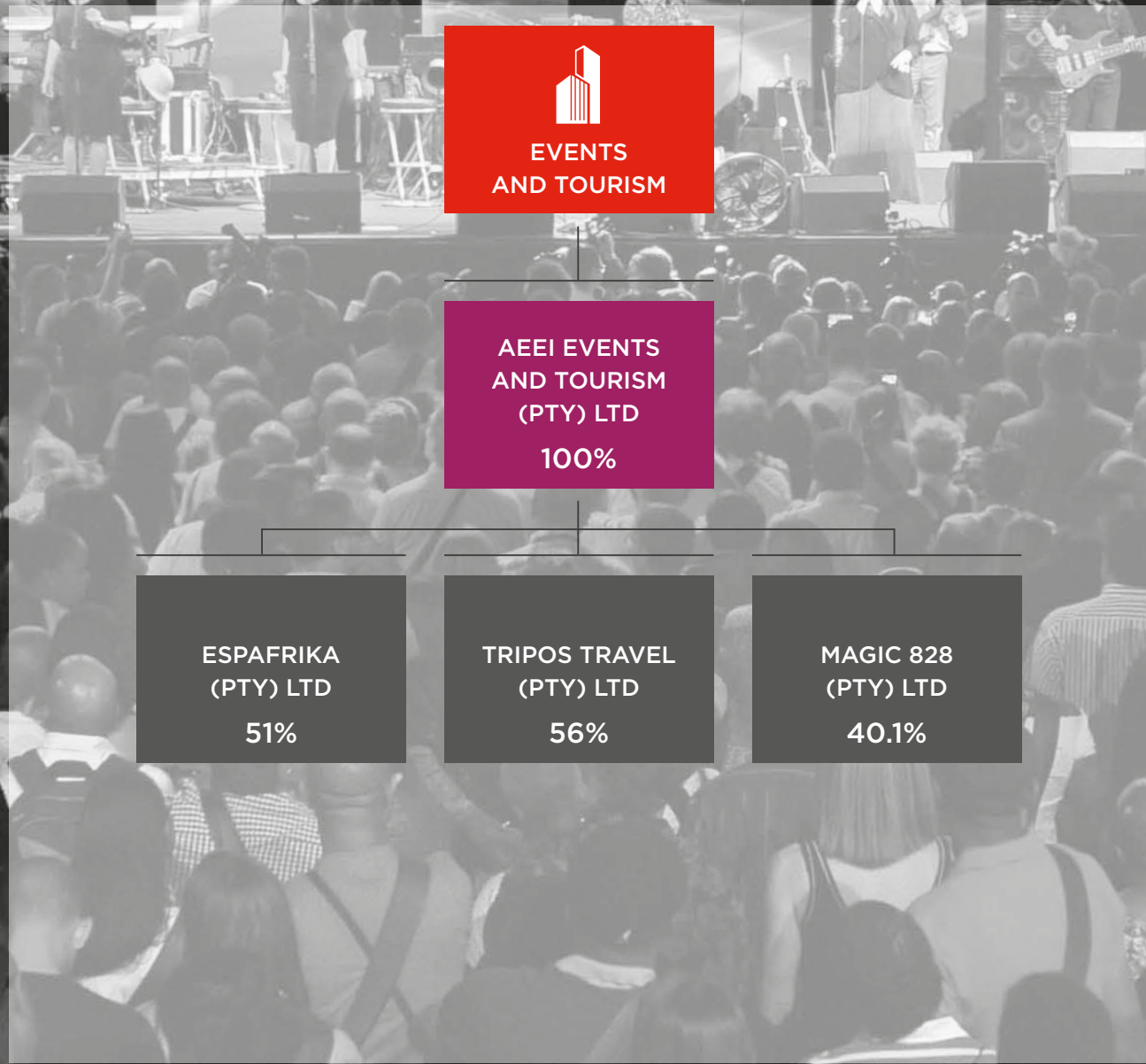
**WYNBERG  
PHARMACEUTICALS  
(PTY) LTD**  
**100%**

**AFRICAN BIOTECHNOLOGY  
AND MEDICAL INNOVATION  
INVESTMENTS (PTY) LTD**  
**100%**

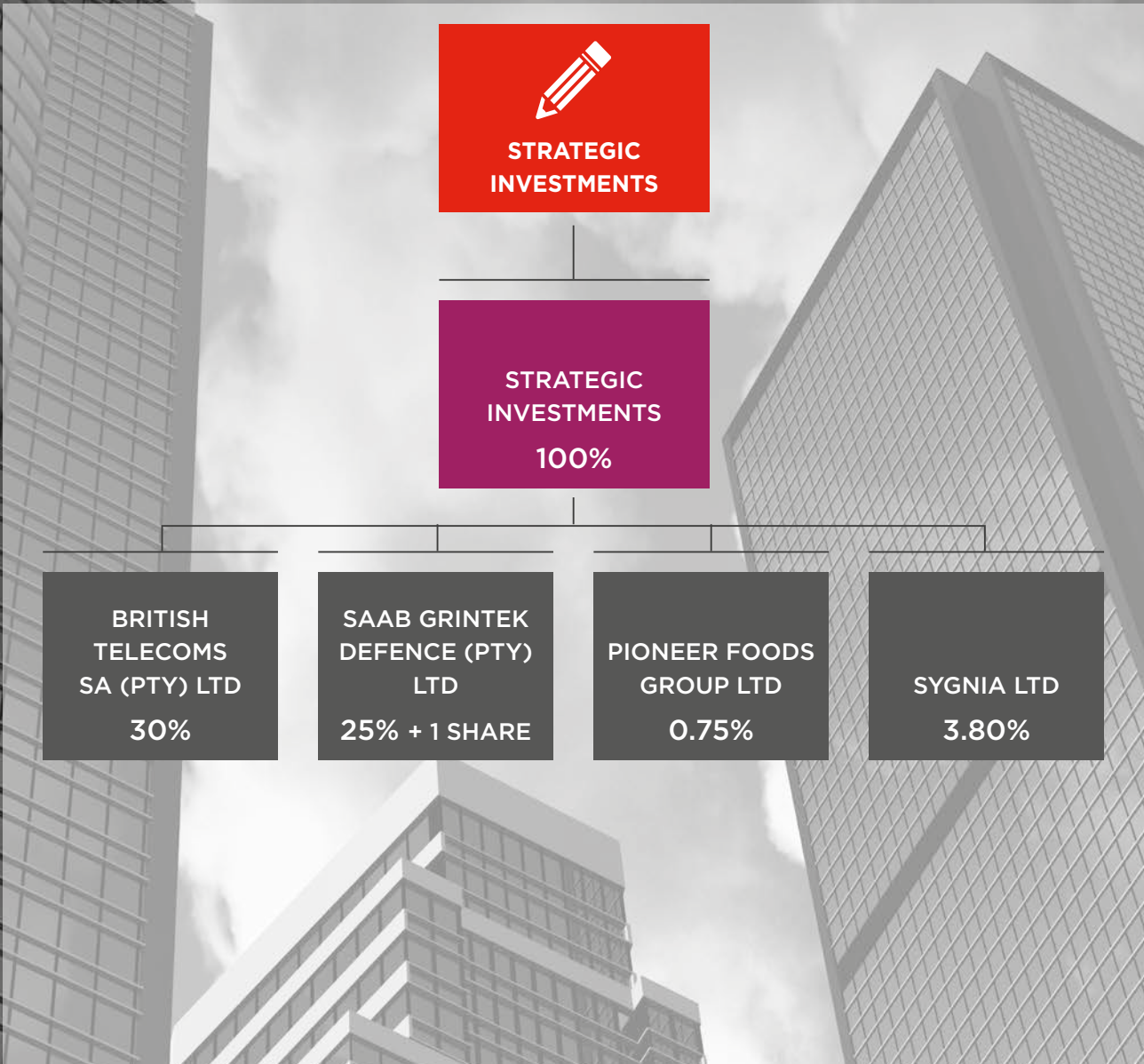
**INTEGRATED  
BIOWORKS  
(PTY) LTD**  
**60%**

**BIOCLONES  
(PTY) LTD**  
**49.99%**

**RIBOTECH  
(PTY) LTD**  
**60.02%**

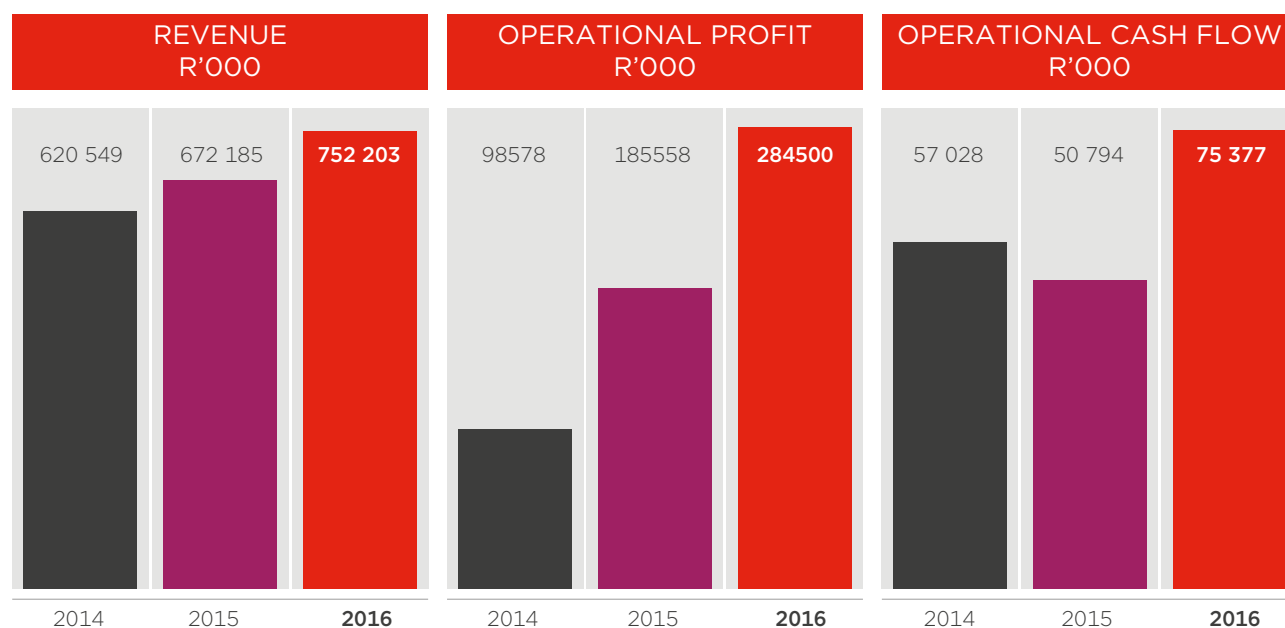






# FINANCIAL HIGHLIGHTS

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Revenue	752 203	672 185	620 549	569 198	455 860
Profit before tax	292 102	185 747	108 192	58 665	48 130
Profit after tax (including portion attributable to non-controlling interests)	208 527	149 256	102 433	30 352	18 199
Headline earnings	211 930	152 615	78 552	29 829	18 350
Net asset value - Group	1 001 035	804 549	665 072	476 996	451 864
Net asset value - Company	1 844 846	969 438	787 220	754 559	699 913
Total assets - Group	1 691 219	1 345 471	1 178 084	903 230	855 303
Total assets - Company	2 415 582	1 247 695	1 005 834	944 667	915 807
Earnings per share (cents)	44.09	31.12	19.76	6.08	3.67
Headline earnings per share (cents)	43.13	31.06	16.03	6.10	3.75
Net asset value per share - Group (cents)	186.52	144.93	115.81	96.50	90.49
Net asset value per share - Company (cents)	375.47	197.31	160.22	154.20	143.03



# FIVE-YEAR REVIEW

## STATEMENT OF FINANCIAL POSITION

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
<b>ASSETS</b>	<b>1 691 219</b>	1 345 471	1 178 084	903 230	855 303
Property, plant and equipment	<b>147 086</b>	153 422	138 266	126 890	135 500
Intangible assets and goodwill	<b>395 472</b>	396 529	391 836	50 108	49 833
Investments, loans and other receivables	<b>868 151</b>	530 406	429 238	531 789	463 003
Deferred tax assets	<b>17 310</b>	16 162	11 901	17 498	25 219
Current assets	<b>263 200</b>	228 952	204 991	174 818	181 748
Assets of disposal groups classified as held for sale	-	20 000	1 852	2 127	-
<b>EQUITY</b>	<b>1 001 035</b>	804 549	665 072	476 996	451 864
Equity attributable to equity holders of the parent	<b>916 452</b>	712 106	569 036	472 234	442 823
Non-controlling interest	<b>84 583</b>	92 443	96 036	4 762	9 041
<b>LIABILITIES</b>	<b>690 184</b>	540 922	513 012	426 234	403 439
Non-current financial liabilities	<b>265 210</b>	115 622	137 446	149 873	130 683
Deferred tax liabilities	<b>299 102</b>	239 015	210 489	132 721	123 189
Current liabilities	<b>125 872</b>	186 285	165 077	143 640	149 567
Net asset value					
Group	<b>1 001 035</b>	804 549	665 072	476 996	451 864
Company	<b>1 844 846</b>	969 439	787 220	754 559	699 913
Net asset value per share (cents)					
Group	<b>186.52</b>	144.93	115.81	96.50	90.49
Company	<b>375.47</b>	197.31	160.22	154.20	143.03

## FIVE-YEAR REVIEW - continued

## STATEMENT OF COMPREHENSIVE INCOME

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Revenue	752 203	672 185	620 549	569 198	455 860
Profit before depreciation and amortisation (EBITDA)	299 818	208 841	118 128	99 124	91 887
Profit before taxation	299 102	185 747	108 192	58 665	48 130
Taxation	(80 538)	(36 491)	(5 759)	(28 313)	(29 931)
Profit for the year from continuing operations	211 564	149 256	102 433	30 352	18 199
Loss for the year from discontinued operations	(3 037)	-	-	-	-
Profit for the year	208 527	149 256	102 433	30 352	18 199
Attributable to:					
Equity holders of the Company	216 623	152 897	96 802	29 734	17 953
Minority interests	8 096	(3 641)	5 631	618	246
Headline earnings	211 980	152 615	78 552	29 829	18 350
	<b>cents</b>	cents	cents	cents	cents
Earnings per share	44.09	31.12	19.76	6.08	3.67
Headline earnings per share	43.13	31.06	16.03	6.10	3.75
Diluted earnings per share	44.09	31.12	19.76	6.08	3.67

# CREATING VALUE

## IN THE SHORT, MEDIUM AND LONG TERM

AEEI is a leading black economic empowered JSE listed Company, who creates value for its stakeholders through its innovative and sustainable business model, concise strategy, diverse product portfolio and strategic investments, complimented by an experienced and empowered leadership team focused on stakeholder wealth creation as well as communities.

### SEGMENTAL OVERVIEW

#### RESPONSIBLE INVESTMENTS



#### FOOD AND FISHING

#### WHAT WE DO

Premier Fishing SA (Pty) Ltd (“Premier Fishing”) is the largest 100% black-owned fishing Company in South Africa. The Premier Fishing Group holds medium to long-term fishing rights in west coast rock lobster, south coast rock lobster, small pelagics, hake deep-sea trawl, hake longline, swordfish, tuna, seaweed and squid. They own an abalone farm, invest in organic agriculture as well as process wild abalone.

#### STATUS PROGRESS ON 2016 OUTLOOK

- Expansion of the abalone farm - awaiting Environmental Impact Assessment (“EIA”) approval
- Increase the number of external quota holders - achieved
- Assist small businesses to grow and add value - achieved and ongoing
- Deliver sustainable returns to shareholders - achieved and ongoing
- Drive efficient cost base - achieved and ongoing
- Enhance planning to increase catch rates - achieved and ongoing
- Review options in terms of product diversification - ongoing
- Work towards a future listing of the business - ongoing
- Focus on the environmental impact of their business - ongoing
- *Constructed a packing facility\**
- *Installation of phase 1 of renewable energy\**

\* Not included in the Outlook for 2016 but has been achieved.

#### OUTLOOK FOR 2017

- Work towards a future listing of the business
- Acquisition of small to medium-sized fishing companies
- Expansion of the abalone farm through a phased approach once the EIA has been completed, commencing with phase 1 in 2017
- Increase abalone spat production once expansion of the abalone farm is completed
- Further installation of renewable energy through a phased approach
- Construct/acquire a processing facility
- Construct/acquire a canning factory
- Continuous growth of outside quota holders
- Explore other growth opportunities present in the market
- Product diversification to further penetrate foreign markets
- Procurement of fish species for local and international markets and enhance marketing capacity



More information on page 153.

## CREATING VALUE IN THE SHORT, MEDIUM AND LONG TERM - continued



## TECHNOLOGY

## WHAT WE DO

The Technology division is comprised of businesses that are leaders in their respective niche markets, have solid client bases and achieve high levels of sustained organic growth with particular focus on the health care and financial services sectors and secondary focus on mobile solutions in the industrial sector as well as the energy efficiency.

## STATUS PROGRESS ON 2016 OUTLOOK

- Further expand into Africa and entrenched as a supplier to an African subsidiary of a major mobile operator – achieved in Cameroon, Ghana, Zambia and Uganda – ongoing
- Increase business in the private sector – achieved in Dubai
- Growth by acquisition – achieved
- Expand product range and offering – achieved
- Work towards a future listing of the business – ongoing
- *Raised the profile in the South African Public Sector\**
- *Embarked upon a modernisation drive for existing systems\**
- *Formed a joint venture company to market state-of-the-art telemedicine solutions as part of the strategy to expand on its product range and services\**
- *Development and sale of new products which include rail tracking solutions and mobile applications\**
- *Constantly achieved more than 95% compliance on Service Level agreements with customers\**
- *Renewal of key contracts at major customers and the expansion of their footprint to increase customer base across the IT Group\**
- *Closed Rail Tracking Project for customer in the petrochemical vertical\**
- *Reinvested in new and existing product development associated with digital publishing\**
- *Ongoing roll-out of digital transformation of print sales team at major publishing group\**
- *Expanded into Australia, Zimbabwe, Tanzania, Nigeria, Kenya and Namibia\**

\* Not included in the Outlook for 2016 but has been achieved.

## OUTLOOK FOR 2017

- Reducing dependence on the South African economy by investing in structures to expand activities into Africa
- Increasing the amount of business in the private sector and other African customers
- Continue acquisitive and organic growth through the acquisitions of complementary businesses and the acquisition and/or development of additional products
- Rewrite of InspectionOne Mobile in Android
- Ongoing roll-out of digital transformation of print sales team at major publishing group



More information on page 163.



## HEALTH AND BIOTHERAPEUTICS

### WHAT WE DO

Included in this division is the manufacturing, sales and marketing of an extensive range of natural chemicals for the food, agriculture, hygiene and general health sectors as well as research and development of biopharmaceuticals and biosimilars for commercialisation.

### STATUS PROGRESS ON 2016 OUTLOOK

- Growth of product portfolio – achieved
- Diversified products and markets – achieved
- Expanded into new markets – achieved
- Worked towards a future listing of the business – ongoing
- *Moved product from research to commercialisation\**
- *Successful registration of additional products\**
- *Introduction of pre-harvest products\**
- *Pre-clinical work on breast cancer – ongoing\**
- *Infrastructure and facility improvements\**
- *Enhancement of production\**
- *Concluded various JVs in agriculture and fishing, including international IP and patent transfers\**

\* Not included in the Outlook for 2016 but has been achieved.

### OUTLOOK FOR 2017

- Continue working towards a future listing of the business
- Growth of product portfolio into other sectors
- Conclude Joint Venture negotiations in two sectors
- Expand into new sectors with innovative products
- Retention of business
- Expand into new markets outside of South Africa
- Continue with pre-clinical work on breast cancer
- Continue with infrastructure and facility improvements
- Enhancement of production



More information on page 174.

CREATING VALUE IN THE SHORT, MEDIUM AND LONG TERM - continued



**EVENTS AND  
TOURISM**

**WHAT WE DO**

This division features a cutting-edge global competitive Company in events management and travel solutions. Over the past decade, the events Company staged international music festivals throughout Africa and under their leadership, the Cape Town International Jazz Festival has been named the fourth best jazz festival worldwide and in 2016 was voted one of the World's Best Festivals by FEST300 and voted the Best Festival in Cape Town in the OFLOCAL 2015 poll.

Included in this division is a travel and tourism company which specialises in travel management services, inbound and outbound tours as well as events servicing both the corporate and leisure markets.

New to this division is a medium wave commercial music radio station.

**STATUS PROGRESS ON 2016 OUTLOOK**

- Worked towards developing owned events – achieved
- Expanded into new markets outside the Western Cape – achieved and ongoing
- Looked at opportunities to grow in the travel, tourism and entertainment industries and expanding footprint – achieved
- Considered and promoted a crossover radio station offering a format appealing to a section of the region's population – achieved

**OUTLOOK FOR 2017**

- Continue working towards further extending their footprint outside of the Western Cape – long-term
- Work towards securing new third-party events – long-term
- Develop, promote and sell inbound and outbound travel packages
- Conclude partnership agreement
- Sell niche packages
- Grow the leisure part of the travel business
- Increase brand awareness and listenership at the radio station
- Look at opportunities to expand the radio station
- Extending broadcasting via programming at the radio station
- Increase advertising and the broadcast area at the radio station
- Increasing their broadcast area



*More information on page 194.*





## STRATEGIC INVESTMENTS

### WHAT WE DO

The Group's strategic investments consist of equity in British Telecoms South Africa (Pty) Ltd ("BT"), Saab Grintek Defence (Pty) Ltd ("Saab"), Pioneer Foods Group Ltd ("Pioneer Foods") and Sygnia Ltd ("Sygnia").

### 2016 PROGRESS

- Explored further business opportunities – ongoing
- Looked for and explored further opportunities in new strategic investments – ongoing
- Saab – transaction concluded in November 2015: 25% + 1 share
- Acquisition in Sygnia concluded in October 2015

### OUTLOOK FOR 2017

- Review further business opportunities within our current strategic investments
- Increase equity in existing strategic investments
- Looking for and explore further opportunities in new strategic investments
- Acquire further strategic investments



*More information on pages 218 to 221.*

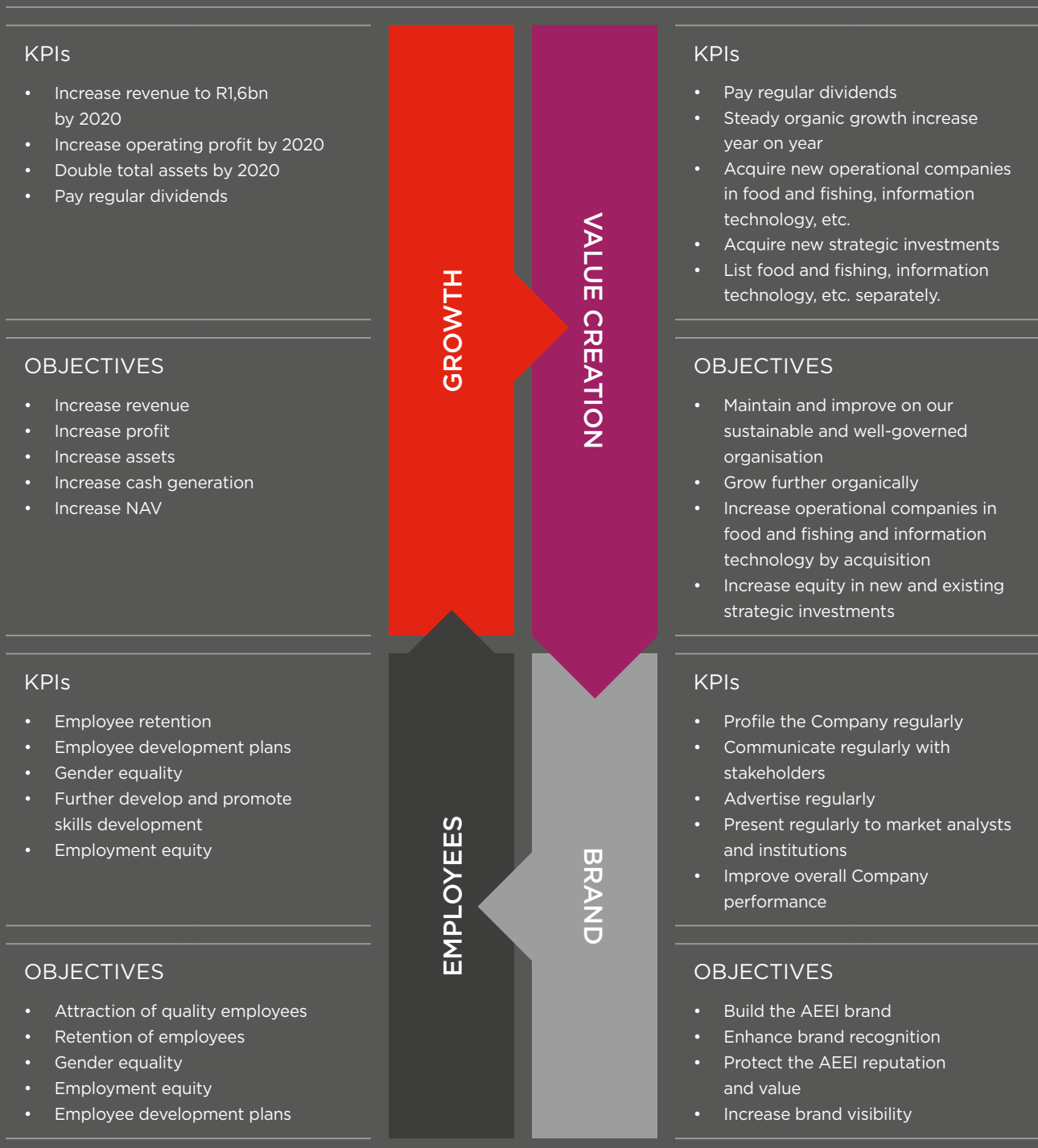
# VISION 2020 VISION

## ORGANISATIONAL STRUCTURE



# BUSINESS MODEL AND STRATEGIC GROWTH OBJECTIVES

## CREATING STAKEHOLDER VALUE



## OUR 2016 STRATEGY AND VISION 2020 VISION

AEEI's business model, investment approach and philosophy resulted in it acquiring control of the majority of its operational investments as well as holding minority equity in strategic investments. This enables it to add value through its extensive expertise and networks, while promoting an entrepreneurial culture within its management structure and staff. Through our assets and investments, we drive the businesses to become efficient on a sustainable basis, which generates revenue, dividends and cash flow to support the Group as a whole.

“The very essence of leadership is that you have a vision. Its got to be a vision you articulate clearly and forcefully on every occasion. You can't blow an uncertain trumpet.”

Theodore Hesburgh

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One of AEEI's key strategic objectives is to create sustainable value for all its stakeholders and to integrate sustainable development into strategy, management and reporting, with the objective of reducing the negative impact on the environment.

AEEI's financial strategy is to grow through acquisitions and leveraging the existing portfolio by maximising the net investment asset base and improving cash generation, thereby growing income sustainably and managing its costs.

Through the Company's achievement of economic growth and its social contract, it remains one of the few Company's to have consistently topped the rankings in its sectors overall over the last few years and is placed as the **number one** empowerment Company in South Africa.

As a result of AEEI being recognised for its leadership qualities in the transformation of society and its innovative business model in South Africa, the Company continues to be invited to participate in a number of global forums and multilateral organisations.

AEEI's strategic approach to risk is to regularly assess whether the risk process is effective in identifying and evaluating risks and to determine whether the business operations have managed the risks in line with the Group's strategy while considering mitigation action and the overall sustainability of the business.

This strategy has served the Group well over the past few years and is reflected in the 2016 achievements listed below:

- Group profit grew to more than R285m from R186m;
- Group assets grew to more than R1,6bn from R1,3bn;
- A significant reduction in debt to equity;
- Solid cash management;
- Payment of regular dividends;
- Provided a safe and healthy workplace and strive to reduce the environmental footprint of products and operations and supported local communities;
- Engaged with and further develop diverse suppliers and enterprise development clients;
- Strengthened management systems that govern responsible operations;
- Pursued partnerships with key stakeholders and formed joint venture initiatives to promote localisation;
- Further identified opportunities for local manufacture and the promotion of skills transfer;
- Fostered equality within our work environment irrespective of gender, race, creed and other forms of diversity;
- Developed personal plans for employees and promoted performance management;
- Further promoted skills development and learnership programmes;
- Continued to build leadership capacity among women;
- Engaged with our staff at all levels provided us with the necessary feedback and input in understanding and responding to improving their skills and training needs; and
- Ensured full compliance with the changing regulatory requirements.

Following the Vision 2020 Vision strategic planning process in 2015 to reposition the Group's next growth phase, the Group's businesses are on track to deliver on its growth plans and goals towards the 2020 financial year. The following high-level key performance indicators are ongoing:

- Double revenue;
- Increase operating profit substantially;
- Increase operational cash flow significantly;
- Increase NAV significantly;
- Substantially increase or double total assets;
- Separate listing of the IT and food and fishing businesses after achieving R500m revenue or R80m profit targets;
- Regular payment of dividends to shareholders;
- Create medium- to long-term shareholder value;
- Develop positive director and stakeholder involvement in the strategy;
- Building the AEEI brand;
- Create employment and opportunities for employee growth; and
- Create a Group that leads in both profits and sustainable business practices.

The board of directors delegated the action plans to the Group's executive management for implementation with clear deliverables. The Group's executives provide feedback at the quarterly Board meeting on progress made.

AEEI continues to support the development of a positive public attitude towards increased innovation, the stimulation of new green enterprises, the upskilling of new and existing employees and managers, investing in research and development and developing research centres relevant to our industry and intellectual property.

# OUR COMMON VISION AND COMMON OBJECTIVES

## OUR SHARED VALUES

### RESPECT AND TRUST

To always respect and trust fellow employees, customers, partners and all stakeholders.

### PEOPLE

To always respect fellow employees, partners and all stakeholders. To provide sustainable employment opportunities for all of our employees and others as well as a safe and secure working environment and to maintain zero fatality. Develop, attract and retain the correct skills and structures to meet and support our strategic growth.

### INTEGRITY

To always act with integrity in whatever we do based on our values, principles and code of conduct.

### ACCOUNTABILITY

To have responsible and accountable leadership that addresses the expectations of diverse stakeholders and to embrace these responsibilities with efficiency.

### STAKEHOLDERS

To serve our stakeholders through good corporate governance, value creation, and affordable products and services.

### COMMITMENT

To deliver on our promises and add value beyond expectations.

### INVESTMENT

To stimulate investment in the areas of green enterprises, social innovation and societal development.

## OUR COMMON OBJECTIVES

To sustain profitability by partnering with communities and government in a social contract to achieve economic growth and giving more South Africans access to this growing prosperity.

## OUR COMMON GOAL

To ensure that the Group delivers long-term value to all of its stakeholders, increase shareholder wealth, economic transformation and the development and the upliftment of social communities as well as to build long-term stakeholder relationships.

## OUR INTEGRATED VALUE CHAIN

The Group looks at innovative ways to sustain its existing businesses by adapting to changing environments as well as through our acquisition and new business development approaches. With our risk management approach and the impact of changing markets, competitors and the economic environment, management is constantly aware of how the Group can improve sustainability through constant change.

### USING THE SIX CAPITALS, THE FOLLOWING HAVE BEEN IDENTIFIED:

 <p><b>FINANCIAL CAPITAL</b></p>	 <p><b>HUMAN CAPITAL</b></p>	 <p><b>MANUFACTURED CAPITAL</b></p>
<p>Creating and sustaining shareholder value as well as fund growth projects through the responsible use of our capital generated, use of assets as well as investment in strategic investments.</p>	<p>Addressing the shortage of skills, productivity, diversity and excellence through employee retention, training and skills development.</p>	<p>Providing quality products, services and capital investment in our businesses to enable them to operate assets safely and reliably.</p>
 <p><b>INTELLECTUAL CAPITAL</b></p>	 <p><b>SOCIAL AND RELATIONSHIP CAPITAL</b></p>	 <p><b>NATURAL CAPITAL</b></p>
<p>Retaining our intellectual capital – this includes all our knowledge-based assets including patents, copyrights, software, licences, protocols and procedures as well as forming strategic partnerships and being an empowerment partner of choice.</p>	<p>Attaining this through effective stakeholder engagement and being leaders in transformation and social responsibility.</p>	<p>Responsibly using natural resources, putting effective environment management systems and long-term goals in place to address carbon emissions and water and electricity usage.</p>

## VISION 2020 VISION - continued

## OUR INTEGRATED REPORTING MODEL

AEEI's strategy is the creation of sustainable value for all shareholders and stakeholders. To ensure that the Company remains attractive to investors, we need to optimise shareholder returns. Sustainable value creation goes beyond short-term profitability and we must recognise and manage the broader economic, social and environmental factors. Our approach to addressing these issues is to prioritise those that matter the most to achieve medium- to long-term sustainable businesses.

We have identified strategic enablers in order for us to execute our business model and achieve sustainable value creation.

## SOUND GOVERNANCE

We can only be a sustainable business if we deliver on our promise. This remains dependent on our business model that is built around our sound governance platform and is embedded in our corporate culture.

## DEVELOPMENT OF PEOPLE

Together with financial capital, our people are our single most important resource. It is important that we find the right calibre of people, and keep them motivated in a safe, supportive working environment. The AEEI Group instils a culture of excellence and opportunity for all employees.

## SOCIETY

In order to remain sustainable as a business, we continually contribute towards and invest in a stable and growing economy. We implement best practices when it comes to responsible investing. Our aim is to invest in businesses that have a sustainable approach to doing business.

## ENVIRONMENT

AEEI has a very low direct impact on the environment, but we are affected by the environment in which we operate as well as the impact that climate change in general has on our business. We commit our businesses to a journey of responsible environmental stewardship. We acknowledge that a stable economy and a sustainable business require a sustainable environment. Our Food and Fishing division works closely with the relevant authorities to safeguard the various fish species and pays careful attention to the environmental impact of its operations.

## OUR FUTURE OUTLOOK AND PRIORITIES FOR 2017

- Execute our strategic agenda in line with our Vision 2020 Vision;
- Increase revenue and operating profit;
- Drive organic growth;
- Focus on pursuing selective acquisitions;
- Maintain a strong stakeholder focus;
- Further expand into new markets outside of South Africa and the continent and grow our business through greater collaboration with strategic partners;
- Drive greater strategic alignment between our businesses for greater operational coordination;
- Leverage the Group's combined power to further achieve efficiencies and growth;
- Increase efforts to share skills and experience between our various business units;
- Promote responsible business practices and governance throughout the Group;
- Continue building a culture of excellence, which our employees are proud to be part of;
- Build further brand awareness;
- Practice responsible environmental management by helping to monitor, manage and reduce our direct and indirect environmental impact; and
- Through our business initiatives, social development programmes and innovative leadership, narrow the gap between the rich and poor.



## OUR KEY STAKEHOLDER ENGAGEMENT AND RELATIONS

AEEI places great value on the high standards of ethics, communication, transparency of information in terms of the Promotion of Access to Information Act, 2000 (No. 2 of 2000), regulatory and other directives relating to the dissemination of information. The Company has identified stakeholder groups with whom it engages in a structured manner. Refer to page 85 for full details.

## OUR VALUE-ADD

A measure of the value created by the Group is the amount of value added by its diverse activities to the cost of raw materials, products and services purchased. Refer to page 84 for full details.

## OUR MATERIAL ISSUES

The AEEI Group focuses its reporting on sustainable development and those directly affecting the Group's ability to create value as well as reflecting on the Group's impacts and expectations of its shareholders.

AEEI's material issues are those challenges and opportunities that have the most potential to significantly affect the Group's long-term sustainability or impact our stakeholders. AEEI's material issues were identified in terms of relevance from the risk assessment process.

Through a formal process by each Board committee including executives in the Group, material issues were identified in terms of relevance. These material issues were approved by the AEEI Board.

### THE FOLLOWING MATERIAL ISSUES WERE IDENTIFIED:

ISSUES	RELEVANCE	STRATEGY COMPONENT	STAKEHOLDER	GOVERNANCE STRUCTURE	REPORT SECTION
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MATERIAL ISSUE: <b>FINANCIAL</b>					
<ul style="list-style-type: none"> <li>Responsible use of capital generated</li> <li>Asset efficiency</li> <li>Growth of businesses through strategic investments</li> <li>Shareholder returns</li> </ul>	<ul style="list-style-type: none"> <li>AEEI requires long-term shareholders that understand our businesses and support our strategy</li> <li>Execution of our Vision 2020 Vision requires the successful integration of our acquisition and strategic investments</li> </ul>	<ul style="list-style-type: none"> <li>Double revenue</li> <li>Increase operating profit, cash flow and assets</li> <li>Listing of food and fishing and IT businesses</li> <li>Create medium-to long-term shareholder value</li> <li>Maximise growth and income sustainably</li> <li>Cost containment</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders</li> <li>Providers of capital</li> <li>Strategic partners</li> <li>Stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Board</li> <li>Executive committee</li> <li>Investment committee</li> <li>Audit and risk committee</li> </ul>	<ul style="list-style-type: none"> <li>Chairman's report</li> <li>CEO's report</li> <li>CFO's report</li> <li>Strategy</li> <li>Vision 2020 Vision</li> </ul>

**Combined assurance:** Operational reviews, risk management, audit and risk committee, and internal and external assurance of financial information

VISION 2020 VISION - continued

ISSUES	RELEVANCE	STRATEGY COMPONENT	STAKEHOLDER	GOVERNANCE STRUCTURE	REPORT SECTION
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**MATERIAL ISSUE: HUMAN CAPITAL**

<ul style="list-style-type: none"> <li>Employee recruitment and retention of key skills</li> <li>Training and development of staff</li> <li>Employee health and safety</li> <li>Remuneration and staff recognition</li> <li>Employee job satisfaction and diversity</li> <li>Maintain zero fatality</li> <li>Transformation</li> </ul>	<ul style="list-style-type: none"> <li>Human capital is a key input in the Group's cost efficiency and competitiveness</li> <li>Succession plans for senior executives and management is managed</li> <li>Retention of key skills</li> <li>Human capital</li> </ul>	<ul style="list-style-type: none"> <li>Create employment and opportunities for employee growth</li> <li>Create a Company that leads in both profits and sustainable business</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders</li> <li>Customers (existing and potential)</li> <li>Suppliers</li> <li>Government</li> <li>Employees and trade unions</li> <li>Regulatory bodies</li> <li>Industry bodies</li> <li>Consultants</li> <li>Service providers</li> </ul>	<ul style="list-style-type: none"> <li>Board</li> <li>Remuneration committee</li> <li>Executive committees</li> <li>Develop the human capital strategy, key relationships and monitors progress against KPIs and targets</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration</li> <li>Human capital</li> <li>Transformation</li> </ul>
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**Combined assurance:** Regular management review, policies and procedures and remuneration committee function

**MATERIAL ISSUE: BUSINESS OPERATIONS**

<ul style="list-style-type: none"> <li>Capital investment in our businesses</li> <li>Quality products and services</li> <li>Provide and maintain high-quality infrastructures</li> <li>Stimulate economic growth</li> <li>Risk and capital requirements</li> </ul>	<ul style="list-style-type: none"> <li>The AEEI Group's strategy is to minimise risk through diversification and through best practice manufacturing processes and managing customer relationships</li> <li>Exchange rate volatility may have an impact on business performance</li> <li>The uncontrollable costs of diesel and electricity</li> <li>Labour strikes and salary demands</li> </ul>	<ul style="list-style-type: none"> <li>Balance in the business</li> <li>Focus on costs</li> <li>Grow and secure product range and market share</li> <li>Launch new products and services</li> <li>Stimulate growth with SMMEs</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders</li> <li>Customers</li> <li>Government</li> <li>Employees</li> <li>Trade unions</li> </ul>	<ul style="list-style-type: none"> <li>Board and executive committees develop strategy</li> <li>Investment committee</li> <li>Audit and risk committee</li> <li>Monitor and execute strategies</li> </ul>	<ul style="list-style-type: none"> <li>CEO's report</li> <li>Vision 2020 Vision</li> <li>CFO's report</li> <li>Responsible investments</li> </ul>
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**Combined assurance:** Operational reviews, investment committee and audit and risk committee function

ISSUES	RELEVANCE	STRATEGY COMPONENT	STAKEHOLDER	GOVERNANCE STRUCTURE	REPORT SECTION
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**MATERIAL ISSUE: MACROECONOMIC**

<ul style="list-style-type: none"> <li>Shareholder satisfaction</li> <li>Return on investment</li> <li>Alternative technologies</li> <li>Competitors</li> </ul>	<ul style="list-style-type: none"> <li>The Group strategy is to minimise risk through its diverse portfolio</li> <li>Strategic investments</li> <li>Changes in the economic landscape</li> <li>Not achieving investment targets</li> <li>Failure to innovate in areas critical to our clients</li> </ul>	<ul style="list-style-type: none"> <li>Diverse portfolio of investments</li> <li>Strategic investments</li> <li>Organic growth of portfolio</li> <li>Growth by acquisition</li> <li>List Food and Fishing division</li> <li>List IT division</li> <li>List Biotechnology division</li> <li>Increase business into other sectors</li> <li>Further expansion into Africa</li> </ul>	<ul style="list-style-type: none"> <li>All stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Board</li> <li>Executive management</li> <li>Investment committee</li> <li>Audit and risk committee</li> </ul>	<ul style="list-style-type: none"> <li>CEO's report</li> <li>Vision 2020 Vision</li> <li>Responsible investments</li> </ul>
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**Combined assurance:** Operational reviews, investment committee and audit and risk committee function

**MATERIAL ISSUE: NATURAL CAPITAL - THE ENVIRONMENT**

<ul style="list-style-type: none"> <li>Energy consumption</li> <li>Water usage</li> <li>Carbon footprint</li> <li>Environmental impact</li> <li>Environmentally friendly products</li> </ul>	<ul style="list-style-type: none"> <li>Our aim is to ensure that we actively manage our impact on the environment through an effective environmental management system, waste, water and electricity management</li> </ul>	<ul style="list-style-type: none"> <li>Capital has been allocated to address the Group's long-term goals</li> <li>Create a Company that leads in both profits and sustainable business practices</li> <li>Reducing the negative impact on the environment</li> <li>Renewable energy alternatives</li> <li>Produce environmentally friendly products</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders</li> <li>Customers (existing and potential)</li> <li>Suppliers</li> <li>Government</li> <li>Employees and trade unions</li> <li>Regulatory bodies</li> <li>Industry bodies</li> <li>Consultants</li> <li>Service providers</li> </ul>	<ul style="list-style-type: none"> <li>Board and executive committees are finalising an environmental strategy and structures have been put in place to monitor progress against targets</li> </ul>	<ul style="list-style-type: none"> <li>CEO's report</li> <li>Environmental sustainability (responsible investments)</li> </ul>
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**Combined assurance:** Management review, audit and risk committee function, internal audit, policies and procedures



For more information refer to the Sustainability Report on page 117.

VISION 2020 VISION - continued

ISSUES	RELEVANCE	STRATEGY COMPONENT	STAKEHOLDER	GOVERNANCE STRUCTURE	REPORT SECTION
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**MATERIAL ISSUE: SOCIAL AND RELATIONSHIP**

<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Ethics</li> <li>• Governance</li> <li>• BBBEE</li> <li>• Transformation</li> <li>• Social and economic development</li> </ul>	<ul style="list-style-type: none"> <li>• AEEI's business depends on the close relationships with key stakeholders</li> <li>• Government is an important industry stakeholder for most of our businesses</li> <li>• Incentive programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations governing our diverse business portfolio as some of the business units are dependent on this</li> <li>• Adhering to ethical standards and avoiding corruption</li> <li>• Adhering to good corporate governance in the Group</li> <li>• Maintaining Level 1 BBBEE accreditation</li> <li>• Meeting transformation targets</li> <li>• Creating value through social investment</li> <li>• Promoting social and economic development by assisting SMMEs</li> <li>• Effective risk management and compliance</li> </ul>	<ul style="list-style-type: none"> <li>• All stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Board</li> <li>• Executive management</li> <li>• Social and ethics committee</li> <li>• Transformation committee</li> <li>• Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• CEO's report</li> <li>• Corporate governance report</li> <li>• Risk management report</li> <li>• Social and ethics report</li> <li>• Transformation report</li> <li>• Sustainability report</li> </ul>
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**Combined assurance:** Management review, policies and procedures, social and ethics committee and transformation committee

# PERFORMANCE AND FUTURE OUTLOOK

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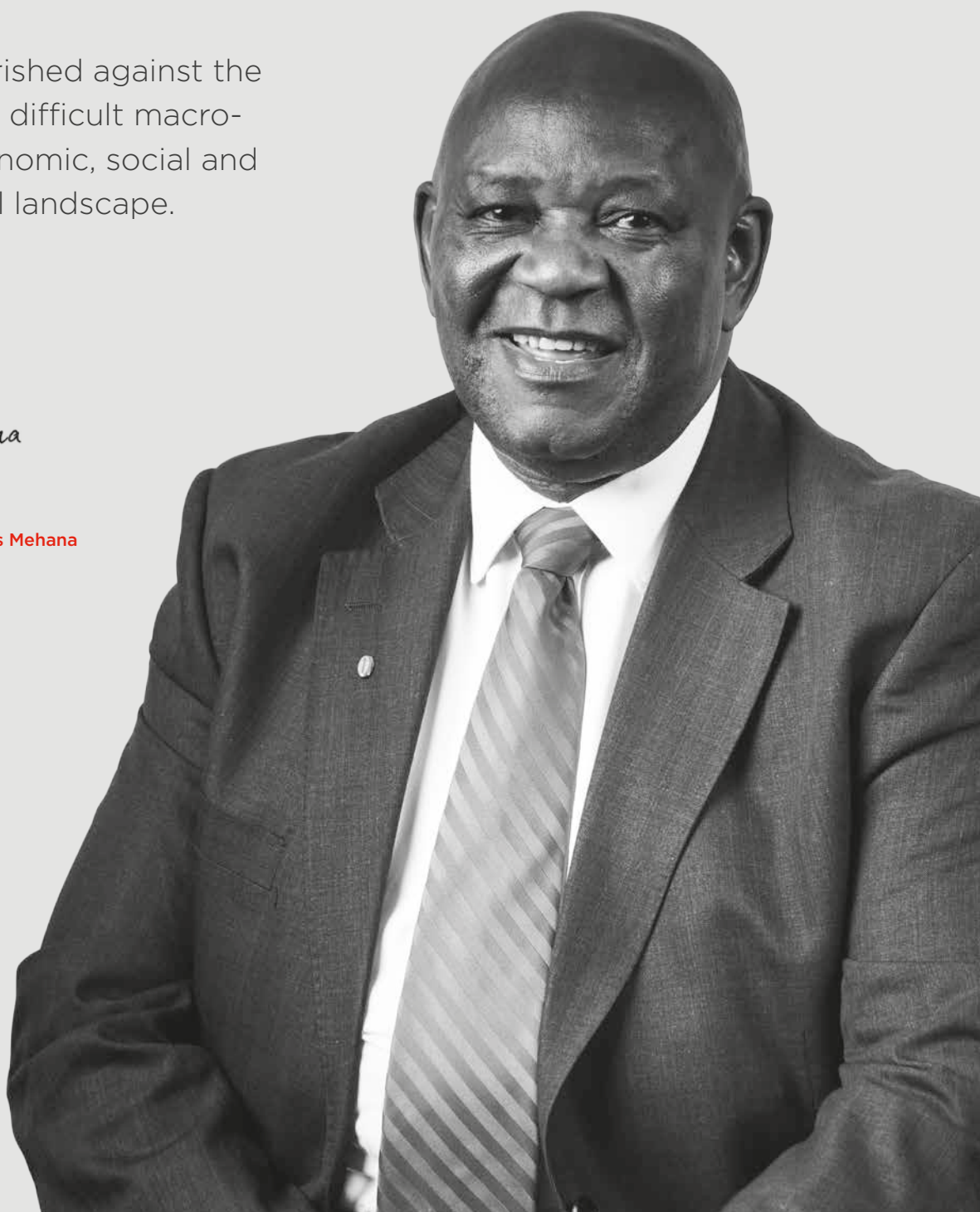
# NON-EXECUTIVE CHAIRMAN'S REPORT

AEEI has flourished against the backdrop of a difficult macro- and microeconomic, social and environmental landscape.



**Professor Vukile Charles Mehana**

Non-executive chairman



## DEAR SHAREHOLDER

I am extremely proud of AEEI's financial performance for the year to 31 August 2016. This was an exciting year for the Group, despite operating within a challenging macro environment which included the impact the country's constrained gross domestic product growth, rising unemployment and poverty levels, and experiencing the extreme drought. The exchange rate volatility is being monitored regularly and the negative impacts of the cost of imported products and services have been offset by the benefits of our exported products.

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## OUR PERFORMANCE

The fruitful, yet ongoing journey of AEEI, ranked as one of the most empowered and fastest growing BBBEE Companies listed on the JSE, should be a case study for future generations. The depth in dynamics that came into play during the growth and emergence of a successful AEEI is what makes me proud to be associated with the Group and proud to be the non-executive chairman of the Board.

Our strong financial performance and positive future outlook - operationally and strategically - provides reliable anchors and relative defensive qualities to assure the continued delivery of stakeholder returns.

“Great things in business are never done by one person, they're done by a team of people.”

Steve Jobs

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## VISION 2020 VISION

As mentioned previously - the year has indeed been challenging for AEEI, South Africa and Africans in general.

I am sure that you will appreciate the importance of our Vision 2020 Vision strategy and recognise both the honesty of the assessment on which it is based and the fundamental nature of the changes it is set to introduce. We are already seeing tangible positive outcomes as a result of the implementation of the strategy, as well as experiencing an increase in our acquisition pipeline.

What has not changed is the unique ability of the Group to continue to adapt to the evolving environment and to respond in a manner that reflects our values, skills, abilities and experience. However, the journey is not over - the Board's compass remains firmly set on further creating sustainable, stakeholder value with sound growth year on year, with an increase in revenue, operating profit and total assets.

## NON-EXECUTIVE CHAIRMAN'S REPORT - continued

AEEI holds a strong financial position with continued solid investment returns for our stakeholders. We remain committed to extend our business beyond South African borders and have already made some inroads into Tanzania, Nigeria and Dubai and abroad, with plans to spread our roots to other African countries.

The Group also retains a firm focus on growing the AEEI brand and strengthening its market perception while expanding its margins. Read more about the operational and strategic investment progress on page 27.

### TRANSFORMATION AT AEEI

Congratulations to AEEI on receiving not one, but two awards for our BBBEE credentials and financial performance. I am proud to say that AEEI's black ownership percentage is close to 80%, of which approximately 33% are black women. It is also one of the only companies operating under the new BBBEE codes to score the full 15 points for management control.

AEEI evolved from a qualifying small enterprise through a process of strong organic and acquisitive growth into a multibillion-rand company and is now rated as a generic enterprise. For more information, refer to page 132.

### OUR PEOPLE

The AEEI Group is extremely fortunate to have a strong, dedicated team working to grow our various business units. Our commitment to BBBEE and transformation remains imperative and is at the forefront of our agenda.

We are in the fortunate position to have an experienced, highly skilled, driven team of executive managers with a diverse skill set, complementing each other while working as a team. These managers have all contributed to the crafting and implementation of Vision 2020 Vision and have applied it to their respective business units to ensure delivery across all of our strategic focus areas. While they are experienced, the team is constantly approached to further enhance their skills through various accredited programmes.

The executive management team and their responsive and committed staff are tackling cost containment initiatives, the effects of a volatile exchange rate, consequences of extreme weather changes and new regulatory and compliance demands with vigour and determination. I am confident that the positive and effective manner in which we manage these and other challenges will contribute to the further enhancement of value for our stakeholders.

We have a highly competent management team under the leadership of Khalid Abdulla to steer the ship - this strong team takes ownership for the strategy, business performance, skills development and growth. Transformation is easier for some companies than for others, but it has been executed at AEEI as an ethos and the Group is thriving financially and an inclusive business model and strategy was adopted and shared by everyone during 2015.

This has not been easy to accomplish - it took many years of commitment, dedication and real hard work and continues to be a journey that we will be taking, especially in light of the new BBBEE codes.



## SUSTAINABILITY AT AEEI

We address our material sustainability focus areas and its impact on our stakeholders by:

- Ensuring sound governance structures are in place and scrutinised regularly – refer to page 68.
- Focusing on transformation practices throughout the Group, not merely meeting BBBEE targets – refer to page 112.
- Meeting all the new and current regulations that govern our business practices – refer to pages 89 and 91.

## GOVERNANCE AT AEEI

The Group's policies and charters are updated regularly to remain compliant with the relevant laws, rules, regulations, codes and standards including, but not limited to the JSE listings Requirements. AEEI has embraced King III and is preparing for the implementation of King IV.

We are also conscious of the implementation of the JSE's requirement to increase female representation on the Board by January 2017. Currently, 44% of the Board is already represented by women.

## SINCERE APPRECIATION

It is with sincere appreciation that I thank our shareholders for their unwavering confidence in me as the non-executive chairman of the Board. The Group is privileged to have such strong supportive shareholders and I look forward to deliver on the next exciting phase of the Group's development.

I would like to recognise the support and contribution of my fellow Board members during the year. I especially wish to thank Khalid Abdulla for his leadership, insight and dedication in realising the potential of our Group towards 2020 and beyond. Thank you also to the executive management teams and our employees, in the Group without whom we could not have achieved such positive growth.

Dankie baie.



**Professor Vukile Charles Mehana**

Non-executive chairman

“As we express our gratitude, we must never forget that the highest appreciation is not to utter words but to live by them.”

John F Kennedy



# CHIEF EXECUTIVE OFFICER'S REPORT

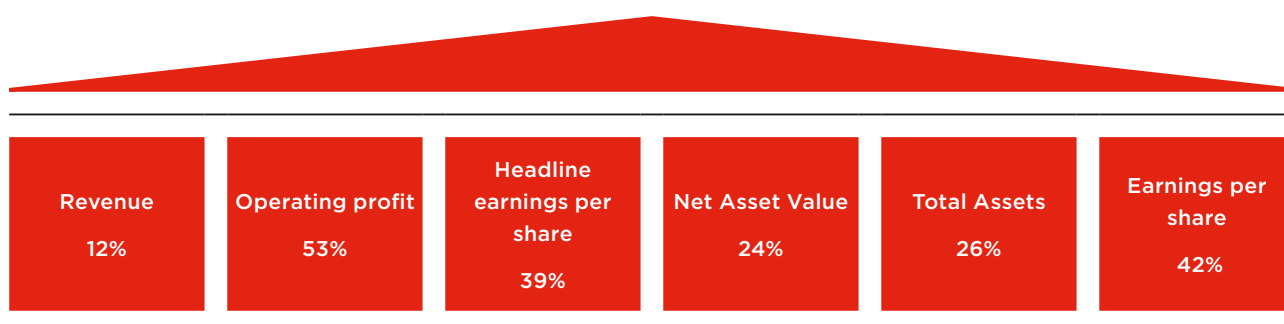
It gives me great pleasure to share AEEI's year-end results and progress made during the year under review to 31 August 2016.



**Khalid Abdulla** | Chief executive officer



## BUILDING TOWARDS OUR VISION 2020 VISION



In the 17 years since listing, AEEI has deservedly earned a reputation for transparency, ethical business practices, good corporate governance, empowerment and transformation.

The financial market has come to accept and has lauded our name change and new branding – a process highly publicised from April 2015 onwards. The striking AEEI brand, still in its infancy, is becoming firmly rooted in the market place and is known to be the brand of a Company that is growing into a business “powerhouse”.

### EXTERNAL AFFIRMATION

I am filled with great pride at our most recent achievements and it is a great honour that AEEI was again bestowed the Most Empowered Company and the Most Empowered Management Control Company of the Year by Empowerdex’s Top 100 Empowerment Companies Awards ceremony in October 2016.

We were also ranked 10th in the Financial Mail’s Top 20 JSE listed companies for financial performance in 2016. No other listed or black economic empowered company has ever received all of these prestigious business awards for financial performance and transformation in one year!

In addition to this, we received the Highest Sustainability Data Transparency Index Score – Financial Services Sector by the Integrated Reporting Assurance and Services for governance and transparency in 2016.

Admittedly, AEEI’s status as an award winning empowerment Company has resulted in an upsurge in the number of corporations, large and small, local and international, who have expressed their interest to become part of our innovative business.

In addition to the awards received, the Company’s steady growth, value creation and high focus on implementing its strategy, unlocked new deal flows and create a more exciting and confidence-building environment for all our executives and staff, who are at the forefront of growing the various business units with the Group.

“Productivity is never an accident. It is always the result of a commitment to excellence, intelligent planning and focused effort.”

Paul J Meyer

## CHIEF EXECUTIVE OFFICER'S REPORT - continued

“Excellence is the gradual result of always striving to do better.”

Pat Riley

## EXCELLENCE THROUGH FOCUS

The South African economy experienced a turbulent year with the recent slowdown of the economy as a result of external factors beyond our control. Depressed commodity prices, the drought of 2015/2016 experienced in the agricultural sector resulted in the price of wheat and staple foods skyrocketing. Together with the country's political environment, local elections and economic volatility, we are unfortunately faced with the reality of contemplating a downgraded economy.

Without being distracted by the above challenges, the board of directors and executive management teams have been focused on the execution of the Vision 2020 Vision strategy.

Some of the Group's focus areas include but are not limited to:

- Stimulate economic growth;
- Grow our business through organic and strategic investments;
- Improve shareholder returns;
- Improve shareholder satisfaction and return on investment;
- Provide and maintain high-quality infrastructures;
- Train and develop of staff and transformation;
- Comply with laws and regulations;
- Develop socially and economically; and
- Create awareness of our carbon footprint and our environmental impact.

Detailed information regarding our material focus areas can be found on pages 39 to 42.

As a result of the implementation of our strategy, the Group is on a positive trajectory to further improve financial performance year on year, thereby driving sustainable returns for all stakeholders over the long term.

A detailed description of the progress made in terms of Vision 2020 Vision is on page 35.

## WHAT SETS AEEI APART FROM ITS COMPETITORS

I wish to highlight eight of our most significant key areas that set us apart from our competitors:

- Diversified business portfolio;
- Hands-on approach in our business development strategy;
- BEE partner of choice;
- Solid empowerment credentials and return on investment;
- Successful financial track record and excellent business reputation;
- Strong management team and experienced executives leading our business units;
- Rated as one of the JSE's most transformed companies; and
- Vision 2020 Vision strategy, implementation plan with clear, short-, medium- and long-term strategies.

A detailed list of what set us apart can be found on page 17.

## OUR STRATEGY

AEEI is a business built around excellence and everything we do is done by design, rather than speculation or chance. Our values and Vision 2020 Vision strategy determine our actions. Our guiding principles of custodianship means that we integrate social, governance and environmental priorities alongside the financial performance of the Group.

The focused implementation of our Vision 2020 Vision strategy within the Group has already shown its benefits by achieving key performance indicators which include, among others, an increase in revenue, total assets, operating profit as well as increasing operational cash flow and NAV. Refer to the chief financial officer's report on page 58 for a detailed outline of our results.

I am nevertheless pleased to announce that we have exceeded our growth targets for the financial year.

Our strategy allowed us to continue to create value for our stakeholders by focusing our energies on four strategic objectives:

- Growth;
- Value creation;
- Employees; and
- Brand.

Further details are provided on page 33.

To build on this, the Group has been on a focused acquisition trail to give our current investments more scale and scope, while managing and mitigating risks related to global uneasiness by reducing debt, costs and growing revenues. This includes being mindful that our BBBEE credentials and other competitive advantages are constantly improving.

## ROBUST PERFORMANCE

Our diversified investment portfolio includes food and fishing, technology, health and biotherapeutics, events and tourism, as well as our strategic investments, which have all shown remarkable growth during the year under review.

This growth in 2016 has set the stage for further potential acquisitions predominantly in the food and fishing and the technology divisions as well as strategic investments, as we continue to build on the strong performance from our existing operations and investments in reaching our future objectives.

Due to our consistent growth rate, the food and fishing and technology divisions are becoming attractively scalable and the likelihood of separate listings are becoming more of an option in the short to medium term, subject to market conditions.

## CHIEF EXECUTIVE OFFICER'S REPORT - continued

**REVIEW OF OUR INVESTMENTS****OPERATIONAL INVESTMENTS****FOOD AND FISHING**

Premier Fishing delivered significant growth with revenues increasing by 15% to R401m (2015: R349m) and operating profit increasing to R75m (2015: R68m).

The food and fishing division continues to grow consistently year on year and achieved this success through an efficient, robust and dynamic operating platform, able to adapt to changing global economic environments.

The Board of Premier Fishing and their executive management team have a strong focus on risk mitigation (see page 160), while driving their strategy, operations, finances as well as sales and marketing within their division.

The food and fishing division's revenue is diversified through product and customer location in the USA, Europe and the Far East to mitigate against global risks. For the current year all their product offerings contributed positively despite the turbulent global economic trading conditions.

Their strategies to create further efficiencies within the abalone farm, such as the renewable energy project, which was successfully commissioned in 2015, as well as the reworking of its operational processes, have started to show positive returns.

Because of this, the division generated a significant amount of revenue from exports and the foreign exchange rate variations make this division a stable investment with strong growth potential.

The food and fishing division continues to drive the upliftment of fishing communities by investing in and assisting with finance, administration and infrastructure, as well as commercial, processing and selling activities. As a result of these community-based projects as well as working with the Office of Safety and Quality in Health, the food and fishing division has seen a further increase in its market share in these sectors.

In achieving their Vision 2020 Vision strategy, the food and fishing division continues to build a platform for one of their key focus areas, being the separate listing of this division. This would unlock accelerated growth potential, which should consequently create shareholder value in line with AEEI's investment philosophy.

**SEKUNJALO TECHNOLOGY SOLUTIONS**

The technology division performed well, with revenues remaining steady, with more than satisfactory growth in operating profit of 6% to R35m (2015: R33m). The technology division's strategy of maintaining quality annuity revenue income through its support divisions and extracting efficiencies in its operations has proven successful.

The key strategic focus for the year ahead and as part of their Vision 2020 Vision strategic plan is to expand their offering nationally and into Africa as well as internationally. The existing products and service offerings have made inroads into Africa this year with contracts awarded in Tanzania and Dubai and further traction achieved in penetrating the Nigerian market.

Within the technology division, the business intelligence and digital marketing companies are engaging with companies to export their development IP and strategic services as the current global economic conditions, especially the rand-dollar exchange rate, makes it an attractive offering to customers abroad.

The technology division is extremely pleased to announce the acquisition of majority shareholdings in Puleng Technologies (Pty) Ltd and Kalula Communications (Pty) Ltd, (trading as Headset Solutions) of 57% and 51% respectively. These acquisitions offer a synergistic fit within the existing IT product basket and will see the technology division at least double its revenue for the year ahead. The acquisition of Puleng Technologies creates a substantial footprint and presence in the Gauteng region, whereas the technology division had traditionally focused its activities in the Western Cape.

The technology division continues to engage further target companies to complement its vision and strategy to enable it to build a platform for listing within the next three to five years.

#### HEALTH AND BIOTHERAPEUTICS

Wynberg Pharmaceuticals has over the past three years focused on researching and developing products with a core focus on providing the agriculture, food processing and sanitation markets with biological and natural alternatives to harsh chemicals currently utilised in this sector. This investment opportunity was identified due to international markets importing large volumes of South African produce are actively reinforcing regulations, through the Reach Accord, which bans the use of chlorine and similar harmful chemicals. It further speaks to their focus on the food security as a whole.

The products were developed through a joint venture and the transfer of an international patent originally held in the UK with their international partners to South Africa.

During the research and development phase over the last three years, Wynberg focused on testing products in the Western Cape agriculture market and simultaneously created a regulatory platform through the Department of Agriculture, Forestry and Fisheries. This has set up their commercial supply chain through two of South Africa's largest distributors on a wholesale model and the platform is now set for this business to expand through South Africa and over time service the global market.

#### GENIUS BIOTHERAPEUTICS (GENIUS)

Genius is a research and development investment that will unlock shareholder value through commercialising its 22 various patents and technology transfers. Certain patents, in particular their personalised immunotherapy vaccine targeting cancer Dendritic Cell Vaccine (DCV), will unlock value by achieving key scientific milestones.

Commercialisation and achievement of specific scientific milestones creates a platform which enables the Genius Group to raise capital for the completion and commercialisation of products. The timing to list Genius is, however, monitored carefully to ensure favourable global market conditions. The Genius Group retains its reserve bank approval for listing abroad, which will eventually unlock shareholder value.

## CHIEF EXECUTIVE OFFICER'S REPORT - continued

Operationally and scientifically, Genius has made significant progress during the year under review. DCV, a project in collaboration with Groote Schuur Hospital and the University of Cape Town, achieved success with a “proof of concept” achieved under laboratory conditions. The laboratory research resulted in two new patented processes being registered by the University. Currently the team is engaged in patient recruitment and pre-clinical tests as well as developing a logistics plan for the execution of phase 1 human trials at the Groote Schuur Hospital to commence during 2017.

We remain confident that this division will achieve its set milestones over the next three to five years with the implementation of their Vision 2020 Vision strategy.

**EVENTS AND TOURISM**

The events and tourism division comprises complementary businesses, with service and product offerings falling within a sector which is positioned to grow in South Africa.

espAfrika produced an overwhelmingly successful 17th Cape Town International Jazz Festival (CTIJF) with positive reviews from the media, corporate clients and “Festinos” alike. Sold out status was regularly achieved in respect of general access tickets as well as in the various lounges and the corporate hospitality suites. As part of espAfrika's Vision 2020 Vision strategy, they successfully launched their second owned event in July this year with similar events to follow in the next few years. This strategy aims to mimic the commercial success of the CTIJF. The new event – “The Royal Escape Experience” – was held at Sun City and focused on providing an elite getaway experience.

Tripos Travel performed satisfactorily for the year as it adapted to a constantly evolving travel industry. Planned rebranding and diversification of services and products are key cornerstones to the future success of this business going forward. Traditionally a corporate travel services provider, Tripos' management expanded its focus on inbound and outbound leisure services and in doing so, increasing their revenue significantly.

Magic 828 radio station, launched on 1 October 2015, has seen a reasonable uptake of listenership and keen interest from advertisers in its first year of trading. The strategy in place for the year ahead has been developed and the team is focused on the implementation thereof.

**STRATEGIC INVESTMENTS**

The Group's strategic investments for the year under review includes British Telecoms South Africa (Pty) Ltd (BT), Saab Grintek Defence (Pty) Ltd (Saab), Sygnia Ltd (Sygnia) and Pioneer Foods Group Ltd (Pioneer Foods).

AEEI has major net exporters status in its diverse portfolio and this hedging strategy assists with militating against global risks and the fluctuating rand.

**BT**

BT is performing well and has won significant new contracts. Profitability increased steadily and we expect that BT's performance will grow consistently going forward. The growth in BT has resulted in AEEI receiving regular dividends. Read more about our investment in BT on page 218.



## SAAB

The restructuring of our shareholding in Saab SA in November last year led to AEEI disposing of its initial 5% equity in Saab SA and acquiring a 25% + 1 equity share in its biggest operating subsidiary, Saab Grintek Defence (SGD). More recently, SGD entered into a Memorandum of Understanding with TATA Power India to manufacture certain products locally to service the Indian market. AEEI is expected to benefit from this initiative in the near future. Read more about our investment in Saab on page 219.

## PIONEER FOODS

The share value of Pioneer Foods performed well since we made the acquisition in 2012. However, owing to the current drought conditions and market perception of the possible impact thereof, the share was under pressure during the year. We believe this to be a temporary decline and we have seen the share value steadily increasing by year-end. Read more about Pioneer Foods on page 220.

In summary, the focus of our strategic investments has mainly been to increase shareholder value and improve our portfolio of investments. The benefits relating to these investments will support the Group in achieving our long-term growth as outlined in our Vision 2020 Vision strategy.

## SYGNIA

Launched in 2003, Sygnia, the financial services asset management company that has turned the industry on its head, experienced a period of tremendous growth and success, rising to become the second largest multi-management company and the largest investment administration company in South Africa. The value of AEEI's interest in Sygnia increased significantly since its acquisition late in 2015. Read more about Sygnia on page 221.

## EXCELLENCE THROUGH OUR PEOPLE

The employees at AEEI truly define our Group and we recognise that they have and continue to play a crucial role in growing our various investments and businesses. Our consistent overall standout performance would not have been possible without our executives and employees and their continued focus on operating efficiencies, risk management and better portfolio management, which remain the key drivers of our performance.

Throughout the year, the Group invested heavily in training and developing employees. I strongly believe that the Group's mentorship and training programmes are gaining traction, and we have received positive feedback from all levels within the Group.

We are particularly strong in AEEI's ownership profile, with black ownership at 79%, of which 33% are women, and the majority of its economic benefits are enjoyed by a broad base of stakeholders.

The Group has a solid management team with clear deliverables and a strong focus on developing managers' and employees' perspectives through diversity.

“Successful organisations understand the importance of implementation, not just strategy, and, moreover, recognise the crucial role of their people in this process.”

Jeffrey Pfeiffer

## CHIEF EXECUTIVE OFFICER'S REPORT - continued

Enterprise development also forms an important part of the Group's philosophy. Each executive in the Group has to devote a certain amount of time every week to develop SMMEs. We currently have programmes of support in the food and fishing and technology divisions, including assisting with funding, administration and bookkeeping.

## LOOKING TO THE FUTURE

The Group will continue its strategic focus to grow the value of its operational investments and improve the value-add to its strategic investments. The AEEI Group has built a strong and solid platform for further organic growth and has positioned itself well to increase its investments through further acquisitions within all the divisions.

Management remains focused on the implementation of Vision 2020 Vision strategic plan which is well on track to achieve its targets.

The Group is well positioned to take advantage of opportunities that are both available to maintain its current organic growth trend as well as further acquisition opportunities.

The Group is currently in a strong cash-generating position as a result of excellent earnings during the 2016 financial year-end and debt levels are currently low with a single-digit percentage.

The food and fishing division hopes to achieve a smooth and well received public listing in the short to medium term. This will enable this division to grow and expand at an exponential rate.

The technology division also has a clear strategic vision and continues to engage additional target companies to complement its vision and strategy to build a platform for listing the division within the next three to five years.

The events and tourism team successfully completed its first new event - "The Royal Escape Experience" - which was held at Sun City at the end of July 2016. The event was a great success and all patrons had portrayed positive feedback. As previously mentioned, this new event is in line with espAfrika's strategy to minimise its dependency on the CTIJF. espAfrika is expected to launch another new annual event during the 2017 - 2018 financial years to bring the total of company-owned annual events to three and they are on track to achieve their Vision 2020 Vision goals.

In the travel business, the plan is to increase the percentage of their inbound and outbound leisure travel which will aid in increasing their margins. The business now has an efficient base and stable business model with available capacity which can now be leveraged off to grow profitability.

The Magic 828 radio station has the opportunity to be profitable by 2018 year-end after breaking even in 2017 as listenership increases steadily and this will assist in the growth of revenue.

One of the key strategic objectives for the AEEI Group is to create sustainable value for all our stakeholders and to integrate sustainable development in our strategy, management and reporting with the objective of also reducing the negative impact on the environment.

When developing our Vision 2020 Vision, we took into consideration the macro- and microeconomic risks and trends that may have an impact on our businesses due to the nature of our operational investments and adapted it for current changes.

The Board, executive management teams and I endeavour to meet each and every goal as set out in our Vision 2020 Vision strategy. This is monitored on a regular basis and various measures have been put in place to ensure that our strategic goals are implemented.

Through the Company's achievement of economic growth and its emphasis on improving the society in which we operate, it remains one of a few companies to have consistently topped the rankings in its operational sectors over the last few years.

We are one of the top black economic empowerment companies in South Africa due to the Company's strong ethos and sustainable business model that attempts to narrow the inequality gap in our society and uses the talent to build a model South African company for the future. The Company has retained its Level 1 BBBEE credentials year on year.

AEEI is a "PARTNER OF CHOICE" to our clients, partners and future investors and associates. We look forward to further growing our business into greater Africa and internationally.

We have also diversified our strategic investments while unlocking innovative solutions and adding value to our product portfolio and service offerings, taking a long-term view on opportunities opposed to being too reactive in the short term.

## SINCERE APPRECIATION

Firstly, I wish to extend a special thank you and sincere appreciation to the board of directors led by our chairman, Professor Vukile Charles Mehana. I would also like to thank the executive management team, employees, strategic partners and associates for their passion, loyalty, dedication and their efforts while they continue contributing to the success of AEEI.

This is an exciting growth phase for AEEI and I look forward to sharing the next set of financial results with you. Our diversified operational and investment portfolio, expanding footprint, pooled experience, knowledge, skills and continued growth will be used to improve and to ensure a sustainable business for years to come. I look forward to this continued trajectory of growth in AEEI based on our Vision 2020 Vision.



**Khalid Abdulla**

Chief executive officer



*For further information on determining our material matters refer to page 39.  
For further information on delivering our strategy through our business units refer to pages 27 and 153.*

# CHIEF FINANCIAL OFFICER'S REPORT



**Chantelle Ah Sing** | Chief financial officer



Our excellent financial results for the 2016 financial year are testament to the resilience of AEEI with its diverse portfolio of investments in a challenging economic environment.

## KEY FINANCIAL HIGHLIGHTS

OPERATING PROFIT	HEADLINE EARNINGS PER SHARE	TOTAL ASSETS	NET ASSET VALUE (NAV)	NET OPERATING CASH FLOW
Up 53% from R186m to R285m	Up 39% from 31.06c to 43.13c	Up 26% from R1,3bn to R1,7bn	Up 24% from R805m to R1bn	Up 47% from R51m to R75m

## OVERVIEW OF THE 2016 FINANCIAL YEAR

The AEEI Group is pleased to report another year of record financial results in its first year of Vision 2020 vision, and delivered an excellent performance due to:

- organic earnings growth of its core operations in the technology and food and fishing sectors; and
- strong returns and growth in its strategic investments.

Our first strategic priority was to leverage the investment portfolio to drive growth through acquisitions. In doing so, AEEI increased its equity stake in Saab Grintek Defence (Saab) to 25% plus one share, as well as acquiring an interest in Sygnia Ltd. The impact on the Group was an increase of 28% in financial assets.

The second strategic priority for the Group was to maintain gross margins from its underlying operations and retain Group margins within the targeted range of 30% to 35%. The Group maintained its 34% margin by improving operational efficiencies through more efficient vessel scheduling and planning, as well as maximising its relationships in the supply chain to ensure better pricing.

Improving the social, transformation and environmental impacts on our business was the third strategic priority to secure long-term growth for the Group. As a Top Most Empowered Company, it is important that we continue to strengthen relationships with all key stakeholders to deliver improvements in governance, social upliftment, environmental impact and transformation. Refer to our stakeholder engagement on page 85 for further details.

“Predicting the future with any degree of certainty is impossible. The key is to react accordingly to any situation as it arises.”

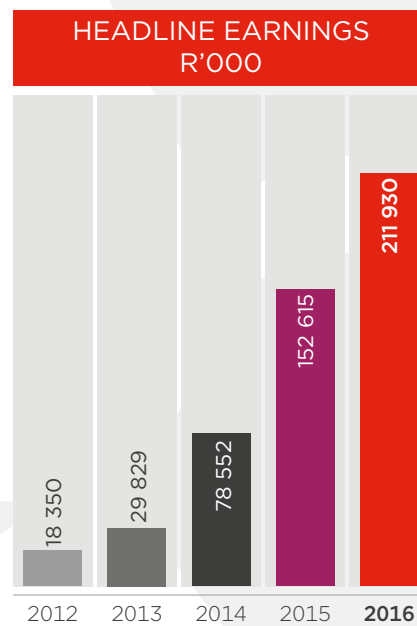
Don Connell

## CHIEF FINANCIAL OFFICER'S REPORT - continued

We continued to create substantial value for our stakeholders as follows:

- Revenue grew by 12% to R752m
- Headline earnings growth of 39% to R212m from R152m
- Total assets increased by 26% to R1,7bn
- Net asset value per share increased by 29% from 144.93c to 186.52c per share
- Dividend declared of 3.30c per share – an increase of 32% over the prior year

Despite a volatile macroeconomic environment and slow economic growth in South Africa, the Group delivered strong financial performance. Operating profit increased by 53% compared to the prior year, mainly due to the excellent operational performance and the fair-value gains on our strategic investments. Most of the divisions in the Group delivered against their strategic targets for the 2016 financial year. Refer to page 11 for more details.



The Group's earnings increased by 42% to R215m which was driven by the Groups' diversified asset portfolio which provided a significant increase in fair value and dividends return from the strategic investments as well as a strong operational performance in the fishing and technology divisions. As a result, earnings per share increased from 31.12c to 44.09c compared to the prior year.

AEEI's headline earnings per share increased by 39% from 31.06c to 43.13c with earnings per share increasing from 31.12c to 44.09c compared to the prior year.

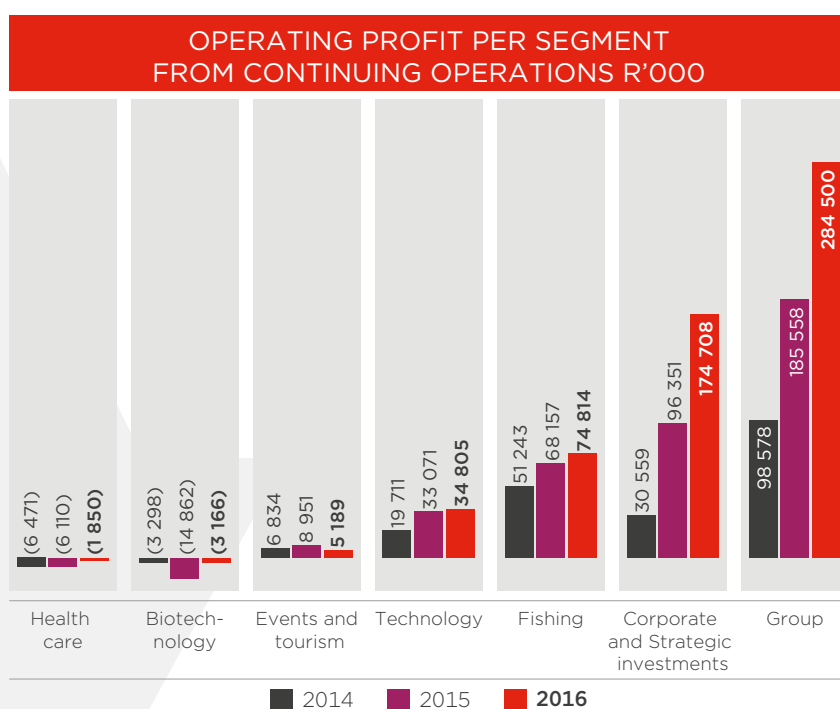
The Group's balance sheet is well positioned for future growth with a strong asset base and robust cash generation. Net asset value increased from 144.93c to 186.52c per share which is a strong indicator of our strengthened financial position.

## GROUP FINANCIAL PERFORMANCE

Revenue growth of 12% (2015: 8%) bolstered by the higher-than-expected performance from most of the sectors in the food and fishing division of 15%, and a 30% increase from the events and tourism division. The business units under the events and tourism all reported greater revenue generation from a low base compared to prior year.

Operating profit was R285m, an increase of 53% over the prior year. All the operational divisions, with the exception of the health and biotherapeutics division contributed positively to the operating profit growth for the year.

The food and fishing division produced an excellent operating profit of R75m (2015: R68m) with a 19% operating margin driven from improved catch costs, greater sales volumes and better pricing. The technology division generated higher than expected margins of 16% as a result of the completion of a major health information system contract. The events and tourism division achieved greater revenue with lower margins, while the health and biotherapeutics division incurred a R5m operating loss from continuing operations to the Group in comparison with a prior year loss of R21m.



Operating expenses increased by 17% from R151m to R177m as a result of a full year's operating costs of R9m for Magic 828, the radio station, as well as the 10% increase of R17m from the food and fishing division due to variable costs of commission and freight, repairs and maintenance in correlation with the 15% organic revenue growth.

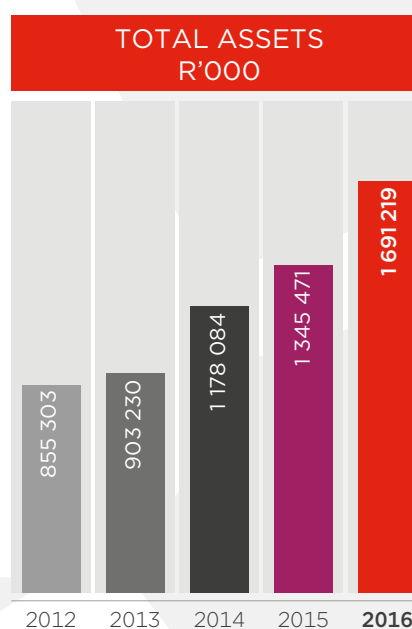
Investment income of R33m included interest of R3m and a dividend of R30m, (2015: R14,6m) was received from the strategic investment portfolio. Finance costs increased by 33% compared to the prior year mainly due to the increased costs of the preference share financing of the equity in Saab.

## CHIEF FINANCIAL OFFICER'S REPORT - continued

Taxation amounted to R80,5m which included income tax of R20m and deferred tax of R60m. The effective tax rate was 27.5% mainly due to the inclusion of the capital gains from the increased fair value of strategic investments. The capital rate changed from 66.6% to 80% which impacted the taxation amount by R14m.

### GROUP FINANCIAL POSITION

Total assets of the Group increased by 26% to R1,7bn mainly due to a significant increase in the financial assets from R525m to R857m and the increase of R34m in current assets to R263m. The increase in fair value of strategic investments of R331m was mainly due to the addition of the investment in Saab and the increased fair value of the investment in British Telecoms South Africa (BT).



Current assets increased as a result of the organic growth in inventory and cash and cash equivalents as well as the additional biological assets held at the abalone farm.

Cash and cash equivalents increased from R32m to R64,8m at year-end due to working capital previously held in current assets being converted into cash from the technology and food and fishing divisions. As a result thereof, the current ratio increased to 2.02 (2015: 1.23) which indicates a great improvement in working capital management.

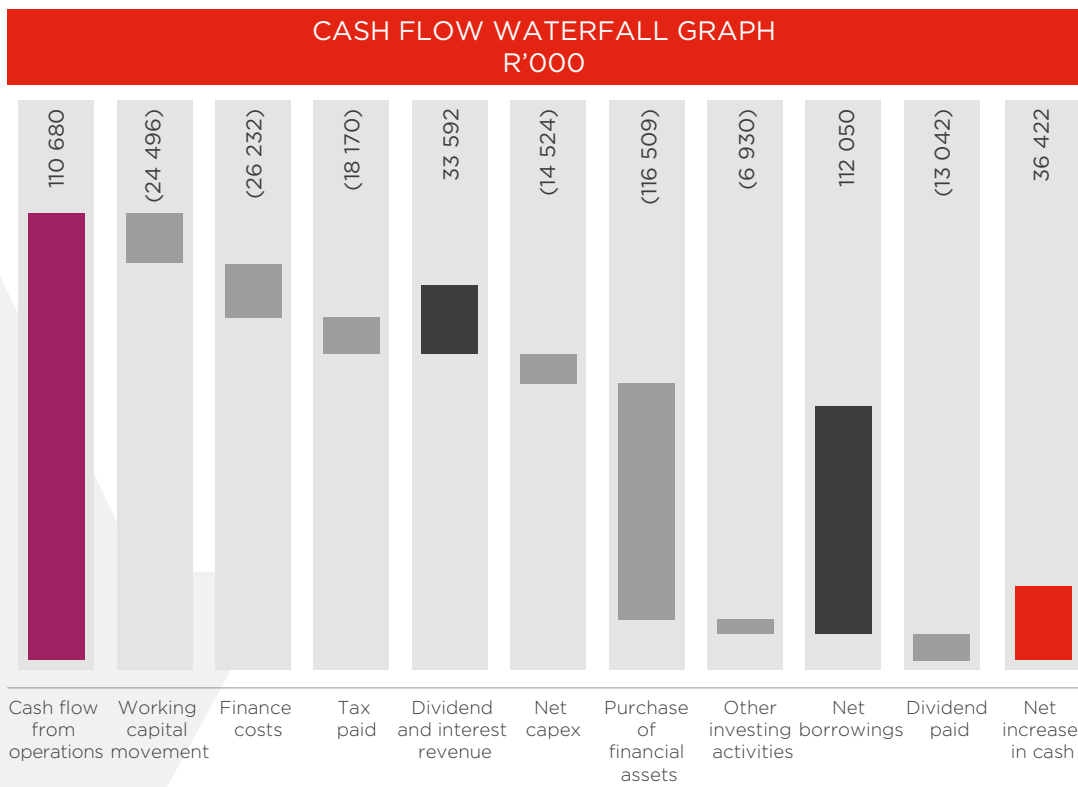
Total liabilities excluding the deferred tax liability increased to R391m (2015: R302m) due to the acquisition of the additional financial assets during the year. The Group maintained a low gearing ratio of 9% (2015: 6%) and the net debt to EBITDA ratio improved to 0.19 times. The financing of the equity in Saab increased the liabilities by R101m and this has already decreased in the current year through dividends paid out by Saab.



The Group's net asset value growth of 29% was driven by the strong performance of all the underlying investments as well as the increase in the financial assets and current assets. The return on equity increased from 19% to 23% due to the strong earnings growth and strengthened financial position achieved during the year.

## CASH FLOWS

Net cash flows increased at year-end due to the strong operational performance with less investment in working capital which decreased from R35m to R24m over the comparative prior year. Operational cash flows in the Group increased from R51m to R72m mainly as a result of greater cash generated from the operations of R16m, increased dividends from strategic investments of R15m, which was offset by higher finance cost charge of R6m and additional taxation paid of R3,8m.



## MATERIAL ISSUES THAT AFFECT OUR PERFORMANCE

### RESPONSIBLE USE OF CAPITAL GENERATED

The Group incurred R12m (2015: R37m) in capital investments with the replacement of assets of which R9m was invested in the food and fishing division to maintain organic growth. The return on assets increased from 11% to 13%.

## CHIEF FINANCIAL OFFICER'S REPORT - continued

Working capital was reinvested into the food and fishing, technology and biotechnology divisions to support strategic initiatives to grow product portfolios and increase income-generating activities. With the strategic plans for expansion of the abalone farm, further capital expenditure is being incurred through a phased operational plan.

Capital was used to reduce our overall debt commitments, ensuring returns from investments exceeded the cost of debt and in turn produced a consistent low gearing ratio. Dividend returns from strategic investments were used to repay debt commitments. Asset efficiency ratios were used to monitor performance on investment returns and these ratios and payback periods were assessed when making investment decisions for growth opportunities.

### INVESTMENT IN BUSINESS OPERATIONS

Through its health information systems, the technology division proved itself as a successful system implementer by showcasing its reference site in the Western Cape. This division continues to expand into Africa in line with its strategy by obtaining business in Ghana and Tanzania, in addition to a recent contract concluded in Dubai.

Patent and licence costs were incurred to enhance the product portfolio in the health and biotherapeutics division as the trial phase was completed and the registration of these products have commenced. These costs were capitalised in the intangible assets which grew our organic operating asset base.

The health care division finalised agreements with a key principal and distributor to enable local manufacturing of products to commence in the final quarter of the current year. These strategic initiatives will reduce losses, improve the Group's operating margins as well as increase turnover for this division in the next financial year.

Following eleven months of live broadcasting for Magic 828, the capital investment into the mast and studio installation is showing tangible results. Management's key focus is to increase listenership and brand awareness to bolster advertising income. Working capital was invested into this business with a financial objective to break even by the next financial year.

Working capital was invested in the biotechnology division to continue with research and development activities by advancing the dendritic cell vaccine project to clinical trial phase and to enable more efficient production methods under good manufacturing practice standards. This will ensure the commencement of validation production runs in the next financial year.

### GROWTH THROUGH STRATEGIC INVESTMENTS

Total assets increased through acquisitive growth strategy by leveraging the existing investments and initiating further growth. The investment in Saab is an example of how the Group implemented this strategy during this year.

AEEI's investment in Saab continues to perform well and is gaining traction in the export business with international contracts being awarded. We expect future growth in the medium term with a dividend policy of 20% of earnings providing sustainable returns from this investment.

AEEI's investment in BT continues to grow substantially within the Group's asset portfolio. It delivered solid financial results that exceeded our expectations and provided us with a platform to seek complimentary technology businesses to build our operating asset base in the technology division.

Pioneer Foods experienced a year of volatility in its share price despite an increase in earnings. We anticipate that the decline in the share price is temporary and expect a steady increase in the value of this investment.

AEEI's investment in Sygnia, acquired in October 2015, has already returned a maiden dividend in the first year of ownership.

The dividend return for all the strategic investments increased from R15m to R30m and we expect this to be sustainable.

The AEEI Group's portfolio continues to grow in terms of one of its long-term objectives, with total financial assets increasing to R857m this year. Interactive engagement with our key stakeholders strengthened the synergy between AEEI and our various business divisions as well as our strategic investments, enabling long-term growth and value creation.

## EXTERNAL FACTORS THAT IMPACT THE GROUP'S PERFORMANCE

The challenging macroeconomic environment with higher fuel prices, volatile exchange rates, increasing electricity prices and higher interest costs meant that we should continue to actively manage the factors within our control. The Group's cost structure and margins were managed by monitoring monthly operating expenditure. Executive management kept a vigilant eye on operating margins from the various business divisions which are reported on through governance structures and key decisions were taken to ensure that it remains within our approved budgeted plans.

A large portion of revenue and operating costs were materially impacted by the weakening of the rand. Due to the volatile nature of the rand/dollar exchange rate, the cost of imported products and services escalated which had a material effect on the technology, food and fishing, health care and events and tourism divisions. A net foreign loss of R1,6m impacted the 2016 financial results. Management in the various divisions responded by finding alternate costs saving measures to reduce the overall impact on their profits by renegotiating pricing and cost structures.

However, the impact of the rising cost of importation of inventory in the health care division caused us to enter into agreements with key principals to enable local manufacturing in South Africa and with this progressive solution provided a reduction in the cost of finished products.

The slow growth in the South Africa economy as well as the political instability in our local economic environment lent itself to exploring opportunities outside of South Africa. We continued to invest in Africa as part of our strategic expansion plans in our technology division to mitigate the slow customer demand for our product offering locally.

## CHIEF FINANCIAL OFFICER'S REPORT - continued

The environmental impacts from the adverse weather conditions in the food and fishing division and the drought stricken farming areas affected the health care division which in turn limited revenue and operating profits. Due to the diversification of its business units, they were able to reduce any material impact in the food and fishing division and management continues to expand its product offering in the health and biotherapeutics division.

## SHAREHOLDER RETURNS

We return value to our shareholders in the form of dividends and share price appreciation. The share price appreciated during the year with a closing price at 2.95c and we expect this to further increase as we progress with our Vision 2020 Vision strategic plans.

The Board approved a final dividend of 3.3c per shares, an increase of 32% over the prior year. This is the third dividend payment to AEEI shareholders as we continue to deliver on our commitment to pay regular dividends to our shareholders while continuing to grow the Group in terms of Vision 2020 Vision.

## LOOKING AHEAD

In 2017, the uncertainty of the political environment, the potential risk of an investment downgrade and the volatile economic outlook in South Africa remains a business challenge. This has increased our focus and efforts to continue to build a strong diversified asset base and to produce sustainable returns as well as secure long-term growth in order to deliver on our Vision 2020 Vision strategy.

Our balance sheet remains strong with sufficient leverage to enable us to execute on our growth plans. We continue to benefit from our existing investment portfolio and diversify through acquisitive growth. Post year-end, the Group acquired two technology companies with a combined equity value of R63m on 1 September and 1 October respectively. This will further enhance our financial performance and financial position to meet our acquisition strategy.

Our financial objective is to maintain gross margins within our targeted range by improving operating efficiencies, monitoring our cost base and implementing innovative solutions to overcome the rising costs in the current environment.

## APPRECIATION

I would like to thank the financial teams across the AEEI Group for their hard work, continued support and commitment during a demanding year. We as a team have overcome the challenges presented to us through determination and integrity to deliver quality financial information for our stakeholders.

We appreciate the strategic guidance and support received from the board of directors and the executive management teams that enabled us to strengthen our efforts and to focus on delivering on our Vision 2020 Vision.

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*For further information on investing in our staff refer to page 87.*

*For further information on innovating for our clients refer to page 88.*



*For further information on engaging our regulators refer to page 89.*

*For further information on delivering value through a commitment to our communities and the environment refer to page 108.*

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## CONCLUSION

I am pleased to report that the Group's financial objective to deliver excellent returns to our shareholders was achieved during the year through the delivery of excellent financial results and a strengthened financial position. We believe the year ahead promises exciting opportunities and challenges as we continue to build on our solid foundation for future success.



**Chantelle Ah Sing**  
Chief financial officer

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VISION  
EDUCATION  
OBJECTIVES  
ETHICS  
STRATEGY  
INSPIRATION  
PARTNERSHIPS

—

# GOVERNANCE AND SUSTAINABILITY

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# CORPORATE GOVERNANCE REPORT

## CREATING VALUE THROUGH SOUND CORPORATE GOVERNANCE

Sound corporate governance is the foundation of AEEI's business and is pivotal in delivering long-term value to our stakeholders. AEEI has a positive association with all its stakeholders and is committed to the highest standards of ethics and business integrity in all its activities.

## OUR GOVERNANCE FRAMEWORK

The Board of AEEI supported by the committees reviews the Group's governance structures and processes to ensure that they support ethical leadership, good corporate citizenship and is applied in the best interest of its stakeholders.

As the Company is listed on the Johannesburg Stock Exchange (JSE), it is subject to regulatory controls and has to provide reasonable assurance in terms of its compliance with all the relevant requirements.

## STATEMENT OF COMMITMENT

The Board is committed to the highest standards of business integrity and has adopted an integrated approach to managing the Group to ensure that the governance structure actively identifies, communicates on and responds to material issues that impact on the Group's capacity to create value. The Board believes that it has addressed all material issues 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, sustainable corporate citizenship in support of the Group's strategy and to reflect national and international corporate governance standards, developments and best practices.

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 Listings Requirements of the JSE, King Code of Governance Principles for South Africa (King III Code) as well as the Companies Act.

## APPLICATION OF AND APPROACH TO KING III

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

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

The Board is satisfied that the majority of the principles contained in King III have been applied by the Company. The two principles not complied with are:

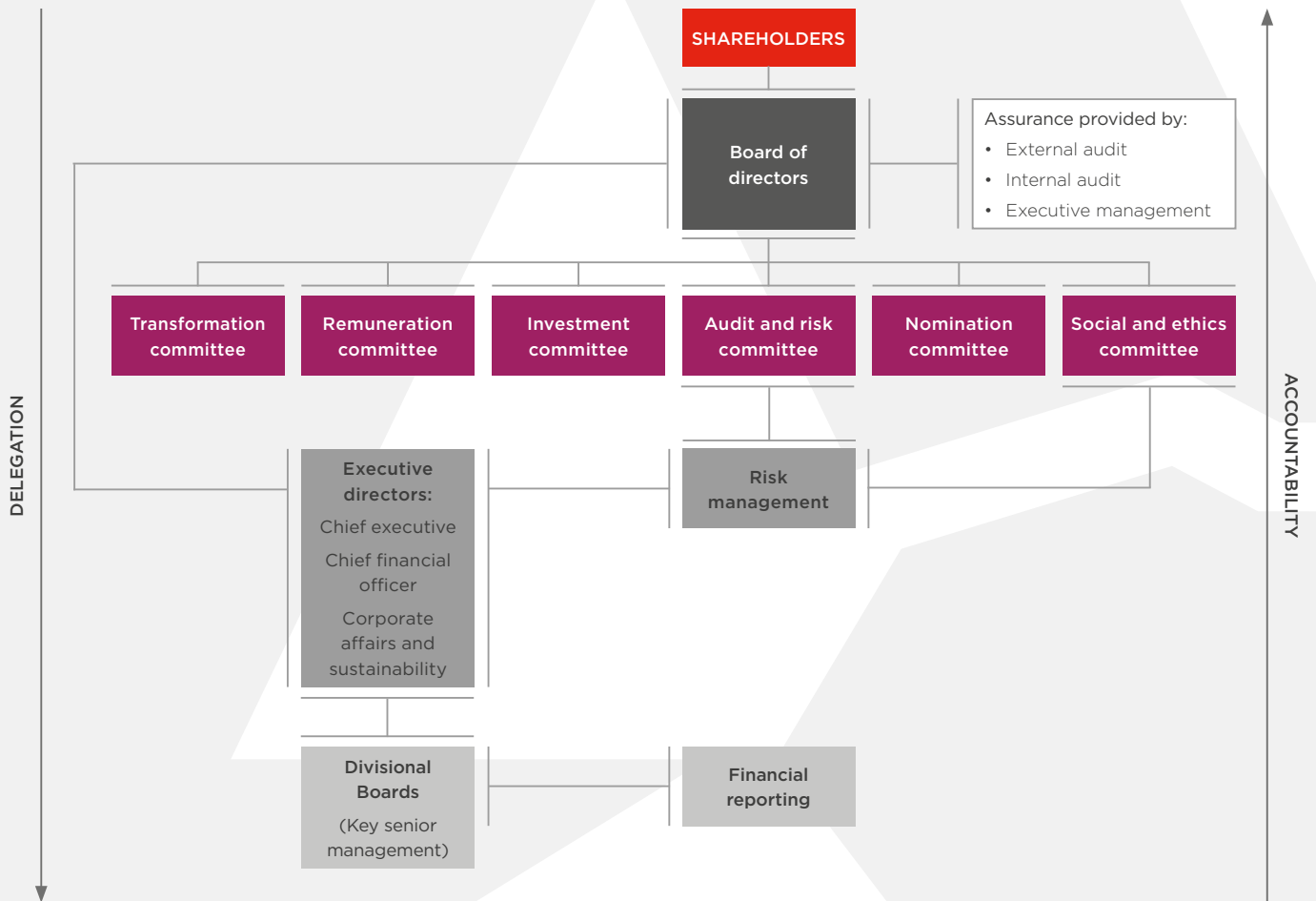
- **Principle 2.21** – An interim company secretary has been appointed after the resignation of Ms Carmelita Arendse. An external resource has been identified and will be appointed in December 2016.
- **Principle 9.3** – External assurance for the financial data for the year ended 31 August 2016 and in accordance with the International Standards on Auditing was performed by Grant Thornton Cape Inc., our BBBEE verification was done by Veridex BBBEE Agency. AEEI will consider external assurance for the non-financial data in the future.



A statement on AEEI's application of the principles of the King III Code is available on [www.aeei.co.za](http://www.aeei.co.za).

The Board is in the process of preparing for King IV.

# CORPORATE GOVERNANCE STRUCTURE





# OUR EFFECTIVE LEADERSHIP

## INTRODUCING OUR BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS



Chief executive officer

**Khalid Abdulla**  
(51)

MBA (UCT), BCompt (Hons), CTA (Unisa), Project Management (UCT)

**Appointed:** 29 August 2007

**Nationality:** South African

**Board subcommittee:**

Investment committee

**Expertise and experience:**

Mr Abdulla is the Group chief executive officer of African Equity Empowerment Investments Limited and has been with the AEEI Group since 1999. He served as the CEO of various subsidiaries, i.e. the information technology and financial services businesses and as Group CFO in 2007 before being appointed as Group CEO in November 2009.

Mr Abdulla has been appointed to and serves on various boards and NGOs. He has over 30 years' commercial experience related to health care, technology, financial services, events and tourism as well as fishing. He is a regular invitee and participant at the World Economic Forum in Africa as well as the Summer Davos in China.

He was the recipient of the Black Business Executive Circle (BBEC)/Absa Bank Kaelo Awards in April 2010 for leadership. He was a finalist of the 2015 Oliver Empowerment Awards – Top Male Leader of the Year.

Khalid Abdulla was ranked among the 10 best executives of 2015 by Financial Mail as one of the best CEOs in the country.

**Major directorships:** British Telecoms South Africa (BT), Saab Grintek Defence (Pty) Ltd, Health System Technologies (Pty) Ltd, espAfrika (Pty) Ltd, Sekunjalo Technology Solutions Ltd, Bioclones (Pty) Ltd and Premier Fishing SA (Pty) Ltd.



Chief financial officer

**Chantelle Ah Sing**  
(42)

BCom, CLTA (UKZN)

**Appointed:** 19 November 2009

**Nationality:** South African

**Expertise and experience:**

Ms Ah Sing is the Group chief financial officer of African Equity Empowerment Investments Limited and joined the AEEI Group in 2007. She held various financial directorship positions in the health and biotherapeutics subsidiaries before being appointed as the Group financial officer and an executive director in November 2009.

**Major directorships:** Premier Fishing SA (Pty) Ltd, Sekunjalo Technology Solutions Ltd, Wynberg Pharmaceuticals (Pty) Ltd, Bioclones (Pty) Ltd, Ribotech (Pty) Ltd, Magic 828 (Pty) Ltd, SAAB Grintek Defence (Pty) Ltd and Health System Technologies (Pty) Ltd.



Corporate affairs and sustainability director

**Cherie Felicity Hendricks**  
(53)

University of Cambridge Programme for Sustainability Leadership, Incite Sustainability Executive Programme

**Appointed:** 18 March 2009

**Nationality:** South African

**Board subcommittee:**

Transformation committee  
Social and ethics committee

**Expertise and experience:**

Ms Hendricks is the corporate affairs and sustainability director responsible for corporate affairs, which include sustainability, regulatory compliance, corporate social investment and group communication. She has more than 17 years' experience in the AEEI Group and currently sits on the boards of the Group's major investments and links the Group's subsidiaries with the Group's corporate office.

**Major directorships:** Health System Technologies (Pty) Ltd, Premier Fishing SA (Pty) Ltd, Ribotech (Pty) Ltd, Sekunjalo Technology Solutions Ltd, espAfrika (Pty) Ltd, Independent Newspapers (Pty) Ltd, Bioclones (Pty) Ltd, Independent Media (Pty) Ltd, Condé Nast Magazines (Pty) Ltd, Sekunjalo Independent Media (Pty) Ltd and African News Agency (Pty) Ltd.

## CORPORATE GOVERNANCE REPORT - continued

## NON-EXECUTIVE BOARD MEMBERS



Independent  
non-executive chairman

**Prof Vukile Charles  
Mehana (63)**

BTh (Rhodes University), AMP (INSEAD Business School, France), Certificate on Public Enterprises (National University of Singapore), MBA (De Montfort University, UK), DPhil (University of Johannesburg), ordained minister of the Methodist Church of Southern Africa, Adjunct Professor of UCT: Graduate School of Business and Top Management Certificate on Public Enterprise (National University of Singapore)

**Appointed:** 8 August 2007

**Nationality:** South African

**Board subcommittee:**

Chairman of the Investment committee

Chairman of the Nomination committee

Social and Ethics committee

Audit and Risk committee

Remuneration committee

**Expertise and experience:**

Prof Mehana is the chairman of the LR Management Group (Pty) Ltd and also sits on the boards of various companies as well as being an active leader in non-profit organisations.

**Major directorships:** LR Management Group (Pty) Ltd (chairman), J & C Engineering (Pty) Ltd (non-executive chairman), Mazwe Financial Services (non-executive chairman), Makana Investment Corporation (Pty) Ltd (non-executive director representing the Ex-Political Prisoners Trust), espAfrika (Pty) Ltd, Community Schemes Ombud Service (CSOS) (chairman), Mendo Holdings and Sizwe IT Group and Chairman of the South African Police Services Transformation Task Team.



Non-executive  
deputy chairman  
and independent  
non-executive director

**Salim Young (59)**

BProc, LLB (UWC), LL.M (Tulane University, USA)

**Appointed:** 12 December 2005

**Nationality:** South African

**Board subcommittee:**

Chairman of the Audit and Risk committee

Chairman of the Remuneration committee

Nomination committee

Investment committee

**Expertise and experience:**

Mr Young is an experienced business executive and corporate lawyer and is a former director of Webber Wentzel (formerly Mallinicks Inc.). Mr Young recently retired after a very successful 12 years as an executive director on the board of British American Tobacco SA, situated in Stellenbosch. During this time Mr Young also served as the appointed South African representative of the London-based BAT plc whose secondary listing on the JSE ranks as the largest company by market capitalisation. Mr Young maintains board positions in a number of other companies and significant trusts. He holds a postgraduate master's degree (LLM) in International Commercial Law from Tulane University in the United States as well as Certificates in Law from Georgetown University and Harvard University, respectively.

He is one of the founders of Unipalm Investments and chairs the remuneration committee. He also sits on the Company's investment and audit committees.

**Major directorships:** Unipalm Investments Ltd, Independent Media (Pty) Ltd, Loot (Pty) Ltd, Insights Publishing, BAT Signature Trust and Premier Fishing SA (Pty) Ltd.

## NON-EXECUTIVE BOARD MEMBERS



Independent  
non-executive director

**Johannes Mihe Gaomab  
(53)**

**Appointed:** 13 September 2006

**Nationality:** Namibian

**Board subcommittee:**

Audit and Risk committee  
Social and Ethics committee

**Expertise and experience:**

Mr Gaomab is an international businessman with major business interests in Namibia and South Africa. He is the founder and chairman of Gaomab Investments Management CC, Gulf Oil Marine (Pty) Ltd, Namibia Atlantic Petroleum and Shipping Corporation (NASCORP) and the executive chairman of African Renaissance Mining Company (Pty) Ltd.

**Major directorships:** Gaomab Investments Management CC, Gulf Oil Marine (Pty) Ltd, Namibia Atlantic Petroleum and Shipping Corporation (Pty) Ltd (chairman), Ltd and African Renaissance Mining Company (Pty) Ltd., a South African company with subsidiaries in Namibia, Democratic Republic of the Congo, Malawi and Zambia.



Non-executive director

**Aziza Begum Amod (54)**

**Appointed:** 12 November 2012

**Nationality:** South African

**Board subcommittee:**

Chairman of the Social and  
Ethics committee  
Transformation committee  
Remuneration committee  
Nomination committee

**Expertise and experience:**

Ms Amod is a businesswoman who has successfully grown her import, export and manufacturing business into four branches and has more than 30 years' experience. She established a network of industries related to manufacturing and provided employment opportunities to the wider local community. She has published articles and her business has been featured in various business magazines. She is actively involved in various NGOs, outreach programmes and women's associations.

After exiting her business, she has taken up directorships in various organisations and business entities.

**Major directorships:** Haifams Investments (Pty) Ltd, Pro Direct Investments (Pty) Ltd, Sekunjalo Power and Renewable Energy (Pty) Ltd, Sekunjalo Oil Trading (Pty) Ltd, Premier Fishing SA (Pty) Ltd, Sekunjalo Technology Solutions Ltd and Independent Media (Pty) Ltd.



Independent  
non-executive director

**Takudzwa Tanyaradzwa  
Hove (34)**

BCom (Hons) Accounting  
(Nelson Mandela Metropolitan  
University) CA(SA), ACMA,  
CGMA

**Appointed:** 4 September 2013

**Nationality:** Zimbabwean

**Board subcommittee:**

Audit and Risk committee  
Investment committee

**Expertise and experience:**

Mr Hove worked for African Equity Empowerment Investments Ltd from April 2009 until September 2013 and held several positions, including Group financial manager and corporate finance executive. He is very knowledgeable of the Group's diverse operations, having worked closely with the operational heads of the Group's businesses. He is currently an executive director of Independent Media (South Africa) (Pty) Ltd and is also responsible for mergers and acquisitions.

**Major directorships:** Premier Fishing SA (Pty) Ltd, Sekunjalo Technology Solutions Ltd, 3 Laws Capital (Pty) Ltd, Condé Nast Independent Magazines (Pty) Ltd, Allied Publishing Ltd, Allied Media Distributors (Pty) Ltd.



Independent  
non-executive director

**Zenariah Barends (54)**

Diploma in Library and  
Information Science and BA  
(Honours) from the University  
of the Western Cape

**Appointed:** 14 November 2014

**Nationality:** South African

**Board subcommittee:**

Chairman of the Transformation  
committee  
Social and Ethics committee

**Expertise and experience:**

Ms Barends is the chairperson, trustee and board member of a number of civil society institutions including Inyathelo: The South African Institute for Advancement. She has a long history of involvement in arts and culture through the Cape Cultural Collective as well as a strong track record in human rights activism. She served as the Western Cape Head of Investigations of the Truth and Reconciliation Commission – a commission chaired by Nobel Laureate, Archbishop Desmond Tutu.

In her current portfolio she is a senior executive and chief of staff at Independent Media. Her portfolio includes coordinating the involvement of the Sekunjalo Group in the BRICS Business Council and the South Africa Saudi Arabia Business Council. She is also responsible for coordinating the Sekunjalo Group's various World Economic Forum activities, which include the Group's involvement in the Global Agenda Council on Emerging Multinationals and the Global Growth Companies Advisory Board.

**Major directorships:** Chairperson of the Board of Trustees of Inyathelo: The South African Institute for Advancement.

## CORPORATE GOVERNANCE REPORT - continued

**BOARD POWERS AND PROCEDURES**

The Company is controlled by the board of directors. Directors are chosen for their corporate leadership skills, experience, expertise and gender diversity. The Board believes that the current mix of knowledge, skill and experience meets the requirements to lead the Company effectively.

The Board comprises six independent non-executive directors and three executive directors and comprises four women and five men, who determine the standards and policies to ensure that the highest quality of corporate governance is maintained within the Group.

The independent non-executive directors are considered to have the necessary skill and experience to bring balanced and independent judgment to the Board. While all directors have equal responsibility for monitoring the Group's affairs, it is the role of the chief executive officer 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.

Through the contributions of all directors, AEEI has established a suitable balance of power and a solid framework for the examination, calculation and management of risk.

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.

The Board met six times during the year, to review the financial and operational performance of the Group and to consider issues that may have a significant impact on the Group. Senior managers of the Group attend Board meetings by invitation.

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 Group. 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 annual general meetings ("AGM").

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

During the year under review, the following change was made to the position of company secretary:

- With effect from 30 June 2016, Ms Carmelita Arendse resigned as the company secretary of the Company, and Ms Cherie Hendricks was appointed as the interim company secretary of the Company.

## THE ROLE OF THE BOARD

- The Board assumes ultimate responsibility and accountability for the performance and affairs of the Company.
- The Board has a responsibility to all its stakeholders.
- Executive and independent non-executive directors carry full fiduciary responsibility and owe a duty of care and skill in terms of the laws and regulations of South Africa and the Company's Code of Ethics, always acting in the best interests of the Company.
- The Board oversees, monitors, approves and reviews corporate strategy, including Company policies, business plans, annual budgets and appropriate systems.
- The Board has a clear scope and delegation of authority, which is evaluated on a regular basis.
- The Board oversees the Company's values and ethics.
- The Board exercises leadership and integrity in directing the Company's affairs. Strategy, risk, performance and sustainability are inseparable.
- The Board is responsible for ensuring that succession plans are in place for the Board as a whole, executive management and key posts as well as Board committee members.
- The Board is responsible for ensuring that the succession plans are in place for the chief executive officer and other members of the Group's executive committee.
- The Board protects and manages the Company's financial position with the assistance of the chief financial officer and the audit and risk committee.
- The Board ensures that the Company complies with all the relevant laws, regulations and codes of business practice.
- The Board monitors and maintains a risk management framework and ensures that key risks are identified and monitored.
- The day-to-day management of the Company vests with executive management within the power and authorities delegated to it by the Board. The Board provides strategic direction and support in the execution of duties.
- The Board ensures that it regularly communicates with its shareholders and stakeholders.
- The Board promulgates policies consistent with the Company's interests, Code of Ethics and good business practice and subscribes to fair, equitable and non-discriminatory employment practices, enhances the communities they serve and protects the environment. Sustainability reporting is integrated with the Company's financial reporting.
- The Board shall consider business rescue proceedings and/or turnaround mechanisms as soon as the Company is financially distressed.
- Board members have unrestricted access to all Company information and records. The company secretary assists any Board member in providing information that may be required.

## CORPORATE GOVERNANCE REPORT - continued

## COMPOSITION OF THE BOARD AND APPOINTMENT OF DIRECTORS

The nomination committee makes recommendations to the Board for the appointment of new non-executive directors. Directors are chosen for their business skills and business expertise. In the Board's opinion, all directors have the relevant knowledge, skills and experience to make a meaningful contribution to the business of the Company. The independent non-executive chairman together with the remuneration committee evaluates the performance of the executive directors annually.

The nomination committee evaluates the independence of the non-executive directors on an annual basis.

Appointments to the Board are formal and transparent and a matter for the Board as a whole. 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 of looking after the Company's interests.

In terms of the Memorandum of Incorporation ("MOI") of the Company, no director shall be appointed for life or for an indefinite period and the directors shall rotate in accordance with the provisions set out in the MOI.

All of the directors shall retire from office provided that, if a director is appointed as an executive director or an employee of the Company in any other capacity, he or she shall not, while he or she holds that position or office, be subject to retirement by rotation and he or she shall not in such case be taken into account in determining the rotation or retirement of directors.

The Board is of the view that all the non-executive directors exercise independent judgment at all times with respect to material decisions of the Board.

## OVERVIEW OF THE BOARD

	2016	2015
Number of Board members	9	9
Number of Board members who are non-executive directors	6	6
Number of Board members who are deemed independent	6	6
Number of Board members who are deemed HDSA	7	7
Number of Board members who are women	4	4
Average length of executive director service (in years)	7.75	6.75
Average length of non-executive director service (in years)	6.39	5.39
Average length of director (full Board) service (in years)	6.84	5.84
Average age of directors (in years)	51.55	49.56
Audit remuneration % of non-audit fees	0.00%	0.00%
Independence of Board chairman	Yes	Yes
Number of prescribed officers	1	1

## EVALUATION OF THE BOARD, BOARD COMMITTEES AND INDIVIDUAL DIRECTORS

The Board and committees are evaluated annually by its members and improvement in areas are identified and addressed appropriately. The results of these evaluations are not disclosed in the integrated report. It appraises the performance of the chief executive officer, the chief financial officer and the corporate affairs and sustainability director on an annual basis and identifies areas of improvement which are appropriately addressed.

## INDEPENDENT NON-EXECUTIVE CHAIRMAN

The independent non-executive chairman of the Board is Professor Vukile Charles Mehana. Professor Mehana ensures that the Board is functioning efficiently and provides guidance and overall leadership for the Board and the Group. The AEEI Board elects the independent non-executive chairman.

The independent non-executive chairman:

- ensures that Board members are fully involved and informed of any business issue/s on which a decision has to be made;
- ensures that executive members play an effective management role and participate fully in the operation and governance of the Company;
- ensures that Board members exercise independent judgment, act objectively and that relevant matters are placed on the agenda and prioritised properly;
- avails himself to the chief executive officer between Board meetings to provide counsel and advice; and
- ensures that the performance of the chief executive officer is evaluated regularly.

## OUR EXECUTIVE TEAM

### CHIEF EXECUTIVE OFFICER

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

The chief executive officer is:

- responsible for focusing on the operations of the Company, ensuring that it is run efficiently and effectively in accordance with the strategic decisions of the Board;
- accountable to the non-executive chairman for, among other things:
  - the development and recommendation to the Board of the strategy and vision of the Company;
  - annual business plans and budgets that support the Company's long-term view;
  - achievement of performance goals, objectives and targets;
  - maintenance of an effective management team and management structures;
  - ensuring that appropriate policies are formulated and implemented to guide activities; and
  - ensuring that effective internal organisation and governance measures are deployed.

### CHIEF FINANCIAL OFFICER

Ms Chantelle Ah Sing is the chief financial officer of the Group and is an executive director.

The chief financial officer is responsible for:

- assisting the Board to protect and manage the Company's financial position with the assistance of the audit and risk committee;
- ensuring that the financial statements are fairly presented and contain proper disclosures;
- ensuring that appropriate internal controls and regulatory compliance policies and processes are in place; and
- non-financial aspects relevant to the business of the Company are identified.

The audit and risk committee has considered the expertise and experience of the chief financial officer and deems it appropriate. The audit and risk committee has considered and is satisfied that the finance department has the appropriate expertise and is adequately resourced.



## CORPORATE AFFAIRS AND SUSTAINABILITY DIRECTOR

Ms Cherie Hendricks handles the corporate affairs and sustainability of the Group and is an executive director.

The corporate affairs and sustainability director is responsible for:

- ensuring effective corporate governance in the Group;
- social and economic development;
- Broad-based Black Economic Empowerment;
- good corporate citizenship with the emphasis on corporate social responsibility within the focus areas;
- stakeholder relationships and stakeholder engagement activities;
- human resources and employment activities; and
- consumer relations including public relations and marketing.

## PRESCRIBED OFFICER

Mr Khalid Abdulla is the prescribed officer. The prescribed officer is required to perform his function and exercise his duties to the same standard of conduct applicable to all directors and is subject to the same liability provisions applied to directors. He is accountable for:

- exercising general executive control over and management of the subsidiaries in the Group; and
- to a material degree regularly participating, in the exercise of general executive control of the business units and activities of the Company.

The prescribed officer is not remunerated separately for this function.

## COMPANY SECRETARY

Ms Cherie Hendricks was appointed as the interim company secretary effective 1 July 2016, subsequent to the resignation of Ms Carmelita Arendse. The company secretary is accountable to the Board for:

- guiding the directors in terms of their duties, responsibilities, powers, training and induction of the responsibilities and liabilities under the Companies Act;
- making the Board aware of any law relevant to and/or affecting the Company;
- preparing of Board packs and recording of proper detailed minutes of meetings;
- ensuring proper and orderly conduct at all Board, committee and annual general meetings;
- disclosing of corporate actions, SENS announcements and directors' dealings in securities;
- delivering the integrated report and the notice of the annual general meeting and form of proxy to shareholders timeously;
- complying with the JSE Listings Requirements and the Companies Act; and
- updating Board policies and charters in compliance with statutory, regulatory and legislative requirements.

The Board has considered the competence, qualifications and experience of the interim company secretary and is satisfied that they are appropriate. This was concluded after due assessment following a review by the remuneration committee of the Company regarding the interim company secretary's qualifications, experience and performance.

The Board is aware that due to the interim company secretary being an executive director, there is not an arm's length relationship with the Board and the directors and that this is not desirable from a governance perspective. An external resource has been identified and will be appointed in December 2016.

## CORPORATE GOVERNANCE REPORT - continued

## BOARD COMMITTEES

The Board has established a number of committees to assist it in performing its duties and to fulfil its effective decision-making processes. Specific responsibilities have been formally delegated to the committees, with defined regulations and terms of reference. All the charters were reviewed during the year with changes being made to the transformation charter to take into account the new BBBEE codes.

The chairman of each committee reports back to the Board at each Board meeting and embraces a principle 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.

AUDIT AND RISK COMMITTEE	REMUNERATION COMMITTEE	INVESTMENT COMMITTEE	TRANSFORMATION COMMITTEE	NOMINATION COMMITTEE	SOCIAL AND ETHICS COMMITTEE
<b>COMPOSITION</b>					
Four independent non-executive directors	Two independent non-executive directors, one non-executive director and a consultant	One executive director and three independent non-executive directors	One independent non-executive director, one non-executive director and one executive director	Two independent non-executive directors and one non-executive director	One executive director, three independent non-executive directors and one non-executive director
<b>COMMITTEE MEMBERS</b>					
S Young (chairman) JM Gaomab Prof VC Mehana TT Hove	S Young (chairman) Prof VC Mehana AB Amod A Ipp (Consultant)	Prof VC Mehana (chairman) S Young K Abdulla TT Hove	Z Barends (chairman) CF Hendricks AB Amod	Prof VC Mehana (chairman) S Young AB Amod	AB Amod (chairman) CF Hendricks Prof VC Mehana JM Gaomab Z Barends (appointed during the year)
<b>FREQUENCY OF MEETINGS</b>					
Four times a year	Twice a year	Twice a year	Twice a year	Annually	Twice a year
<b>BOARD-APPROVED CHARTER</b>					
Yes	Yes	Yes	Yes	Yes	Yes
<b>INVITEES</b>					
Meetings are attended by the internal and external auditors, members of the executive management team and a consultant.	Meetings are attended by members of the executive management team and the consultant.	Meetings are attended by executive members of the management team.	Meetings are attended by members of the executive management team.		Meetings are attended by members of the executive management team.
<b>OTHER</b>					
The auditors have unlimited access to the audit and risk committee, ensuring independence is not compromised in any way.					
Board committee members are authorised to obtain independent outside professional advice when necessary.					

## DIRECTORS' DETAILS

	EXECUTIVE (E) NON-EXECUTIVE (NE)	OVERALL ATTENDANCE OF BOARD AND COMMITTEE MEETINGS	LENGTH OF SERVICE (YEARS)	AGE (YEARS)
<b>K Abdulla</b>	E	100%	9.01	51
<b>C Ah Sing</b>	E	100%	6.78	42
<b>CF Hendricks</b>	E	100%	7.46	53
<b>Prof VC Mehana</b>	NE	82%	9.07	63
<b>S Young</b>	NE	82%	10.72	59
<b>AB Amod</b>	NE	89%	3.80	54
<b>JM Gaomab</b>	NE	82%	9.97	54
<b>TT Hove</b>	NE	82%	2.99	34
<b>Z Barends</b>	NE	89%	1.79	54

## CONFLICT OF INTEREST

All directors of the Company and its subsidiaries including senior management are required to submit a list of their directorships and interests in contracts at each Board meeting.

Directors are required to disclose their personal financial interests and those of persons related to them, in contracts or other matters in which the Company has a material interest. Where a potential conflict of interest exists, directors are expected to recuse themselves from the relevant discussions and decisions.

No director had a material interest in any significant contract with the Company or any of its subsidiaries during the year.

## COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

The Board ensures that the Company complies with all the laws, codes, rules and standards including, but not limited to, the JSE Listings Requirements, King III, the Companies Act, Competition Law, legislative and environmental standards, consumer protection laws, employment legislation, international laws and legislation as well as compliance risk. The Board considers adherence to non-binding rules, codes and standards.

The Board continually reviews the compliance of legal, regulatory, codes and other standards and continually monitors the implementation of the legal compliance processes. Board policies and charters are updated in compliance with statutory, regulatory and legislative requirements.

## CORPORATE GOVERNANCE REPORT - continued

**ANNUAL FINANCIAL STATEMENTS**

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

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 judgments 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 external auditors assess whether the financial statements conform to IFRS.

The external auditors offer reasonable, but not absolute, assurance of the accuracy of the financial statements. AEEI's management is responsible for the preparation of the financial statements.

**DEALING IN GROUP 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 during periods when the Company is trading under a cautionary announcement. The company secretary disseminates written notices to all directors and senior management throughout the Group informing them that dealing in AEEI shares during the closed periods are prohibited.

Directors are required to seek the authority of the independent non-executive chairman 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 reinforces the Code of Conduct for insider trading. Directors are updated according to any changes in terms of the JSE Listings Requirements.

All dealings in Company shares by the directors are reported on SENS within 48 hours of the trade having been made.

**COMMUNICATION**

The independent non-executive chairman and chief executive officer regularly communicated with major shareholders, institutional investors, analysts and the media during the period under review. The Group acknowledges the role of the media especially that of financial journalists and it endeavours to assist these role players as much as possible.

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

The Group subscribes to a policy of full, accurate and consistent communication with regard to all its affairs. The Board seeks to present a balanced and understandable assessment of the Group's position when reporting to stakeholders at all times.

The integrated report deals adequately with disclosures relating to financial statements, auditors' responsibility, accounting records, internal controls, risk management, accounting policies, adherence to accounting standards, going concern issues, as well as the Group's adherence to established codes of governance.

**CORPORATE CODE OF ETHICS AND CODE OF CONDUCT**

The Group subscribes to the highest levels of professionalism and integrity in conducting its businesses and dealing with all stakeholders. All employees are expected to share its commitment to high moral, ethical and legal standards.

The 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. All directors and employees are aware of the Code of Ethics and Code of Conduct, which is 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.

## 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 period under review there were no reported allegations of unethical behaviour to the reporting facility.

## ENGAGING WITH OUR STAKEHOLDERS

AEEI appreciates the role of its stakeholders and is committed to nurturing impactful relationships that deliver mutual benefits and encourages transparent, objective and relevant communication. The Group recognises that its business is but 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 change needed for sustainable development. Building and maintaining trust and respect with our various stakeholders and has a positive impact on our reputation, is essential in addressing risks and

opportunities and we strive to respond timeously and appropriately to issues raised in our interactions.

Stakeholder consultation and relationship management is implemented in all divisions in the Group. Our stakeholders' expectations are identified through regular engagements, personal interactions and our financial and sustainability reports. The Board appreciates that it is required to provide timeous, relevant and accurate information and continually strives to maintain open direct dialogue with all its stakeholders.

The Group's stakeholder engagement is governed by the recommendations of King III. AEEI has a stakeholder engagement framework which includes communication guidelines and corporate identity. 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 statement that follows shows the total value created and how it was distributed.

## 2016 VALUE DISTRIBUTION

### EMPLOYEES

**43.8%**

### COMMUNITIES

**1.3 %**

### RETAINED FOR GROWTH

**30.0%**

### DEBT PROVIDERS

**10.7%**

### GOVERNMENT

**8.3%**

### CAPITAL PROVIDERS

**5.9%**

# VALUE-ADDED STATEMENT

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

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

VALUE-ADDED STATEMENT	2016 R'000	2015 R'000	2014 R'000
Cash value generated from revenue	859 628	657 865	591 314
Less cost of materials and services	(648 534)	(492 996)	(424 058)
Value added	211 094	164 869	167 256
Investment revenue	33 592	16 976	12 401
Wealth created	244 686	181 845	179 657
<b>Distributed as follows:</b>	%	%	%
Employees	43.8	52.70	51.20
Capital providers	5.9	6.06	0.60
Debt providers	10.7	10.80	10.70
Communities	1.3	1.60	1.50
Government	8.3	8.00	6.80
Retained for growth	30.0	20.20	29.20
Wealth distribution	100	100	100
Employee statistics			
Number of employees at year-end	680	618	619
<b>Turnover per employee</b>	1 264	1 065	955
Value added per employee	310	267	270
Wealth created per employee	360	294	290

The AEEI Group recognises that stakeholders choose to support us, invest in us, and take decisions to buy our products and services on how well we meet their expectations. AEEI is committed to adding long-term value for all its stakeholders.

THE COMPANY HAS IDENTIFIED THE FOLLOWING KEY STAKEHOLDER GROUPS WITH WHOM IT ENGAGES IN A STRUCTURED MANNER:

### KEY STAKEHOLDERS THAT CONTRIBUTE TO OUR VALUE DRIVERS



SHAREHOLDERS, THE  
INVESTMENT COMMUNITY  
AND PROVIDERS OF  
CAPITALS



INVESTING  
IN OUR STAFF



CLIENTS



ENGAGING WITH  
OUR REGULATORS



COMMUNITIES

## VALUE-ADDED STATEMENT - continued

BELOW IS AN OVERVIEW OF HOW WE ENGAGED WITH OUR PRINCIPAL STAKEHOLDERS DURING THE UNDER REVIEW INCLUDING WHAT THEY EXPECTED FROM US:



**SHAREHOLDERS, THE INVESTMENT COMMUNITY AND PROVIDERS OF CAPITAL**

**WHO ARE OUR SHAREHOLDERS:**

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

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

As at 31 August 2016, we have **1 826 SHAREHOLDERS**

**LOCAL:** 1 799 SHAREHOLDERS

**INTERNATIONAL:** 27 SHAREHOLDERS

**(97.66%)**

**(2.34%)**

**WHAT THEY EXPECT FROM US:**

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

**HOW WE ENGAGED WITH THEM:**

Strategic, integrated business management and reporting approach addressing economic, social and environmental issues with regular reviews of business performance is done on a regular basis.

Engagement is done through formal and informal interactions and channels. We engaged with them three times during the year at the reporting of our interim and financial year-end results as well as at our annual general meeting. Regular engagement with our key shareholders was done through roadshows, media releases and announcements on SENS and through the relevant information on our website: [www.aeei.co.za](http://www.aeei.co.za).

**HOW WE DELIVERED VALUE TO THEM:**

**Consistent financial performance and organic growth:** Profit increased to R292 102 from R185 747. Earnings per share increased to 44.09c from 31.12c in 2015. NAV per share increased from 144.93c to 186.52c.

**Sustainable growth strategy:** Delivery across all our strategic focus areas. Our performance and outlook of our strategic focus areas can be found on page 31.

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

**Transparent reporting:** We maintained transparency in all our reporting to provide investors with all the relevant information to make informed decisions. This is reflected in our achievements and external awards received – refer to page 12 on our awards.





## INVESTING IN OUR STAFF

### WHO ARE OUR STAFF:

Our staff are important to our business. We appreciate and understand the needs of our staff – without them we will not have a sustainable business.

Our **PERMANENT STAFF** complement is as follows:

MALE	FEMALE	BLACK
<b>68.53%</b>	<b>31.47%</b>	<b>85.88%</b>

Employment was created for **3 250 CONTRACTORS** during the year.

### WHAT OUR STAFF EXPECT FROM US:

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

### HOW WE ENGAGED WITH OUR STAFF:

We engaged with all levels of staff through a variety of regular and ongoing initiatives for both collective and individual interfaces and have an open door policy. Work performance reviews are linked to individual development plans. Communication channels include: the quarterly newsletters, emails, notice boards, CEO's monthly communique as well as direct communication between managers, teams and individuals. Internal meetings with trade union representatives take place on a regular basis. Senior staff are included in our results presentations. Our staff participate at business unit functions as well as the Annual Group Awards Ceremony where top achievers in different categories are recognised. Feedback and input from our staff assist us in understanding and responding to their concerns and needs.

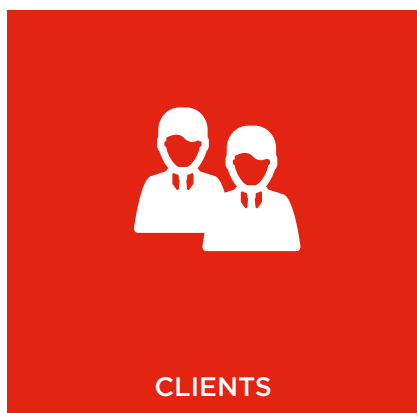
### HOW WE DELIVERED VALUE TO OUR STAFF:

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

Candidates for new vacancy positions are sourced from within the Group prior to being sourced externally. Continued progress is being made in delivering on our transformation plan and strategy as well as persons with disabilities. A decline in the number of misconduct incidents and CCMA referrals demonstrates an improvement in employee relations. Employee well-being programmes continued throughout the year. Standardised job profiles were created in some business units to enhance consistency and fairness as well as assessing and developing employees.

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

VALUE-ADDED STATEMENT - continued



**WHO ARE OUR CLIENTS:**  
 Our clients are our customers, service providers and joint venture partners.

**WHAT THEY EXPECT FROM US**  
 Delivery of quality products, innovative business solutions and services, long-term security of supply, planned procurement, professional services, technical expertise, the development, manufacture and distribution of innovative sustainable products, timeous payments and leveraging off our BEE credentials. Adherence to regulatory requirements, good corporate governance and ethics.

**HOW WE ENGAGED WITH THEM**  
 To continuously understand our clients, customers, service providers and joint venture partners, we engaged with them through various communication channels including meetings, site visits, one-on-one engagements, telephonic and electronic interaction. In a competitive environment that is fast-changing we continue to foster relationships and to understand our clients' need and expectations. We are committed to open, clear and transparent business practices. Alignment on standards, requirements, service, objectives and customer satisfaction. BBBEE scores meet key customers' requirements and vice versa.

**HOW WE DELIVERED VALUE TO THEM**  
 We provided professional services, technical expertise, innovative business solutions, quality products, services as well as timeous delivery and payment. We ensured long-term continuity of supply and adhered to regulatory compliance and laws in the supply of ethical products. We continuously strive to good corporate governance and ethical behaviour. Through our procurement from community-based service providers, employment was created and we assisted with enterprise and supplier development. We continuously ensure appropriate environmental and social compliance and through a phased approach we recently installed renewable energy on one of our farms with phase 2 commencing in 2017.



## ENGAGING WITH OUR REGULATORS

### WHO ARE OUR REGULATORS

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

### WHAT OUR REGULATORS EXPECT FROM US

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

### HOW WE ENGAGED WITH OUR REGULATORS

We maintained transparent communication, attention to detail, professionalism and prompt reaction to matters raised. We ensured resilient business and management practices and processes. We ensured compliance with all industry requirements and obtained clarity where necessary. We participated in industry meetings, interaction with regulators and industry stakeholders to ensure sound regulatory frameworks. Overall, the Group maintained regular and transparent relationships with all regulators and complied with all regulatory and legal requirements. We continue to report on governance and the impacts on society as well as our environmental stewardship.

### HOW WE DELIVERED VALUE TO OUR REGULATORS

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

VALUE-ADDED STATEMENT - continued



**COMMUNITIES**

**WHO ARE THE COMMUNITIES WE SERVE**

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

**WHAT THEY EXPECT FROM US**

They expect us to partner and contribute on social and environmental issues and pioneering responsible corporate citizenship. Awareness of social and environmental issues and to assist them in obtaining the desired outcomes for their communities, their businesses and their families. Collaborate with them for the greater good of matters concerning society and the environment.

**HOW WE ENGAGED WITH THEM**

In line with the Group’s sustainability strategy, we continued to create value for the communities in which we operate, through regular interaction, partnerships, our business operations, services and job creation. We engaged with communities around development and participation in specific initiatives. Our employees participated in various community initiatives.

**HOW WE DELIVERED VALUE TO THEM**

Our partnership with community-based entities resulted in the creation of new jobs as well as financial and in-kind support for new businesses. Support was provided for basic and tertiary education through our Back to School, bursary, tertiary and learnership programmes. Health, welfare and NGOs also received direct support. Paying our taxes and royalties to government also contributed to the welfare of society. Through our support of local businesses resulted in the promotion of social and economic development. Our investment into education and training as well as development programmes will continue and will enhance further growth prospects. With the landscape changing in BBBEE, we will continue to assist communities and businesses. Our socio-economic contribution is in compliance with the requirement. We provided investment into research and educational bodies as well as academic partnerships.

## REGULATORY INSTITUTIONS

### THE GROUP COMPLIES WITH, INTER ALIA, THE FOLLOWING REGULATORY INSTITUTIONS:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Department of Health</li> <li>• Medicines Control Council</li> <li>• South African Pharmacy Council</li> <li>• Marine and Coastal Management</li> <li>• National Regulator for Compulsory Specifications</li> <li>• Department of Agriculture, Forestry and Fisheries</li> </ul> | <ul style="list-style-type: none"> <li>• South African Bureau of Standards</li> <li>• South African Maritime Safety Authority</li> <li>• European Union</li> <li>• South African Reserve Bank (SARB )</li> <li>• Johannesburg Stock Exchange (JSE)</li> <li>• South African Revenue Services (SARS)</li> </ul> |
|---|--|

### ACCREDITATION:

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Hazard Analysis and Critical Control Points (HACCP)</li> <li>• Food Drug Administration (USA) (FDA)</li> <li>• Good Manufacturing Practice</li> <li>• South African Bureau of Standards (SABS)</li> <li>• National Regulator for Compulsory Specifications (NRCS)</li> </ul> | <p>The AEEI Group is not a member of the CDP – Driving Sustainable Economies, Water Disclosure Project or a signatory to the UN Global Compact.</p> |
|---|---|

# REPORT OF THE AUDIT AND RISK COMMITTEE

“Knowing our risks provides opportunities to manage and improve our chances of success.”

Roger VanScoy

## AUDIT AND RISK COMMITTEE

The audit and risk committee comprises four non-executive directors who act independently and have been appointed by the Board. The chairman of the committee is Mr S Young, an independent non-executive, and he attends the annual general meeting of the Company. Additional members of the audit and risk committee are Mr JM Gaomab, Professor VC Mehana and Mr TT Hove. The company secretary is the secretary of this committee. Attendance of the external auditors Grant Thornton Cape Inc., the consultant, executive directors, management and the internal auditors are by invitation.

This committee's responsibilities include ensuring that internal controls are in place and that management continuously improves upon these controls. The committee is also responsible for reporting to the Board on the final Group financial results.

The main objectives of the committee include the following:

- To establish the credibility, objectivity and reliability of published financial reports and ensuring that the financial statements comply with IFRS. By doing this, the committee can provide an objective, independent forum for the resolution of significant accounting and reporting-related matters.
- To evaluate the independence and effectiveness of the external auditors.
- To monitor the ethical conduct of the Group, its executives and senior management.
- To assist the board of directors in fulfilling their responsibilities by ensuring that the system of internal controls, accounting practices, management information systems, financial reporting systems and auditing processes are functioning effectively.
- To perform duties that are attributed to it by the Companies Act, the JSE and King III.
- To facilitate effective communication between the Board, senior management and the external auditors.
- To promote the overall effectiveness of corporate governance.
- To oversee the effectiveness of the internal audit function.

The external auditors can communicate with the chairman of the audit and risk committee and all of its members throughout the year. The chairman of the committee is also available at the annual general meeting to answer questions about the committee's activities.

## REPORT OF THE AUDIT AND RISK COMMITTEE

The audit and risk committee has a formal audit and risk policy document, which has been adopted by the Board. The policy document deals with duties, membership and authority. The committee has formal rules governing the services provided by the external auditors in terms of systems and processes.

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 audit and risk committee undertook a full review of the cost and scope of the audit function performed by the independent auditors of the Group. The committee recommended to the Board that the current auditors, Grant Thornton Cape Inc., be re-appointed as the Group's auditors and the audit budget was approved based on the value proposition. There were no non-audit services delivered during the audit. In terms of the Companies Act, the committee confirms that the same individual/audit partner has not served as the designated auditors of the Company for more than five consecutive financial years.

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 and can only provide reasonable and not absolute assurance against material misstatement or loss and to safeguard, verify and maintain accountability adequately for its assets.

The external and internal auditors had unrestricted access to the audit and risk committee and attended all the audit and risk committee meetings by invitation during the year ended 31 August 2016. Detailed reports were presented by both the internal and external auditors. The chairman of the audit and risk committee reported on the findings at the Board meetings.

For the period under review, the committee is satisfied that it has fulfilled all its statutory duties assigned by the Board.

## STATUTORY DUTIES

In the conduct of its duties and in accordance with section 94 of the Companies Act, the committee reports as follows:

- Overseeing the development and implementation of the Group risk plan and strategy to ensure that the Group manages its risks in an optimal manner;
- Approved, reviewed and valued the adequacy and efficiency of the risk policies, procedures and controls applied in the day-to-day management of the business;
- The scope, independence and objectivity of the external auditors were reviewed;
- The committee considered and determined the terms of engagement and fees of the external auditors;
- The audit firm, Grant Thornton Cape Inc., and audit partner are, in the committee's opinion, independent of the Company, and have been proposed to the shareholders for approval to be the Group's auditors for the 2017 financial year;
- The appointment of the external auditors complied with the Companies Act and with all other legislation relating to the appointment of external auditors;
- The committee reviewed and approved the fees proposed by the external auditors;
- The nature and extent of non-audit services provided by the external auditors were reviewed to ensure that the fees for such services do not become so significant as to call their independence into question;
- There were no non-audit services during the year under review;
- Obtaining assurance from the external auditors that adequate accounting records are being maintained;
- Evaluated the independence, effectiveness and performance of the internal auditors and compliance with its charter;
- Recommended to the Board the interim and preliminary announcements of results and reports to shareholders, the annual financial statements and integrated report;
- Considered concerns regarding accounting practices and internal audit matters; and
- The appropriateness of the expertise and experience of the financial management team was reviewed and reported to be adequate.

## REPORT OF THE AUDIT AND RISK COMMITTEE - continued

**RISK MANAGEMENT PROCESS**

A key component of the audit and risk committee was to review the top 10 risks (refer to page 98) that the AEEI Group face in order to respond to new and emerging risks and to ensure alignment with regulatory changes as well as best practice. In doing so they took into account stakeholder needs, corporate governance principles, risk trends, global trends and external dynamics. Regulatory risk emerged as a key focus and the Group is proactively managing and responding to key risks.

**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 under review.

**GROUP INTERNAL AUDIT**

The Group internal auditors perform an independent assurance function. The Group internal auditors have unrestricted access to the Group chief executive officer, the Group financial director and the chairman of the audit and risk committee.

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

The Group internal auditors recommended the annual audit plan for approval to the audit and risk committee. The audit and risk committee approved the formal internal audit plan, which included risk-based audits and improvements to Company governance and business processes for 2016.

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

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

The Group's internal auditors undertook the following during the year under review:

- Performed reviews on the Company's governance processes and ethics;
- Performed an objective evaluation of the risk management and internal control framework;
- Systematically analysed and evaluated the business processes and associated controls;
- Monitored and challenged where appropriate, action taken by management with regard to adverse internal audit findings;
- Provided a source of information on fraud, corruption, unethical behaviour and irregularities; and
- Followed a risk-based approach.

A formal 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 the control measures. This enabled the audit and risk committee to ensure that action has been taken to address the areas of concern.

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



## EXTERNAL AUDIT

The audit and risk committee is responsible for the appointment, compensation and oversight of the external auditors, Grant Thornton Cape Inc. The scope, independence and objectivity of the external auditors were reviewed. The committee considered the annual audit plan and related scope of working, determined the terms of engagement and fees of the external auditors. The audit firm, Grant Thornton Cape Inc., and audit partner are, in the committee's opinion, independent of the Company.

Grant Thornton Cape Inc. provided an audit opinion in accordance with the International Standards on Auditing, the International Financial Reporting Standards, Companies Act as well as the JSE Listings Requirements. Under company law, their responsibility is to the shareholders of the Company. In addition, they have professional responsibilities to report Reportable Irregularities, in terms of section 45(1) of the Auditing Profession Act, 2005 (No. 26 of 2005).

The audit was conducted in accordance with International Standards on Auditing ("ISA") and their objective was to provide a comprehensive service to the Group.

They have a statutory responsibility to report to the shareholders whether in their opinion the financial statements fairly present the financial position, results of operations and cash flow information of the Group, in conformity with IFRS and in the manner required by the Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

As the auditors of a public interest Company, the same individual has not served as audit partner of the engagement for more than five consecutive financial years. Grant Thornton Cape Inc. has been the Company's auditors for the past three years with Imtiaaz Hashim serving as audit partner for the first year.

The external auditors liaised with the Group internal auditors and attended the audit and risk committee meetings by invitation.

As the auditors of the Company, they attend every annual general meeting where the annual financial statements of the Company for the financial year are to be presented in order to respond accordingly and to answer any questions relevant to the audit of the financial statements.

## EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER AND THE FINANCE FUNCTION

In terms of the JSE Listings Requirements, the audit and risk committee is satisfied that the chief financial officer has the appropriate experience and expertise to meet the responsibilities of the position.

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

# RISK MANAGEMENT REPORT

The Board is committed to effective risk management in pursuit of the Group’s strategic objectives with the aim of growing shareholder value. The Board realises that proactive risk management is both an essential element of good corporate governance and an enabler in realising opportunities.

## BOARD

### STRATEGY, RISK APPETITE AND POLICY

#### RISK OWNERSHIP

CEO AND EXCO

#### RISK CONTROL AND MONITORING

AUDIT AND RISK COMMITTEE

#### INDEPENDENT ASSURANCE AND VALIDATION

INTERNAL AND EXTERNAL ASSURANCE

#### DOING AND RECORDING

Delegated Board authority to:

- Develop and implement business strategy
- Measure and manage performance
- Implement internal control and risk management framework within agreed appetite

#### INTERNAL VERIFICATION

Objective oversight of risks

Key activities include:

- Designing and deploying the overall risk management framework
- Developing and monitoring policies and procedures
- Monitoring adherence to risk framework and strategy

#### INDEPENDENT VERIFICATION

- Assurance that the risk management process is functioning as designed and identifies improvement opportunities
- Independent and objective assurance over the effectiveness of corporate governance standards and business compliance

MANAGEMENT-BASED ASSURANCE

AUDIT AND RISK COMMITTEE ASSURANCE

INDEPENDENT-BASED ASSURANCE

## GOVERNANCE OF RISK MANAGEMENT

The Board is responsible for the governance of risk and is assisted by the audit and risk committee, which reviews and monitors the effectiveness of the risk management processes within the Group in accordance with corporate governance requirements. They ensure that the risk management process complies with the relevant standards and works effectively. The Board oversees the activities of the audit and risk committee, the Group's external and internal auditors as well as the Group's risk management function.

The Group complies with a risk management framework that was approved by the audit and risk committee to ensure that a best practice risk assessment approach is followed. The executive committee of the divisional subsidiaries and associate companies are accountable and responsible for managing risks within their business units and may delegate specific responsibilities appropriately. This process is evaluated by the internal auditors that provide 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.

## OUR APPROACH TO RISK MANAGEMENT

The Group's risk management approach continues to evolve, is flexible and relevant to the business needs in an ever changing environment. The audit and risk committee continues to assess, manage and report on all significant risks, the impact on the business and the mitigation of the risks. They also assess whether the risk process is

effective in identifying and evaluating risks to determine whether the business operations have managed the risks in line with the Group strategy and to consider the impact on the sustainability of the business. 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 Company and subsidiary Board meeting under the categories of financial, operational, strategic, legal, human resources and other risk. Action plans are monitored and discussed to reduce the risks to acceptable 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. The Board is able to oversee the risk management process at Group level.

## RISK MANAGEMENT

Through a standardised approach across the AEEI Group, in the year ahead, we will strengthen the link between risks and opportunities. In doing so, this will maximise certainty between objectives, aspirations and outcomes as well as increase the performance of management to achieve a more effective risk process.

In applying the Group's strategy, we will apply the risk management process which will inform the strategic choices we make. This will align the Group's strategic objectives with the application of the risk management process to realise our expected outcomes.



## RISK MANAGEMENT REPORT - continued

The significant risks that currently impact the Group are:

RISK IDENTIFIED	IMPACT ON BUSINESS	MITIGATION OF RISK
<b>FINANCIAL RISK</b>	<ul style="list-style-type: none"> <li>Limited access to funding may slow down the ability to capitalise on the various niche growth initiatives in the biotech companies.</li> <li>Long sales cycles to obtain new business and new markets may result in financial loss.</li> </ul>	<ul style="list-style-type: none"> <li>The sources of 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.</li> <li>Adequacy of working capital is assessed to ensure sufficient funding for new business development and loan recovery procedures are aligned to the risk appetite of the Group.</li> </ul>
<b>OPERATIONAL RISK</b>	<ul style="list-style-type: none"> <li>Labour strikes and salary demands can bring disruption to the business operations and delay the ability of the companies to produce.</li> <li>The increasing uncontrollable cost of diesel and electricity increases the cost of doing business and reduces profitability.</li> <li>Exchange rate volatility may have both a negative and positive impact on business performance.</li> </ul>	<ul style="list-style-type: none"> <li>Active engagement with key stakeholders to ensure the impact on the operations is reduced.</li> <li>A pilot phase of renewable energy was implemented at the abalone farm. This process will be carried throughout the rest of the farm through a phased approach. To date the pilot phase delivered a 30% cost saving.</li> <li>Exchange control is monitored regularly with efficient management of overhead and cost structures in place to ensure that all volatile environments have a lesser effect on the operations.</li> </ul>
<b>STRATEGIC RISK</b>	<ul style="list-style-type: none"> <li>Exposure to significant large customers may make the Group dependent on the customers' financial viability or capacity in the technology and hospitality sectors.</li> <li>Reallocation of the long-term fishing rights may impact the profitability of the Food and Fishing division.</li> <li>Changes in the ever-changing economic landscape create a need for innovation to drive growth. This brings a risk appetite that may not be aligned to the Group strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Growth and diversification initiatives are being pursued to expand the operations to be less dependent on one source of income.</li> <li>Uncertainty of the fishing rights allocation has resulted in active engagement with communities and government to monitor policy and processes. Diversification into other products to reduce the impact on growth strategy.</li> <li>The investment committee will consider the risk appetite in relation to the investment opportunity and recommend to the Board that the investment opportunity is in line with Group's overall strategy.</li> </ul>

RISK IDENTIFIED	IMPACT ON BUSINESS	MITIGATION OF RISK
<b>LEGAL RISK</b>	<ul style="list-style-type: none"> <li>Compliance with the JSE Listings Requirements and all legislative and regulations require the Group to constantly adapt to keep abreast of the latest changes.</li> <li>Industry regulations can have an impact on business performance and reduce the sustainability of the operations in the fishing and health care sectors.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Risk management processes are evaluated by executive management, and the impact of industry regulations on operations are considered and action plans developed to reduce the risk to an acceptable level.</li> </ul>
<b>HUMAN RESOURCE RISK</b>	<ul style="list-style-type: none"> <li>Intellectual capital resides substantially in the knowledge of employees and not in patents and physical technology, hence skills retention and succession planning remain a constant challenge for all divisions.</li> <li>The inability to recruit skilled employees and the challenge of training inexperienced employees could take longer than anticipated and could affect the overall Group strategy.</li> </ul>	<ul style="list-style-type: none"> <li>A continuous review of employee training, development and succession planning occur annually to ensure that it is in line with the Group's strategy.</li> <li>Constant improvements on training procedures and better recruitment policies have been implemented to recruit and retain high-calibre personnel.</li> </ul>
<b>ENVIRONMENTAL RISK</b>	<ul style="list-style-type: none"> <li>Environmental challenges include the impact of carbon emissions, waste management, climate change and marine coastal management ("MCM") and must be reviewed constantly.</li> <li>Environmental pressures have an impact on the production and consumption of our products: <ul style="list-style-type: none"> <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 of certain marine resources due to changes in sea variables.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Adherence to marine management policies from the MCM to ensure no overfishing. Recycling and better waste removal techniques are being employed across the Group.</li> <li>Mitigation of these risks comes from constant monitoring of these environmental variables to allow flexibility in our response to these external factors.</li> </ul>

# INFORMATION TECHNOLOGY

“You cannot escape the responsibility of tomorrow by evading it today.”

Abraham Lincoln

The Board is responsible for the information technology (“IT”) governance in the Group and management is accountable for operational governance of information technology management.

## GROUP IT STRATEGY

The IT environment is broadly covered through King III and is fully integrated into the Group’s strategic planning process to ensure strategic, tactical and operational alignment in the achievement of the Group’s objectives. An annual report on IT governance is tabled at the audit and risk committee to address any significant IT investment, risks and matters to be considered to ensure compliance with IT governance. The primary focus is to review and approve the Group’s IT strategy to ensure that there is good governance throughout the IT ecosystem by ensuring the effectiveness and efficiency of the Group’s systems from a strategic alignment and risk perspective.

An integrated approach for IT governance in all the business units has been implemented and all divisions in each subsidiary have followed the Group user policies and security practices within the IT environment. Group synergies are sought in the following areas:

- Innovation and best practice – the Group collaborates and shares in areas of new skills with further enhancement envisaged in the formation of shared competency groups;
- People – the continual development of our IT professionals in the Group is critical in a rapidly changing environment with due consideration being given to new appointments for diversity and transformation targets; and
- Value – key suppliers are sought to optimise procurement and service levels across the Group with shared services where appropriate and new opportunities being investigated.

## DIGITAL REVOLUTION

The world continues to change due to significant trends such as:

- Mobile devices with pervasive connectivity to the internet as broadband data reduces in price and increases in availability, resulting in new heights of social media interaction on a business and personal level;
- Cloud computing which provides access to high-level, utility-based, location-independent and capital-light computing resources and agility;
- An increase in data that needs to be stored, managed and interpreted for business advantage; and
- The increase in connected devices installed to on-board computers giving rise to the internet of real-time exchange of information between connected devices.

## RISK MITIGATION

The ever-changing environment brings with it the complexities of managing information risk and the Group is applying the appropriate operational and technology interventions to manage these challenges.

As the Group is dependent on IT to meet its business needs and sustainability objectives, all identified IT risks are monitored and reduced to an acceptable level by executive management. The Group prides itself on the high standard of security monitoring, data protection, business service availability, network reliability and ensures that IT maintenance is performed and reviewed constantly. Although no material risks were reported on during the year under review, we are cognisant of cybersecurity and the implications thereof taking into account the protection of our stakeholders which remains a high priority. We constantly address threats from phishing and other cyberthreats.

## TECHNOLOGY-ENABLED SOLUTIONS – CHANGING ROLE OF IT

The Group's current focus is maintaining the existing traditional enterprise systems where operational reliability is paramount. The current systems have necessitated the need for enhancements within the Group's business units and consolidation for improved corporate controls and reporting.

In terms of our Vision 2020 Vision strategy, the Group is looking into the technology landscape and systems taking into account the current systems. An assessment was done for an integrated technology system that would be able to accommodate all Companies within the Group, taking into account the different needs of each individual Company. A system has been identified for the Group with future additional benefits that over time could be implemented through a phased approach.

Key to considering the new technology was the multi-user environment, data being generated in a variety of options thus reducing the risk of errors, audit trails, document managers, improved workflows, multi reviewers, consolidation of information and maintenance costs.

The benefits of the new system over the old system are:

- Greater automation resulting in improved controls and efficiencies;
- Real time processing, which means that live data is always available for quicker informed decision-making;
- Better Customer Relationship Management modules;
- The interface and software is easier to use;
- The software can be integrated with our other systems;
- There are additional add-ons which could be used to lessen the burden on transaction processing, payments, advances and stock control; and
- A module for storing of data as required by certain regulatory bodies.

Management is currently in negotiation with the service provider to finalise the system for approval by the committee.

Our IT division continues to provide technology enabled solutions which add value to their customers by:

- Enhancing their current services;
- Providing productivity solutions to optimise their business activities;
- Providing integrated business solutions; and
- Providing consultative advice based on business needs.

The digitised cloud enabled world has many IT products and services readily available for business consumption necessitating additional requirements from the IT divisions for their clients.

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

# REMUNERATION COMMITTEE REPORT

“In my view the successful companies of the future will be those that integrate business and employees’ personal values. The best people want to do work that contributes to society with a company whose values they share, where their actions count and their views matter.”

Jeroen van der Veer

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## STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE – MR SALIM YOUNG

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I am pleased to report that our remuneration practices were aligned with our performance and strategic objectives set for the 2016 financial year.

Reporting and disclosures are evolving to ensure that stakeholders are able to understand how remuneration decisions are made in order to assess the outcome of these decisions. In South Africa, good governance regarding remuneration is primarily informed by King III.

Executive remuneration and the governance of remuneration remained a feature of the corporate governance landscape over the last year while the issue of income differentials and the steps necessary to address these continued to enjoy prominence in the local and international market. It is fundamental to our core remuneration principles that executive remuneration is aligned to the Group’s performance. Income differentials are an important topic within the Group and the remuneration committee remains committed to monitor and address this critical issue.

The alignment of our executive’s remuneration to the long-term strategic goals of the Group to deliver sustainable value to shareholders and building the business remained a key focus during the year.

Some decisions and their related impact in setting targets in terms of performance-related remuneration were made for the executive management and senior management in the Group. Weightings of performance as well as specific financial targets were reviewed and amended accordingly for the year under review. The committee was satisfied and will continue to monitor remuneration closely against the appropriate performance and market benchmarks in the future.



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. The CEO and executive management team's performance are assessed against a set of predetermined objectives that include, inter alia, strategic leadership, execution of the strategy through business results and stakeholder relations. The Board recognises that the successful delivery of the Group's objectives should constitute both financial and non-financial performance measures, with the key financial measures 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 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 the delivery of the Group's strategic objectives.

Over the past year, we have kept our core remuneration policy and principles consistent. A few non-material changes were made to the remuneration policy, strategy and associated practices and we continue to review and adapt to changes in market conditions to ensure that they remain appropriately aligned with our overall business strategy.

Shareholder focus remains on ensuring pay for performance and alignment with shareholder goals, and enhanced disclosure so that shareholders can understand the quantum, rationale and driver of executive remuneration. With the constant focus on the levels of executive remuneration and the relativities between this and the remuneration of employees in general, particularly those at the lower end of the earnings spectrum, we have consistently applied the principle that our remuneration should be fair and competitive and should reflect the performance of the business and the business units. We remain committed to close the wage gap and improve the lives of the lower-paid employees by paying attention to the income differentials and the issue of minimum wages.

We respect and recognise our employees for their contribution made during the year and inspire them to realise their full potential and we believe in rewarding a job well done. Our ethos is one of appreciation for commitment, diligence, care and attention to detail.

## REMUNERATION COMMITTEE

The remuneration committee comprises two independent non-executive directors, one non-executive director and a consultant who act independently and have been appointed by the Board. The chairman of the committee is Mr S Young and Professor VC Mehana and Ms AB Amod are members and Mr Al Ipp is the consultant. The company secretary is the secretary of this committee. Attendance of executive management and a consultant are by invitation.

The remuneration committee's main purpose is to ensure that the Company's remuneration practices and policies are aligned with good corporate governance. 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 the business units and functions.

The objectives of the remuneration committee are to ensure that appropriate remuneration and incentive policies are adopted which:

- support the attainment of AEEI's Group's business strategies;
- determine executive remuneration;
- attract, retain and motivate key and talented employees;
- compete in the marketplace to be an employer of choice;
- reward individual, team and business performance and encourage superior performance; and
- support the key values of the AEEI Group.

The remuneration committee determines the fees to be paid to non-executive directors, but its primary focus is on executive remuneration and benefits. Consideration is given to the relative contribution of each non-executive director and their participation in the activities of the Board and its committees.

The chairman of the remuneration committee reports to the Board on the activities of the committee at Board meetings.

For the period under review, the committee is satisfied that it has fulfilled all its statutory duties assigned by the Board.

## REMUNERATION COMMITTEE REPORT - continued

## REMUNERATION PHILOSOPHY AND POLICY

### PHILOSOPHY

The Group's process of addressing rewards begins by balancing the Group's overall business strategy, capabilities, values and employees' needs, abilities and values. It ends with formulating and marketing a compelling rewards strategy and package that will enable the attraction, motivation and retention of high-calibre employees that the Group requires.

It is AEEI's belief that to achieve the balance between business strategy and employees' diverse needs, it continually strives to transform to a broader definition of reward – that of total rewards. To deliver on our philosophy, an enabling strategy was crafted that leverages the proper mix of rewards that satisfies the personal and financial needs of current and potential employees given existing business unit conditions and constraints.

To achieve this, AEEI integrates five key reward elements:

- Compensation – guaranteed pay (total cost to Company), pay for performance and short-term incentives.
- Benefits – provident or pension fund, medical aid, wellness awareness, Group risk insurance and funeral cover.
- Career opportunities, growth and recognition – Company career across business units, career planning, performance management and development.
- Cultures and values – Company-enshrined values statement, values-based leadership and nurturing culture.
- Work environment – safety, location and flexibility.

### REMUNERATION POLICY (ABBREVIATED)

#### Objective

The remuneration policy aims to implement the guiding principles of a standardised approach in the application of remuneration practices within all the business units and functions of the Group through sustainable, high performance based on the organisational culture and aligning it with the Group's approach to risk management.

#### Scope

The policy aims to provide competitive market-aligned remuneration balanced with the need for cost containment. The policy needs to be seen within the context of total rewards, which embraces all elements of employee value proposition for the Group including career and growth opportunities, recognition, culture and values, compensation, benefits and the work environment.

### THE REMUNERATION COMMITTEE'S RESPONSIBILITIES ARE TO:

review and approve the remuneration and benefits policy adopted by the Company;

review and approve the reward philosophy and strategy adopted by the Company;

determine the remuneration packages of the executive directors of the Company;

determine the remuneration packages for senior executives of the Company;

recommend to the Board the fees to be paid to non-executive directors for their services on the Board and its committees;

disclose the directors' remuneration and to ensure it is transparent, accurate and complete; and

approve the executive and senior management incentives adopted by 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 health care provision form part of the overall cost-to-company packages.

#### 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 the best practice.

Awareness and understanding of the policy is the responsibility of each employee.

### TOTAL GUARANTEED PACKAGE

The term refers to the cost of basic salary and benefits. Annual increases are determined with reference to the level of an employee's role, benchmarks and individual key performance.

## EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The executive directors do not have fixed-term contracts but have permanent employment agreements with the Company.

## NON-EXECUTIVE REMUNERATION

The non-executive directors receive fees for serving on the Board and Board committees. The fees for non-executive directors are recommended by the remuneration committee to the Board for approval. The Board recommends the fees to shareholders for approval at the annual general meeting of the Company.

## SUCCESSION PLANNING

The purpose of succession planning is to ensure that plans are in place to develop potentially suitable candidates for the future. The focus also remains on the retention of key and critical skills in the Group.

A succession plan for executives, senior management and critical skill positions are reviewed annually as part of the management process. Included in this process is the succession plan for the chief executive officer and independent non-executive chairman of the Board.

### KEY STRATEGIC OBJECTIVES

- Support the attainment of the Group's business strategies;
- Attract, retain and motivate key and talented employees;
- Compete in the marketplace to be an employer of choice; and
- Reward individual, team and business performance and encourage superior performance.

### COMPENSATION-GUIDING PRINCIPLES

- Differentiated total reward distinguishing six categories of employees: wage earners, salaried employees, general managers, senior managers, executive and non-executive directors;
- Transparent communication of reward in general while confidentiality of individuals personal reward information is respected;
- No unfair pay discrimination;
- Affordability;
- Conservative approach towards employee taxation; and
- Compliance to relevant Acts.

### COMPENSATION BENCHMARKING POLICY

- The Company benchmarks total packages against market value in job segments.
- To establish market values, the Company conducts and participates in South African salary surveys. In the light of these surveys, a reference salary is determined by job segment, by level, nationally across all industries.
- Different types of jobs on the same level will not necessarily carry the same reference salary. Each level may cover a number of reference salaries
- An employee's positioning with the applicable salary range will be influenced by a combination of factors such as relevant work experience, competence, performance, and internal, historical and market influences.
- The Company may intentionally compensate employees above the reference salary to attract and retain critical employee segment skills or scarce skills.

## REMUNERATION COMMITTEE REPORT - continued

The 2016 remuneration of the executive directors is set out in the table below:

EXECUTIVE	K Abdulla R'000	C Ah Sing R'000	CF Hendricks R'000	Total R'000
Salary	2 226	1 077	748	4 051
Bonus	700	200	200	1 100
Provident fund	294	147	169	610
Expense allowance	31	15	12	58
<b>TOTAL</b>	<b>3 251</b>	<b>1 439</b>	<b>1 129</b>	<b>5 819</b>

The 2015 remuneration of the executive directors is set out in the table below:

EXECUTIVE	K Abdulla R'000	C Ah Sing R'000	CF Hendricks R'000	Total R'000
Salary	1 854	1 017	709	3 580
Bonus	225	210	150	585
Provident fund	246	137	156	540
Expense allowance	14	14	11	39
<b>TOTAL</b>	<b>2 339</b>	<b>1 378</b>	<b>1 027</b>	<b>4 744</b>

The 2016 remuneration of the non-executives is set out in the table below:

NON-EXECUTIVE	VC Mehana R'000	S Young R'000	JM Gaomab R'000	AB Amod R'000	Total R'000
Directors' fees	371	318	185	185	1 059

Mr TT Hove and Ms Z Barends waived their non-executive fees.

The 2015 remuneration of the non-executives is set out in the table below:

NON-EXECUTIVE	VC Mehana R'000	S Young R'000	JM Gaomab R'000	AB Amod R'000	Total R'000
Directors' fees	350	300	175	201	1 026

Mr TT Hove and Ms Z Barends waived their non-executive fees.

**REMUNERATION REPORT - KEY STATISTICS**

	2016 R'000	2015 R'000
Total rand value of compensation paid to executive directors - excluding gains on the exercise of share options*	5 819	4 644
Average compensation per executive director (rand) - excluding gains on the exercise of share options*	1 059	1 026
Total compensation paid to prescribed officers - excluding gains on the exercise of share options	0	0

\* Executive directors do not have share options.

# SOCIAL AND ETHICS COMMITTEE REPORT

“Ethics or simple honesty is the building blocks upon which our whole society is based, and business is a part of our society, and it’s integral to the practice of being able to conduct business, that you have a set of honest standards.”

Kerry Stokes

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The social and ethics committee comprises four non-executive directors and one executive director who have been appointed by the Board. The chairperson of the committee is Ms AB Amod and the other members comprise Professor VC Mehana, Mr JM Gaomab and Ms CF Hendricks. Ms Z Barends was appointed to this committee during the period under review. The company secretary is the secretary of this committee.

## ROLE AND FUNCTION OF THE COMMITTEE

A charter approved by the Board governs the role and function of the committee. The duties of the committee include the monitoring of the Company and the Group’s activities (inter alia, via other committees of the Board), having regard to all relevant legislation, legal requirements or prevailing codes of best practice.

## REPORT OF THE SOCIAL AND ETHICS COMMITTEE

The social and ethics committee assisted the Board in ensuring that the Group is and remains a committed, socially responsible corporate citizen and to perform the statutory functions required of the committee in terms of the Companies Act. The commitment to sustainable development involves ensuring that the Company and the Group conducts its operations in a manner that meets existing needs without compromising the ability of future generations to meet their needs. The committee’s primary role is to supplement, support, advise and provide guidance on the effectiveness, or otherwise of management’s efforts, in respect of sustainable development and social and ethics-related matters.

During the year under review, the committee undertook the following:

- Reviewed and amended the personnel manual 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) (“Employment Equity Act”), as well as skills development;
- Reviewed the compliance against the UN Global Compact’s 10 principles in the areas of human rights, labour, the environment and anti-corruption;
- Reviewed the employment relationships and its contribution toward the educational development of its employees.
- Reviewed the standing in terms of social and economic development and made recommendations;
- Reviewed the standing in terms of the new regulations governing Broad-based Black Economic Empowerment to ensure compliance;
- Reviewed the corporate citizenship, including the promotion of equality and prevention of unfair discrimination;
- Reported that there was no corruption or fraud;
- Approved the contribution to the development of communities in which the Company and the Group’s activities are conducted, including sponsorship, donations and charitable giving;
- Reviewed the environmental impact in terms of health and public safety, including the impact of the Company’s activities and/or its products or services;
- Reviewed the consumer relationships, including advertising, public relations and compliance with consumer protection laws;
- Undertook an audit and review of annual leave;
- Ongoing staff awareness around the following policies:
  - The Way We Work Policy;
  - Anti-corruption and Bribery;
  - Code of Conduct; and
  - Code of Ethics; and
- Reviewed the draft internship policy.

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

# INVESTMENT COMMITTEE REPORT

“An investment in knowledge pays the best interest.”

Benjamin Franklin

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AEEI's business model and philosophy has resulted in it acquiring control of the majority of its operational investments as well as holding minority equity in strategic investments. This enables it to add value through its extensive expertise and networks, while promoting an entrepreneurial culture within its management structure and staff. Through our assets and investments, we drive the businesses to become efficient on a sustainable basis, which generates revenue, dividends and cash flow to support the Group as a whole.

The investment committee comprises one executive director and three independent non-executive directors who act independently and are appointed by the Board. The chairman of the committee is Professor VC Mehana, with Mr S Young, Mr K Abdulla and Mr TT Hove as members. The company secretary is the secretary of this committee.

The investment committee assists the Board to evaluate opportunities that present themselves to the Group, to advise the Board on such investment opportunities in a transparent manner and to ensure that sufficient consideration has been afforded to such opportunities. However, the Board is responsible for the final decision on all such investments.

AEEI'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 all investments, be it acquisitions or organic growth projects, are subjected to review by the investment committee. The committee is well balanced, has legal, financial and strategic expertise. Investments are adjudicated to ensure it has both a strategic fit with synergistic benefits to the current portfolio and that the investment provides an acceptable level of return with a reasonable payback period (based on the specific industry). Strategic road maps per sector invested has been developed within a five-year plan (Vision 2020 Vision) and each investment is adjudicated in line with its contribution to the aggressive growth plan mandated by the Board.



### Strategic investments

AEEI has become the partner of choice for multinationals seeking a BBBEE partner who brings value through active participation in its businesses. AEEI's track record of being a Top Empowered Company with top 10 placings in the governance and transparency awards issued by the Integrated Reporting and Assurance Services coupled with performance awards based on Company fundamentals as well as proof of its ability to run its own operational investment portfolio has provided it the credentials to offer itself as one of the top BBBEE partners on the market today.

Through AEEI's non-controlling strategic investments, the Company is able to add value and influence the business process to create wealth and achieve transformation.

AEEI has a track record of being an empowerment partner of choice. AEEI invests in companies with the following characteristics:

- Strong investment partners that are aligned with our strategic objectives;
- Leading brand;
- Defined growth strategy;
- Successful track record;
- Management expertise required; and
- High-growth sector.

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;
- add value, influence business processes, 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 our 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.

For the period under review, the committee concluded the following investments:

- 25% + 1 share in Saab Grintek Defence (Pty) Ltd;
- The acquisition of shares in Sygnia Ltd; and
- Conclusion of various JVs in agriculture and food and fishing, including international IP and patent transfers.

The following post-balance sheet investments were concluded:

- 51% of Kalula Communications (Pty) Ltd
- 57% of Puleng Technologies (Pty) Ltd

The committee is currently in negotiations around new opportunities with a significant increase in deal flow that still have to be adjudicated and concluded if the investment criteria is satisfied. Prior to the conclusion of any new opportunities the investment committee ensures that negotiations:

- Are transparent;
- Indicative proposals are in line with the AEEI Group's policy;
- Risks and risk appetite is evaluated;
- A formal due diligence is conducted in terms of legal, technical and the financial aspect;
- Agreements are reviewed by the legal team; and
- The Board is apprised of any developments prior to conclusion.

The committee is satisfied that it has fulfilled all its statutory duties assigned by the Board for the period under review. The chairman of the investment committee reports to the Board on the activities of the committee at Board meetings.

# TRANSFORMATION COMMITTEE REPORT

“Culture does not change because we desire to change it. Culture changes when the organisation is transformed; the culture reflects the realities of people working together every day.”

Frances Hesselbein

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The transformation committee comprises one independent non-executive director, one non-executive director and one executive director who have been appointed by the Board. The chairperson of the committee is Ms Z Barends, with Ms AB Amod and Ms CF Hendricks as members. The company secretary is the secretary of this committee.

The transformation committee assists the Board in the effective discharge of its responsibilities for oversight of transformation management, ensuring that management has implemented and maintained an effective transformation management process in the Group.

As a responsible employer, AEEI adheres 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 transformation committee assists the Board to lead transformation within the Group and to ensure that there are appropriate policies and procedures in place to address transformation by levelling the playing fields both socially and economically for a broader participation of all South Africans. Employment equity plans were submitted to the Department of Labour during the year under review.

During the year under review, the committee adopted a new Transformation Charter. The committee's duties include the:

- Approval of strategies, processes and control framework for the management of transformation;
- Approval the appointment of the verification agency;
- Approval of the scorecard targets for timeous submission to the agency;
- Approval the employment equity plan to be submitted to the Department of Labour;
- Review of the equity ownership of the Group;
- Review of the skills development and employment equity plans of the Group and make recommendations;
- Development of long-terms goals for the Group;

- Review of the transformation plans for the Group and make strategic recommendations;
- Review of the placement of interns in the Group;
- Approval or recommendation of any changes to the charter and policy as appropriate;
- Assessment of reports and reporting key issues to the board of directors;
- Assisting the Board in fulfilling their responsibilities and for ensuring that there is an effective transformation process in place throughout the Group;
- Assessment of reports from management concerning the Group's transformation and compliance processes and controls in order to oversee their effectiveness;
- Assessment of reports from divisional management concerning transformation and compliance in order to oversee these risks and assess their impact on the Group;
- Assessment of reports from management concerning the implications of new and emerging risks, legislative or regulatory initiatives and changes in order to ensure that transformation is held at an acceptable level;
- Receipt of reports from management concerning the resolution of significant risks, in order to monitor them and approve them in accordance with the Board's risk appetite;
- Overseeing of compliance by the Group with applicable external and regulatory obligations, and significant internal policies relating to the operation of its business units; and
- Facilitating of communication of risk issues to all management in the Group.

## OUR TRANSFORMATION PHILOSOPHY

AEEI's aim is to be an employer of choice in the market place. AEEI continues to champion transformation within the Group and has been recognised for its contribution to this process. For AEEI, transformation goes beyond compliance with BBBEE and includes the transformation of the culture, ethics and values of the Group.

The BBBEE Codes of Good Practice, promulgated in 2007, emphasised the need to extend empowerment to a broader base of South Africans. They provided guidelines and a balanced scorecard to measure the transformation of a business entity from an empowerment perspective.

As a Group, we believe in the development and empowerment of our staff and to enhance performance by "growing our timber". We recognise that today's best is the benchmark we must surpass tomorrow. The AEEI Group is committed to its shared values which include: people, accountability, integrity, commitment, stakeholders, respect and trust as well as investment. Refer to page 36 for more details.

## REPORT OF THE TRANSFORMATION COMMITTEE

The transformation committee assisted the Board to ensure that the Group is and remains committed to transformation, and in light of this the following took place during the year under review:

- Adopted a new Transformation Policy and Charter and rolled it out in the Group;
- Maintained our BBBEE Level 1 status since 2010;
- Reviewed the BBBEE 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 as well as the placement of interns in the Group;
- Reviewed and made recommendations on the transformation plans;
- Reviewed the equity ownership of the Group;
- Reviewed and made recommendation on the employment equity plans;
- Contributed through our operations to our corporate social investment programmes;
- Tracked the investment in renewable energy; and
- Built on our solid empowerment credentials - empowerment partner of choice.

## BBBEE CODES

The transformation committee reviewed the impact the revised Codes would have on the Company and the Group. The committee has been proactive within the Group to ensure understanding and compliance of the revised Codes as the revised Codes signal major changes in the BBBEE environment making it much easier for some companies to comply and more difficult for others.

BEE Certificates for JSE Listed Companies will now have to be lodged with the Commissioner.

## TRANSFORMATION COMMITTEE REPORT - continued

AEEI has evolved from a qualifying small enterprise (“QSE”) to a generic enterprise (“GE”) during the year. Since the changes in the rankings of listed companies on the JSE four years ago, qualifying small enterprises were disqualified from being rated. This is the first year that AEEI once again qualified to be in the main rankings of the JSE Top 100 listed companies as a generic enterprise. Refer to page 132 for further details.

## TRANSFORMATION CHARTER

The execution of the new charter will be a high-priority responsibility of the various business units executives who will ensure its execution through senior and other levels of management. They will develop detailed short-term, medium-term and long-term action plans to ensure the implementation of their transformation goals and objectives. These action plans should address all the stated goals and objectives and take into account the suggested action plans put forward by various forums, while aligning it with their applicable objectives.

The transformation committee will on a regular basis monitor, review and makes changes to plans aimed at the implementation of the charter. The CEO will communicate the status of performance against goals.

The transformation committee has set the following transformation goals with clear objectives to be true to its values:

- **Employer of Choice** - to create and nurture a working environment and a corporate culture that together attract and retain the best talent and skills; to redress residual inequalities with regard to 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.
- **Diversity** - 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 and practices** - further improved brand value for the Company.
- **Environmental sustainability - Resource stewardship** - drive resource management throughout our supply chain.
- **Social sustainability - stakeholders** - contribute to a society through our own practices and relationships with communities.
- **Internal communication** - 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** - ensure that the Company’s image and profile is aligned with its transformation strategy and the changing South African and African environments.
- **Business partners and collaboration** - ensure communication and collaboration with the Company and the Group’s business partners and associates with regard to sector transformation.

The chairman of the transformation committee reports to the Board on the activities of the committee at Board meetings. For the period under review, the committee is satisfied that it has fulfilled all its statutory duties assigned by the Board.

AEEI was ranked 1st overall in the Empowerdex 100 Most Powered JSE Companies Award in 2016.

Ranked by Empowerdex as South Africa’s Most Empowered Management Control Company in 2016.

# NOMINATION COMMITTEE REPORT

The nomination committee comprises two independent non-executive directors and one non-executive director who have been appointed by the Board.

The chairman of the committee is Professor VC Mehana, with Mr S Young and Ms AB Amod as members. The company secretary is the secretary of this committee.

The nomination committee is constituted as a subcommittee of the board of directors. The duties and responsibilities of the members of the committee are in addition to those as members of the Board.

The deliberations of the committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities, and they continue to exercise due care and judgment in accordance with their statutory obligations.

The role of the committee is to assist the Board to ensure, on an annual basis, that:

- The Board has the appropriate composition in terms of structure, size, composition and independence for it to execute its duties effectively;
- Directors are appointed through a formal process;
- Induction and ongoing training and development of directors take place; and
- Formal succession plans for the Board, chief executive officer and senior management appointments are in place.

The committee must perform all the functions necessary to fulfil its role as stated above, including the following:

- Ensure the establishment of a formal process for the appointment of directors, including:
  - Identification of suitable members of the Board;
  - Performance of reference and background checks of candidates prior to nomination; and
  - Formalising the appointment of directors through an agreement between the Company and the director.
- Oversee the development of a formal induction programme for new directors;
- Ensure that inexperienced directors are developed through a mentorship programme;

## NOMINATION COMMITTEE REPORT - continued

- Oversee the development and implementation of continuing professional development programmes for directors;
- Ensure that directors receive regular briefings on changes in risks, laws and the environment in which the Company operates;
- Consider the performance of directors and take steps to remove directors who do not make an appropriate contribution;
- Find and recommend to the Board a replacement for the chief executive when that becomes necessary;
- Ensure that formal succession plans for the Board and chief executive appointments are developed and implemented;
- Evaluate the performance of the chairperson and of the Board as a whole;
- Report, in the integrated report, the list of directors' current details, composition of Board committees, number of meetings held and attendance at meetings; and
- Make recommendations for the re-appointment of directors with regard to resignations or retirements due to rotation.

The chairman of the nomination committee reports to the Board on the activities of the committee at Board meetings.

## INTERNAL POLICIES

As a leading JSE-listed black empowerment Company and through our brand's position, the organisation 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.

## THE COMPANY HAS THE FOLLOWING POLICIES IN PLACE:

- Annual human committee work plan
- Anti-corruption and bribery policy
- Appointment of directors
- Audit and risk committee constitution
- BEE incentive
- Board charter
- Code of Conduct
- Code of Conduct for strategic partners
- Code of Ethics
- Competition law compliance
- Decision-making framework
- Duties of directors
- Electronic communications policy
- Executive remuneration
- Gifts and hospitality policy
- Guaranteed pay guidelines
- Human capital committee constitution
- Insider trading
- Nomination committee constitution
- Non-executive directors' fees
- Performance bonus - short-term incentive
- Procurement policy
- Remuneration philosophy and strategy
- Remuneration policy
- Reward philosophy and strategy
- Risk committee charter
- Short-term incentive
- Social and ethics committee charter
- Succession planning
- Transformation policy and charter
- The Way We Work



A full list of policies can be found on the website - [www.aeei.co.za](http://www.aeei.co.za).

# SUSTAINABILITY REPORT

“Sustainable development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen governance.”

Ban Ki-moon

With global business having entered a new era of responsibility and accountability, in addition to producing solid financial results, business leaders are now responsible for managing their Company’s environmental and social impact, as well as addressing the expectations of stakeholders, including legislators, investors, customers and employees.

## MATERIAL AREAS OF SUSTAINABILITY

### ENSURING SOUND GOVERNANCE

- 118, 120** Our sustainability governance practices
- 86** Engaging our stakeholders
- 92, 124** Fostering ethical behaviour and good governance

### DEVELOPING PEOPLE

- 120** Workplace transformation and diversity
- 120** Success
- 135** Skills development
- 129** Attracting and retaining talent

### RESPONSIBLE PRODUCTS AND SERVICES TO OUR CUSTOMERS

- 39, 110, 132** Investments and empowerment infrastructure
- 122** Treating our clients fairly
- 40, 153** Promoting responsible investment

### INVESTING IN A PROSPEROUS SOCIETY

- 112, 132** Transformation and empowerment
- 112** Responsible procurement and enterprise
- 139** Corporate social investment

### PROMOTING ENVIRONMENTAL RESPONSIBILITY

- 108** Managing our direct environmental impact
- 99, 119** Climate change and energy
- 125** Promoting sustainable water usage
- 125** Materials and waste management

## SUSTAINABILITY REPORT - continued

One of the key strategic objectives for the AEEI Group is to create sustainable value for all stakeholders and to integrate sustainable development into strategy, management and reporting with the objective of reducing the negative impact on the environment.

AEEI is driven by its core values and strong commitment to social, environmental and economic changes, with a great emphasis on marginalised groups. AEEI acknowledges its responsibility to all employees and the public for compliance with environmental standards. It has established policies, identified standards and determined regulatory requirements. One of AEEI's goals is to provide innovative solutions to every subsidiary and client, while remaining committed to social responsibility.

AEEI continues to build on its trusted relationships with consumers and engage them as citizens in the context of sustainable values. In doing so, we continually support the development of a positive public attitude towards increased innovation, the stimulation of new green enterprises, the upskilling of new and existing employees and managers, investing in research and development and developing research centres relevant to our industry and intellectual property, i.e. patents, trademarks, licences and copyrights.

### SUSTAINABILITY GOVERNANCE FRAMEWORK

#### BOARD OF DIRECTORS

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

#### CHIEF EXECUTIVE OFFICER

Accountable to the board of directors for the implementation of the Group's strategy and overall management of the Group

##### AUDIT AND RISK COMMITTEE

Responsible for overseeing the integrated reporting process

Ensures integration in terms of integrated reporting and the application of our business model

Considers the top risks and monitors the progress of mitigating the risks. Findings and recommendations are reported on at Board level

##### REMUNERATION COMMITTEE

Responsible for developing and monitoring the Group's human resources strategy, policies and standards

##### SOCIAL AND ETHICS COMMITTEE

The committee monitors the Company's social impact, oversees compliance and ensures sound ethical and governance practices

DAILY RESPONSIBILITY IS DELEGATED TO DIVISIONAL EXECUTIVE MANAGEMENT



AEEI continues to have a very low direct impact on the environment, but we are affected by the environment in which we operate and the impact of climate change in general on our business. The Group is committed to environmentally sustainable practices, especially when it comes to fishing resources. In this regard, Premier Fishing works closely with the relevant authorities to safeguard the various fish species and pays careful attention to the environmental impact of its operations. All our businesses units report on their environmental impact, even though they have a very low direct impact on the environment, with the exception of the Food and Fishing division.

The Board is firmly committed to the development of intellectual and human capital. In line with this, the performance assessment of senior managers includes an assessment of how they have developed the human capital of the organisation. The Board focuses on the development of historically disadvantaged individuals in particular.

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The Board has affirmed the practice with regard to procurement by its subsidiaries from black economic empowerment companies. The Board has policies in place to ensure that the entire Group's subsidiaries act in an environmentally friendly manner that takes into account the existence of the communities in which the subsidiary operations are located.

AEEI's goal has always been to provide innovative solutions to every subsidiary and client while remaining committed to social responsibility. Refer to pages 138 to 151 for the full report.

The Group's material issues, the stakeholders affected and how we manage them can be found on page 86.

## SUSTAINABILITY REPORT - continued

### MATERIAL ISSUES AND KEY PERFORMANCE INDICATORS - 2016 PROGRESS ON THE SIX CAPITALS

The following report details the material issues, key performance indicators, our 2016 progress, the risks related to the material issue and the opportunities created by the material issues on the six capitals:



#### FINANCIAL CAPITAL

#### MATERIAL ISSUE

#### RESPONSIBLE USE OF OUR CAPITAL GENERATED

#### KEY PERFORMANCE INDICATORS

- Review asset efficiency
- Growth of the businesses through strategic investments
- Ensure continued shareholder returns
- Reinvestment into growth
- Dividends paid to shareholders
- Manage debt and gearing
- Maintain Group debt and gearing

#### 2016 PROGRESS

- Retained sound capital levels and liquidity in the Group
- Maintained a well-diversified portfolio of investments and risk framework
- Implemented Vision 2020 Vision to invest in growth while containing costs and driving efficiencies
- Streamlined and standardised procurement spend for future cost savings
- Streamlined our infrastructure and IT systems
- Increased our equity in Saab Grintek Defence to 25% + 1 share
- The acquisition of shares in Sygnia
- Concluded various JVs in agriculture, fishing including international IP and patent transfers
- Paid a dividend to shareholders
- Maintained Group debt and gearing

#### WHAT ARE THE RISKS RELATED TO OUR MATERIAL ISSUES:

- Limited access to funding may slow down the ability to capitalise on the various growth initiatives
- Debtor recovery or late payments from public customers could create liquidity risk
- Exchange rate volatility may have both a negative and positive effect on the performance of the businesses

#### WHAT ARE THE OPPORTUNITIES CREATED BY THE MATERIAL ISSUES:

- Explore opportunities in new strategic investments to unlock further revenue streams
- Review further business opportunities within our current strategic investments
- Growth by acquisition
- Organic growth
- Work towards listing the Food and Fishing division
- Work towards listing the IT division



## HUMAN CAPITAL

### MATERIAL ISSUE

## EMPLOYEE RECRUITMENT AND RETENTION OF KEY SKILLS

### KEY PERFORMANCE INDICATORS

- Training and development of staff
- Employee health and safety
- Remuneration and staff recognition
- Support of training institutions (external)
- Employee job satisfaction, diversity, productivity and efficiency
- Maintain zero fatality in the Group
- Drive transformation targets at all levels in the Group

### 2016 PROGRESS

- Emphasised our employee value proposition
- Offered competitive remuneration
- Spent R2 372 218 on training and development
- Continued to transform our businesses
- Implemented personal development plans for middle management and senior executives
- Clear Vision 2020 Vision employee focus

### WHAT ARE THE RISKS RELATED TO OUR MATERIAL ISSUES:

- Labour strikes and salary demands
- The inability to retain skills and the retention of high-calibre employees
- The inability to recruit skilled employees and the challenge of training inexperienced employees could take longer than anticipated

### WHAT ARE THE OPPORTUNITIES CREATED BY THE MATERIAL ISSUES:

- Employee development
- Employee health and safety
- Identify and offer internships and learnerships in identified disciplines
- Increase capabilities of middle management
- Create and entrepreneurial culture



**MANUFACTURED  
CAPITAL**

**MATERIAL ISSUE**

**BUSINESS OPERATIONS  
CAPITAL INVESTMENT IN OUR BUSINESSES**

**KEY PERFORMANCE INDICATORS**

- Produce quality products and services
- Provide and maintain high-quality infrastructures and assets
- Stimulate economic growth through sustainable small business development
- Through our strategic investments looked at not only returns, but also focused on risk and capital requirements

**2016 PROGRESS**

- Launched new products to meet our clients' needs
- Launched new products and services to meet our clients' needs
- Increased our focus on cross-selling
- Strengthened our strategic alliance with our international partners
- Stimulated growth and partnerships with SMMEs
- Maintained infrastructures and assets through regular maintenance

**WHAT ARE THE RISKS RELATED TO OUR MATERIAL ISSUES:**

- Failure to raise capital for investment into our businesses
- The inability to produce goods and services timeously for clients
- Increased competition

**WHAT ARE THE OPPORTUNITIES CREATED BY THE MATERIAL ISSUES:**

- Expansion of the abalone farm
- Increase the number of external quota holders
- Enhance planning and increase catch rates
- Review options in terms of product diversification
- Growth of product portfolio
- Expand product range and offering into the food, hygiene and agricultural sectors
- Development in the local and manufacturing environment
- Optimisation of product portfolio and cost savings
- Registration of products in Africa, South America and the SADC region



## INTELLECTUAL CAPITAL

### MATERIAL ISSUE

## MACROECONOMIC CONSIDERATIONS ACCREDITATION INCLUDING PATENTS, TRADEMARKS, IP AND THE JSE

### KEY PERFORMANCE INDICATORS

- Provide shareholder satisfaction and reasonable return on investment
- Review the risk of alternative technologies from competitors
- Sound business practices

### 2016 PROGRESS

- Diverse portfolio of investments and strategic investments
- Payment of dividends to shareholders
- Building of own IP to reduce the risk of alternative technologies

### WHAT ARE THE RISKS RELATED TO OUR MATERIAL ISSUES:

- Changes in the economic landscape – relating to exchange rate volatility, interest rates, etc.
- The risk of not achieving investment targets
- Failure to innovate in areas that are critical to our clients and innovation to drive growth
- The loss of major clients

### WHAT ARE THE OPPORTUNITIES CREATED BY THE MATERIAL ISSUES:

- Work towards listing the Food and Fishing division
- Work towards listing the IT division
- Organic and acquisitive growth
- Increase business in the private sector
- Further expansion into Africa
- Work towards listing the Biotechnology division
- Opportunities to invest in other areas of our strategic growth path
- Payment of dividends
- Building of own IP

## SUSTAINABILITY REPORT - continued


**SOCIAL AND  
RELATIONSHIP CAPITAL**
**MATERIAL ISSUE**
**COMPLIANCE WITH LAWS AND REGULATIONS**
**KEY PERFORMANCE INDICATORS**

- Drive the CSI strategy across the Group by investing in social services in our communities and creating value through social investment
- Paying our taxes and royalties to government
- Drive BBBEE targets in the Group
- Drive transformation throughout the Group
- Adhering to ethical standards and preventing corruption
- Supporting local business and promote social and economic development
- Provide employment opportunities and skills development
- Training and development through our internship programme
- Investing in the future of our youth by facilitating access to higher education
- Effective risk management and compliance

**2016 PROGRESS**

- Ensured closer working relationships with regulators
- Continued to drive our CSI strategy across the Group and created value through social investment
- Focused on managing risk in terms of the Group's risk appetite
- Continued to drive transformation in our businesses
- Focused on improving educational outcomes in the Western Cape and Overberg regions through training and development and investment in our youth
- Supported local businesses and promoted social and economic development
- Provided employment opportunities and skills development
- No breach of ethical standards or corruption reported
- Effective monitoring of risk management and compliance
- Paid our taxes and royalties to government

**WHAT ARE THE RISKS RELATED TO OUR MATERIAL ISSUES:**

- Compliance with regulatory and legislative requirements requires the Group to keep abreast of changes failing which could have a reputational impact and fine
- Industry regulations can have an impact on the business performance

**WHAT ARE THE OPPORTUNITIES CREATED BY THE MATERIAL ISSUES:**

- Promotion of social and economic development by assisting small businesses to grow and add value
- Deliver on CSI strategies by investing in social services in our communities and creating value
- Deliver on transformation
- Deliver on our BBBEE targets
- Paying our taxes and royalties to government will contribute to social needs
- Assist small businesses to grow within the events industry to grow community-based services
- Strong risk management
- Provide employment opportunities and skills development
- Investing in our youth by facilitating access to higher education
- Ongoing proactive and transparent relationships with our regulators



**NATURAL  
CAPITAL**

#### **MATERIAL ISSUE**

### **REVIEW ENERGY EFFICIENCY AND THE USE OF ALTERNATIVE ENERGY IN OUR OPERATIONS**

#### **WATER CONSUMPTION**

#### **WASTE MANAGEMENT**

#### **KEY PERFORMANCE INDICATORS**

- Effective environmental management system (food and fishing)
- Waste and electricity management (food and fishing)
- Allocation of capital to address long-term goals
- Waste management
- Environmentally friendly products

#### **2016 PROGRESS**

- Implemented a pilot phase on renewable energy
- Reviewed and implemented further additions to the environmental management system
- Reduction in electricity and water consumption
- Capital allocated for the implementation of long-term goals in terms of Vision 2020 Vision

#### **WHAT ARE THE RISKS RELATED TO OUR MATERIAL ISSUES:**

- Eskom load shedding and the uncontrollable cost of electricity
- The uncontrollable costs of diesel

#### **WHAT ARE THE OPPORTUNITIES CREATED BY THE MATERIAL ISSUES:**

- Further implementation of renewable energy
- Implementation of innovating procedures in the reduction of electricity and water consumption
- Leveraging industry expertise on waste management

## ECONOMIC SUSTAINABILITY

### VALUE DISTRIBUTION

	2016	2015	2014
Employees	43.8%	52.7%	51.2%
Retained for growth	30.0%	20.2%	29.2%
Debt providers	10.7%	10.8%	10.7%
Government	8.3%	8.0%	6.8%
Communities	1.3%	1.6%	1.5%
Capital providers	5.9%	6.6%	0.6%



Refer to page 84 for the value-added statement.

	2016 R'000	2015 R'000	2014 R'000
Total revenue	<b>752 203</b>	672 185	620 549
Total profits (before tax)	<b>292 102</b>	185 747	108 192
Total assets	<b>1 691 219</b>	1 345 471	971 241
Total liabilities	<b>690 184</b>	540 922	513 012
Total ratio	%	%	%
Percentage of revenue generated in South Africa	<b>64.1%</b>	63%	62%
Percentage of net profit after tax generated in South Africa	<b>32%</b>	25%	14%
Total compensation paid to executive directors (AEEI Board)	<b>5 819</b>	4 744	7 823
Total compensation paid to employees and contractors (incl. wages and benefits)	<b>191 709</b>	95 876	92 017
Total compensation paid to prescribed officers	<b>0</b>	0	0
Rand value of HDSA procurement	<b>325 023</b>	210 394	206 937
Rand value of Group procurement	<b>495 643</b>	467 543	459 859
Rand value of Company procurement (AEEI)	<b>9 071</b>	12 097	12 096
Rand value of all payments to governments (VAT, income tax, rates and taxes, royalties, and all other payments)	<b>80 538</b>	57 775	39 845
Percentage of total taxes paid in South Africa	<b>100%</b>	100%	100%
Total rand value of research and development spend	<b>10 151</b>	2 217	816
Total rand value of dividends paid/payable to AEEI shareholders	<b>16 203</b>	12 283	9 827
Total rand value of dividends paid by subsidiary companies to shareholders	<b>31 600</b>	15 000	6 922
Total rand value of earnings retained	<b>505 241</b>	300 895	157 825



## ENVIRONMENTAL SUSTAINABILITY

	2016	2015	2014
Total direct energy consumption (GJ)	9 113	9 200	9 000
Total direct energy consumed per person worked	1.60	2.554	3.000
Total indirect energy consumption	2 014	2 091	2 161
Total indirect energy consumed per person hour worked	0.35	0.581	1.00
Total electricity consumption (MWh)	781	786	780
Total electricity consumed per person hour worked (MWh/HW)	0.000040	0.00012	0.00024
Total energy consumption in gigajoules	11 127	11 291	11 161
Average volume of carbon emissions per hour worked (Tons CO <sub>2</sub> e/HW)	0.001	0.000	0.004
Total water consumption (kl)	55 496	52 236	60 909
Total non-hazardous waste (tons)	35	31	24
Total hazardous waste (tons)	0	0	0
Total volume of waste sent for recycling (m <sup>3</sup> )	23	22	18

The AEEI Group is fully committed to and conscious of the necessity for environmentally sound practices. The Food and Fishing division has identified monitoring and measuring programmes to further increase its environmental accountability.

# HUMAN CAPITAL

The Group continues to create a working environment that allows its employees the opportunity to further develop their abilities and to benefit from being part of a progressive and dynamic organisation through its various skills programmes.


## COMPANY PRODUCTIVITY

 <p><b>SKILLS DEVELOPMENT</b></p>	 <p><b>HUMAN RIGHTS</b></p>	 <p><b>INDUSTRIAL RELATIONS</b></p>
 <p><b>EMPLOYMENT EQUITY</b></p>	 <p><b>HEALTH AND SAFETY</b></p>	 <p><b>EMPLOYEE BENEFITS</b></p>

As the Group's employees play a vital and exciting role in achieving its Vision 2020 Vision, AEEI ensures that it nurtures, understands and values its employees with the same care and coherence that it fosters for its other stakeholders. Throughout the Group, AEEI encourages the pride that its teams feel in working for this business and is proud and grateful for the passion they put into serving the Group's stakeholders. This pride is reflected in the manner in which our employees play an ambassadorial role for our Group.

The Group reached its objective during the year under review by building internal capacity through the adoption of relevant recruitment, upliftment, development, job involvement, training and promotion programmes for employees, with and beyond the Group's employment equity and workplace skills plan. Management and labour representatives continue to pay close attention in meeting the challenges of accelerated employee growth and development, as set out in the Department of Labour's National Skills Development strategy.

Our employees continue to benefit through our extensive skills development, wellness and employment equity programmes and the Group has fully complied with the Employment Equity Act. A total of 327 employees were trained during the year (2015: 277).

 Refer to page 85 for further information on delivering value to our stakeholders.

## PERFORMANCE REVIEW

The Group acknowledges external trends that could affect employees and practices and the Human Resources department plays a vital role in the business philosophy of the Group.

Managers in the Group conducted formal reviews of their direct reports as set out in their respective key performance areas during the year. The key performance areas are aligned with the Group's objectives and formal targets are set for the ensuing period. This review process forms part of the training report and skills development plan. The performance rating of the employee will determine the salary increase during the annual salary review process. However, specifics differ in each business unit, but as a minimum each employee's incentive provides for performance, employment equity and financial results.

## NURTURING FUTURE TALENT

The development and succession planning of employees in the Group remains a key priority. In order to secure and retain future talent, continual investment in skills retention allows for focused development of identified employees. The Group encourages individuals wishing to study further and has an active policy in place.

## BURSARIES AND LEARNERSHIPS

Bursaries are awarded to children of employees as well as to other candidates based on their matric or tertiary results, also taking into account their economic situation. During the period under review, 10 learnerships (2015: 6), 90 bursaries (2015: 89) and 372 employees (2015: 277) undertook training. A total of R2 372 218 (2015: R1 209 073) was spent on training during the period under review.

## INTERNS AND GRADUATE INTERNS

The Group continues to offer workplace exposure to interns and graduate interns and during the year 21 interns were recruited. Some of these interns have become permanent employees. The Group is currently working on a formal charter for the placement of interns.

## NOTICE PERIOD

The notice period time frame depends on the issue at hand, most of which are covered by the Labour Relations Act, 1995 (No. 66 of 1995). Depending on the specific issue the notice period can range from 24 hours to 30 days.

## HUMAN RIGHTS

The Group adheres to all labour legislation in South Africa, including the Constitution of the Republic of South Africa,

Labour Relations Act, 1995 (No. 66 of 1995), Employment Equity Act, Occupational Health and Safety Act, 1993 (No. 85 of 1993), Skills Development Act, 1998 (No. 97 of 1998), Skills Development Levies Act, 1999 (No. 9 of 1999) and Basic Conditions of Employment Act. The Group subscribes to freedom of association and collective bargaining and has employee-elected forums consisting of both organised (unionised) and non-organised (non-unionised) members, which are involved in deliberations and an ongoing drive to ensure equity in all aspects of the workplace.

The Group rule is that:

- employees are educated on human rights;
- no child labour is permitted;
- no forced and compulsory labour is permitted; and
- zero tolerance towards fraud, corruption and related activities.

We expect our suppliers, partners and customers to uphold our standards and make a positive contribution towards the reduction and enforcement of human rights.

The AEEI Group confirms that there were no human rights violations for the period under review.

## INDUSTRIAL RELATIONS

The Group has formal policies and procedures in place in line with the Labour Relations Act.

Subsidiary companies in the AEEI Group has an open relationship with the unions with whom it is involved and engage with the following unions: Food and Allied Workers Union, the Trawler and Line Fishermen's Union and the National Certificated Fishing and Allied Workers Union.

## PEOPLE WITH DISABILITIES

The Group continues to work on improving its recruitment process to accommodate people with disabilities.

## EMPLOYEE DIVERSITY

The headcount in the Group, as at the end of August 2016, reflects 680 (2015: 618) permanent employees. During the year, temporary employment was created for more than 3 250 people through the Cape Town International Jazz Festival and "The Royal Escape Experience" as well as 64 seasonal employment opportunities was created in our Food and Fishing division.

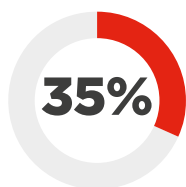


Refer to page 130 for a detailed report.

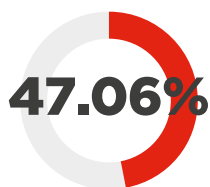
HUMAN CAPITAL - continued

AEEI has played an active role in the advancement of previously disadvantaged persons, a fact that is reflected in the Group's workforce. The majority of its employees are from historically disadvantaged communities.

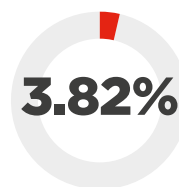
CATEGORY	MALE				FEMALE			
	African	Coloured	Indian	White	African	Coloured	Indian	White
AEEI Board members	3	1	1	-	1	3	-	-
Board executives (excl. AEEI Board members)	2	5	3	9	-	5	3	1
Senior management	3	9	5	8	-	3	-	2
Middle management	2	16	1	15	3	10	1	8
Skilled upper	21	38	5	31	17	33	3	6
Semi-skilled	21	20	1	1	14	32	2	7
Labour/unskilled	73	70	-	2	20	10	-	-
Seasonal	25	19	-	-	3	7	-	-
Contract workers (incl. interns and fixed term contracts)	26	27	1	2	4	12	-	2
<b>Total</b>	176	205	17	68	62	115	9	28



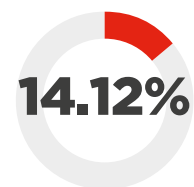
**African**  
2015: 31.23%



**Coloured**  
2015: 50.65%



**Indian**  
2015: 2.91%



**White**  
2015: 15.21%

**Male 2016: 466**  
2015: 424

**Female 2016: 214**  
2015: 194

**Total 2016: 680**  
2015: 618

## HEALTH AND SAFETY

The Group rigorously applies health and safety regulations in its quest for an accident-free working environment. The Group has actively created greater awareness of risk exposure in these areas and controls have been increased to proactively reduce its stakeholders' vulnerability to environmental, health and safety hazards.

Strategies are in place to manage and minimise the potential impact of HIV/Aids and the consequential

loss of skills and productivity. AEEI has an appropriate and comprehensive HIV/Aids strategy throughout its subsidiaries.

This strategy includes, where possible and appropriate, the provision of antiretroviral treatment. The Group further emphasises the need for education and the inclusion of working representatives in terms of its HIV/Aids policy.

## HEALTH AND SAFETY

	2016	2015	2014
Number of fatalities	0	0	0
Number of first-aid cases	26	35	44
Number of medical treatment cases	0	0	21
Number of lost-time injuries	16	12	21
Total number of recordable injuries (medical treatment, lost time and fatalities)	16	12	21
Fatal injury frequency rate	0%	0%	0%
Lost-time injury frequency rate	0.563	0.388	0.783
Total recordable injury frequency rate - reported	0.562	0.666	0.783
2016 target for lost-time injury	0	0	0
Number of employees and contractors receiving voluntary counselling and testing for HIV/Aids	0	0	0
Employees tested for HIV/Aids	3	2	2
HIV/Aids prevalence rate	0.00%	0.00%	0.00%

## EMPLOYEE BENEFITS

Employees are extremely important stakeholders in the success of the Group. In order to foster the growth and well-being of the employees of the Group, the following has been put in place:

- Provident fund
- Group risk insurance (linked to the provident fund)
- Employment equity
- Skills development
- Disciplinary code
- Employee retention
- Funeral cover



For more information, refer to the remuneration report on page 102 as well as the section on material issues - human capital on page 128.

# TRANSFORMATION

“Transformation isn’t a future event it’s a present day activity.”

Jillian Michaels

## BROAD-BASED BLACK ECONOMIC EMPOWERMENT VERIFICATION CERTIFICATE (BBBEE)

AEEI has evolved from a qualifying small enterprise to a generic enterprise in terms of section 9 of the Broad-Based Black Economic Empowerment Act, 2003 (No. 53 of 2003). In obtaining our BBBEE status, information was provided to Veridex BBBEE Verification Agents, an independent option-based verification agency accredited by the Independent Regulatory Board of Auditors.

This is the first year that AEEI qualified to be in the main rankings of the JSE Top 100 listed companies as we were previously classified as a qualifying small enterprise (QSE) (which is now termed exempt micro enterprises under the new BEE codes) and were exempted from participating as a QSE. The results were compiled after collecting data from companies listed on the main board of the JSE. The survey was aimed at providing the public with an overview of the empowerment status of JSE-listed companies in order to raise awareness of BBBEE.

## BEE SCORECARD AND RATING LEVEL 1 CONTRIBUTOR - GENERIC ENTERPRISE

	2016 Element Weighting	Generic 2016 Score
Ownership	25	25.00
Management	15	13.33
Skills development	20	21.01
Enterprise and supplier development	40	36.28
Socio-economic development	5	5.00
<b>Total Score</b>		<b>100.62</b>
BBBEE Status level	1	
BBBEE Procurement Recognition level	135%	
Black Ownership	79%	
Black Women Ownership	33%	
Designated Group Supplier	No	
Empowering Supplier	Yes	

As a South African business, the Group is committed to the principles of transformation and Broad-based Black Economic Empowerment (BBBEE) and over the years, AEEI's commitment to transformation has seen us record strong BBBEE contributor status ratings. However, under the Department of Trade and Industry's revised Codes of Good Practice, we have embarked on a project to re-assess our BBBEE strategies in order to retain our level 1 status.

The AEEI Group continues to place this high on the agenda in order to stay at the forefront of transformation to prevent failure to embrace transformation at a Group level and risk being sidelined by suppliers, government, customers and the communities. It is also a key consideration with customers when evaluating sourcing decisions.

Transformation in the Group is monitored and managed by each subsidiary Board and feedback is provided on a quarterly basis to the transformation committee.

## OUR TRANSFORMATION PHILOSOPHY

AEEI's aim is to be the employer of choice in the market place. AEEI continues to champion transformation within the Group and has since been recognised for its contribution to this process. For AEEI, transformation is beyond the need for BBBEE but is inclusive of transformation of culture, ethics and values of the organisation.



Refer to the transformation committee report on pages 112 to 114.

The BBBEE Codes of Good Practice, promulgated in 2007, emphasised the need to extend empowerment to a broader base of South Africans. They provided guidelines and a balanced scorecard to measure the transformation of a business entity from an empowerment perspective.

The revised Codes implemented by the Department of Trade and Industry signal major changes in the BBBEE environment making it easier for some companies to comply and more difficult for others.

As a generic enterprise, AEEI has to comply with all five elements under the new codes.

## OWNERSHIP

Ownership is now considered a priority element.

As a JSE listed investment holding Company AEEI contributes to the empowerment of its underlying investments through its ownership credentials. It is an imperative that we continuously engage with and meet the needs of our major black shareholders in order for them to retain their shareholding in the Company. AEEI continues to engage with potential new black investors through various forums.

From the Top 20 shareholders in the Company, AEEI's largest black shareholder currently owns 61.09% of the Company with 5% being held by the balance of the top 20 shareholders.

The table below shows the results of an independent analysis of AEEI's ownership as at 31 August 2016:

	Economic interest 2016	Voting rights 2016	Economic interest 2015	Voting rights 2015
BBBEE shareholders	79%	79%	79%	79%
Female BBBEE shareholders	33%	33%	33%	33%
Designated group BBBEE shareholders	6.7%	6.7%	9%	9%

## TRANSFORMATION - continued

### MANAGEMENT CONTROL

Under the revised codes management control and employment equity has been collapsed into one element.

The Group has been successful in providing equal employment opportunities and in promoting internal employees and is committed to driving employment equity goals and enhancing diversity across the Group. The Group subscribes to the Employment Equity Act and senior executives work with the Department of Labour to ensure ongoing compliance and proactive implementation of regulations and plans. Open dialogue is encouraged between employees and management through our information sessions and committees.

All of the Group's businesses have Employment Equity committee's and employment equity plans in place. Each committee meets on a quarterly basis to review the

reports submitted and an evaluation is done to check if the subsidiaries are on target to meet their goals. Identifying, attracting and retaining qualified candidates to support our employment equity targets remain a challenge due to the low turnover in staff. The smaller subsidiaries have a two-year equity plan, while the larger subsidiaries have a three-year equity plan in place. The transformation committee monitors and measures performance against these employment equity plans. Annual reports are submitted in accordance with the Employment Equity Act.

85.88% of the total Group's workforce comprises historically disadvantaged South Africans (HDSA). HDSA top management is 2.65% in 2016 (2.26% in 2015) while HDSA in senior management is 2.94%.



Refer to page 130 on employee diversity.

Employee turnover statistics for 2016:

TERMINATIONS	PROMOTIONS	NEW ENGAGEMENTS	NEW HDSA
132	12	126	96

As part of our Vision 2020 Vision which includes various targets as well as our target for our BBBEE rating under the new codes, we will continue to promote and drive excellence and opportunities across our workforce by:

- Further promoting empowerment and transformation at all levels in the Group;
- Fostering equality within our work environment irrespective of gender, race, creed and other forms of diversity;
- Meeting employment equity targets;
- Ensuring full compliance with the changing regulatory requirements on employment;
- Further entrenching The Way We Work, the Code of Ethics and Code of Conduct across the Group; and
- Look at implementing a standardised report to monitor our progress across the Group on our diversity status.



## SKILLS DEVELOPMENT

Under the new codes Skills Development is a priority element.

The Group is committed to promoting employees within the Group and recruiting employees from the local communities in which it operates. Employees are the foundation of the Group's success and the Group has bursary and learnership programmes in place that encourages growth and further education through various learnerships and development programmes for all employees. The employees in the Group are actively involved with the University of the Western Cape, the University of Cape Town (UCT), UCT's Graduate School of Business (GSB), Stellenbosch University, Cape Peninsula University of Technology and various other tertiary institutions.

The Group complies with the Skills Development Act, 1998, whereby relevant reports are submitted timeously to the Sector Education and Training Authority (SETA). The skills development plans ensure that both the strategic needs of the business and the personal development needs of all employees are incorporated and that implementation is planned and budgeted for during the year.

The Group further subscribes to affirmative action measures to address any employment matters experienced by historically disadvantaged groups and individuals. The training and development of employees within subsidiary companies is an important strategic objective of the Group. Our skills development programmes, internal and external training as well as our learnerships aims to develop the required skills to support our employment equity plans.

### EMPOWERING WOMEN

The Group inspires and supports empowering women in all its business units. In order to retain women with career advancement opportunities, we continue the promotion and development of women and this continues to gain momentum in the Group. Special emphasis is being placed on building leadership capacity among women in the Group.

### DIVERSE WORKFORCE

We remain committed to building a workforce that reflects the communities in which we operate. As one of the leading black empowerment companies we believe that diversity helps us maintain our winning edge. Throughout our businesses we strive to create an inclusive talent pool that taps into the potential found across race, gender,

sexual orientation and demographics. We have intensified our efforts to entrench diversity and inclusiveness in all our business units through training, mentorship and recruitment programmes.

During the year under review 372 employees were trained (2015: 277) and a total of R2 372 218 (2015: R1 209 073) was spent on training.

Our Vision 2020 Vision includes various targets. Below are some high-level strategic focus areas:

- Fostering equality within our work environment irrespective of gender, race, creed and other forms of diversity;
- Personal development plans for employees;
- Further promoting skills development and learnership programmes;
- Promoting performance management;
- Building leadership capacity among women;
- Further engagement with our staff at all levels provides us with the necessary feedback and input in understanding and responding to improving their skills and training needs;
- Ensuring that jobs are available for learners after completion of learnership programmes; and
- Ensuring full compliance with the changing regulatory requirements and that all Workplace, Skills Plan, an Annual Training Report and Pivotal Report as per SETA needs have been developed.

## ENTERPRISE AND SUPPLIER DEVELOPMENT

Preferential Procurement and Enterprise Development has been collapsed into one element – Enterprise and Supplier – under the new codes.

The Group's current enterprise development initiatives assisted the development of HDSAs by providing opportunities and support including financial support. The Group's preferential procurement contributed to the development of black-owned businesses by directing procurement spend to HDSA-owned businesses. All subsidiaries in the Group adhere to the Group procurement policy.

All of our suppliers are encouraged to be evaluated to determine the extent to which it has been transformed. Only BBBEE Verification Certificates from an accredited

## TRANSFORMATION - continued

verification agency based on the final gazette BEE codes are acceptable.

We expect our enterprise development clients and suppliers to meet the same high standards of ethics, labour rights, health and safety, and the environment that we apply to our own operations and they are expected to follow our Enterprise and Supplier Code of Conduct.

Our business units continually work to improve sustainability standards and performance throughout their supply chain by:

- Embedding sustainability into core business practices by integrating the Code of Conduct into contracts and assessing their sustainability performance through AEEI's business scorecard;
- Engaging with suppliers and enterprise development clients to improve performance through audits, corrective actions and follow-up engagement; and
- Partnering to build capability through training and regular dialogue.

## LOCALISATION

Business units encourage enterprise development clients and suppliers to improve disclosures about their performance. This in turn helps us to support them in building their capability and improving their performance. Increasing transparency and addressing sustainability in the supply chain allows them to build customer trust, reduce costs, secure continuity of supply, respond to stakeholder needs, and the protection of our brand. Collaboration with suppliers also encourages innovation to develop more sustainable products for our customers.

We continue to pursue partnerships with key stakeholders and form joint venture initiatives to promote localisation. Our business units continue to engage their principles to identify opportunities for local manufacture and to promote skills transfer in line with South Africa's National Development Plan.

## SUPPLIER DEVELOPMENT

We have recently initiated a supplier workshop and the feedback continues to be positive. This will be carried through in the following years:

- All divisions in the Group are accelerating empowerment within their procurement operations;
- In the Group's supply chain, new suppliers are engaged with in terms of transformation and black economic empowerment; and

- All divisions in the Group continue to work towards furthering their BBBEE compliance.

AEEI continues to look at ways to strengthen efficiencies within the traditional supplier base while also increasing capacity and procurement from non-traditional, historically disadvantaged service providers. The efforts remain essential to promoting sustainability and creating value among our stakeholders.

## GUIDING PRINCIPLES

The following principles apply to all our business units:

- Operate ethically and in compliance with applicable laws;
- Value employees, embrace diversity, and promote a fair and respectful workplace;
- Provide a safe and healthy workplace and strive to reduce the environmental footprint of products and operations;
- Be an asset to local communities by supporting programmes as well as ongoing economic development;
- Promote engagement with and the development of diverse suppliers and enterprise development clients;
- Strengthen management systems that govern responsible operations; and
- Work with enterprise development clients and suppliers to improve performance.

The Group invested R1 486 513 in enterprise development projects compared to R1 243 882 in 2015. The Group's preferential procurement from HDSAs increased to R325 023 410 from R210 394 000 in 2015.

Our Vision 2020 Vision includes various targets. Below are some high-level strategic focus areas:

- Continue to operate ethically and in compliance with applicable laws;
- Continue to value suppliers and embrace diversity;
- Continue to provide a safe and healthy workplace and strive to reduce the environmental footprint of products and operations;
- Support local communities;
- Engage with and further develop diverse suppliers and enterprise development clients;
- Strengthen management systems that govern responsible operations;
- Evaluate and work with enterprise development clients and suppliers to improve performance;

- Develop an Enterprise and Supplier Development plan for allowable imports;
- Continue to procure from empowering suppliers and designated groups;
- Develop a plan to Graduating an Enterprise Development beneficiary to Supplier Development;
- Develop and define a matrix on “empowering supplier” for integration in the subsidiaries;
- Negotiate shorter payment terms;
- Continue to pursue partnerships with key stakeholders and form joint venture initiatives to promote localisation; and
- Further identify opportunities for local manufacture and the promotion of skills transfer.

## SOCIO-ECONOMIC DEVELOPMENT

For the AEEI Group, socio-economic development goes beyond legislative compliance. It recognises the rights and responsibilities of businesses within a broader societal context and reinforces the Group’s aim to implement a social contract between business, government and civil society.

The Group also continually strives to meet and exceed the benchmarks set by the BBBEE Codes of Good Practice.

The Corporate Social Investment programmes are managed through the Sekunjalo Development Foundation (SDF), and its aim is to create a sustained social impact through focused activities. The Group continues to invest in the upliftment of society and in playing a pivotal role in improving the quality of life among the disadvantaged communities and the Group is well aware of the critical role that a business has to play in the upliftment of society.

By developing entrepreneurs and supporting SMMEs and small business in the communities in which the Group operates, we in turn stimulate economic growth and create work opportunities. In addition to the value we create through our business units, we assist the communities through our enterprise development initiatives, which in turn contribute to economic development and transformation.

Under the new codes only annual contributions may be used for the financial period being assessed therefore cumulative is no longer acceptable.

Some of the Group’s socio-economic development initiatives include:

- Learnership programmes to assist with elevating the skill levels of previously disadvantaged individuals;

- Financial and in-kind contributions to the development of various early childhood development, youth centres and adult teacher training;
- Organisational involvement and sponsorship of start-up workshops held annually;
- Investment in a number of emerging, black-owned technology enterprises at an enterprise development level through business incubation programmes;
- Access to resources that encourages innovation;
- Support entrepreneurs as they extend their product offering.
- Placement of interns in our various business units;
- Full administration support and services – including infrastructure;
- Assisting with start-up costs for new business ventures;
- Infrastructure development;
- Bursary programmes; and

The Group spent R14 754 652 on socio-economic development/corporate social initiatives in 2016 compared to R12 430 356 in 2015.

Our Vision 2020 Vision includes various targets. Below are some high-level strategic focus areas:

- Continue to support the communities within which we operate;
- Assist with access to resources – financial and in-kind;
- Support entrepreneurs and assist with their development;
- Assist with infrastructure;
- Provide learnership programmes;
- Provide bursaries;
- Provide internship programmes;
- Assist and provide investment for business incubation programmes;
- Development of early childhood development, youth centres and adult teacher training;
- Continue to provide administration support and services – including infrastructure;
- Assisting with start-up costs for new business ventures; and
- Infrastructure development.



*A detailed list of our corporate social initiatives can be found on page 139.*

# SOCIAL SUSTAINABILITY

The AEEI Group subscribes to a sustainable approach in conducting its business. For AEEI, social sustainability and corporate citizenship goes beyond legislative compliance. It recognises the rights and responsibilities of businesses within a broader societal context and reinforces the mission of AEEI of being a dynamic and innovative Company that creates superior stakeholder value.

The AEEI Group is well aware of the critical role that a business has to play in the upliftment and development of the previously disadvantaged majority. A task of this magnitude will, for a substantial period of time, be beyond the scope of state resources alone. The Group is committed to investing in the upliftment of society and in playing a pivotal role in improving the quality of life among the disadvantaged communities through its corporate citizenship initiatives.

## IT IS FOR THIS REASON THAT WE NEED TO GIVE BACK TO THE COMMUNITIES IN WHICH AEEI OPERATES BY:

- driving the corporate social investment strategy across the Group by investing in social services in our communities and creating value through social investment;
- paying our taxes and royalties to government;
- driving the BBBEE targets in the Group;
- further driving transformation throughout the Group;
- adhering to ethical standards and preventing corruption;
- supporting local business and promoting social and economic development;
- providing employment opportunities and skills development;
- providing training and development through our internship programme;
- investing in the future of our youth by facilitating access to higher education; and
- ensuring effective risk management and compliance.

The Group also continually strives to meet and exceed the benchmarks set by the BBBEE Codes of Good Practice, and in light of this, its initiatives include corporate social investment in different areas and fields. These include skills development, enterprise and supplier development, as well as ensuring that employment equity structures and programmes are in place within the Group.

## CORPORATE SOCIAL INVESTMENT (CSI)

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

The Sekunjalo Development Foundation's approach is to:

- encourage employee participation and volunteering in its CSI programmes;

- prioritise and consolidate the CSI across the Group, focusing on set initiatives that support societal challenges; and
- ensure the integration of community needs.

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

### THE GROUP PARTICIPATED IN THE FOLLOWING DURING THE YEAR UNDER REVIEW:

 <p><b>ARTS AND CULTURE</b></p>	 <p><b>EDUCATION</b></p>	 <p><b>SPORTS DEVELOPMENT</b></p>
<ul style="list-style-type: none"> <li>• The Sekunjalo Edujazz Concert</li> <li>• Cape Town International Jazz Festival</li> <li>• Delft Big Band – Youth Music Programme</li> <li>• Steenberg High Jazz Band</li> <li>• African Musicians Trust</li> </ul>	<ul style="list-style-type: none"> <li>• The Dr Iqbal Survé Bursary Trust</li> <li>• Back to school programme</li> <li>• Premier Fishing Bursary Trust</li> <li>• Premier Fishing Learnership Programme</li> <li>• Where Rainbows Meet – Training and Development</li> <li>• AMF Delft Youth Ministry</li> </ul>	<ul style="list-style-type: none"> <li>• Saldanha Bay Rugby club</li> <li>• Gansbaai and Hawston Primary Schools</li> <li>• Western Province Boys Hockey</li> </ul>
 <p><b>ENTERPRISE DEVELOPMENT</b></p>	 <p><b>SOCIAL DEVELOPMENT</b></p>	 <p><b>OTHER</b></p>
<ul style="list-style-type: none"> <li>• The Business Place, eKapa</li> <li>• Inyathelo</li> <li>• Funding for SMME businesses</li> </ul>	<ul style="list-style-type: none"> <li>• AEEI/Health System Technologies annual golf day</li> <li>• Women in Praise</li> <li>• Things on Wheels</li> <li>• The Sunflower Fund</li> <li>• The Amy Biehl Foundation</li> <li>• Fire Victims</li> </ul>	<ul style="list-style-type: none"> <li>• Sekunjalo Development Foundation</li> <li>• Direct support for NGOs and community groupings</li> </ul>



For further information on the above initiatives refer to [www.aeei.co.za](http://www.aeei.co.za).

## SOCIAL SUSTAINABILITY - continued


**ARTS  
AND CULTURE**
**THE SEKUNJALO EDUJAZZ CONCERT**

The Sekunjalo Edujazz Concert is an accolade to South Africa's musical calendar and celebrated its 16th anniversary this year, which brought together a culmination of school jazz bands mentored under some of the Western Cape's most talented educators. Pop star Jimmy Nevis raised the roof at the Artscape when he featured as the headline act at the sold out Sekunjalo Edujazz Concert. The Edujazz Concert celebrated 16 years of growing successful home-grown talent. The atmosphere was electric and performing before Jimmy Nevis, was The Edujazz Big Band under the direction of renowned jazz educator, Terrence Scar followed by the Belhar Music Collective under the guidance of Keith Tabisher. Jimmy Nevis performed his well-known hits including "Blue Collar" off his new album, "Masses". The Belhar Music Collective took to the stage and had an amazing jamming session with Jimmy Nevis.

The Sekunjalo Edujazz Concert's mission is to support, promote and develop young, talented musicians by assisting them in their musical careers by affording them the opportunity to perform on stage with some of South Africa's musical legends. They are also given the opportunity to learn and be mentored by a host of legends in local music.

The objectives of the Sekunjalo Edujazz Concert is to raise funds for educational bursaries for impoverished students in the Western Cape as well as promote the rich culture of jazz music in Cape Town by staging a well-known group or artist alongside up-and-coming young artists from either primary or high school. More than 75 schools in the Western Cape benefited from the concert during the year under review.

Over the years, our investment in the students has played an integral part in making musical dreams come true... and it still continues. Many of our students have advanced by backing those legends that they initially shared a stage with and many have become musicians in their own right - Kyle Shepherd, Don Vino Prins, Leanne Fortuin, Lana Crowster, Darren English, Jamie Faull, Delft Big Band, Adelia Douw, Shaun Bratz, Lorenzo Blignaut and Kim van der Westhuizen are just a few of our students. Lana Crowster won the espYoung Legends Competition in 2016 and was featured at the 2016 Cape Town International Jazz Festival. She also participated in "The Voice South Africa" alongside Kimberleigh van der Ventel.

We would like to acknowledge The Artscape Theatre and espAfrika for their tremendous support throughout the year.



*You can also follow the Sekunjalo Edujazz Concert on Facebook.  
To follow The Sekunjalo Edujazz Journey from inception visit [www.aeei.co.za](http://www.aeei.co.za).*



## ARTS AND CULTURE

### CAPE TOWN INTERNATIONAL JAZZ FESTIVAL

The Cape Town International Jazz Festival is world renowned as Africa's Grandest Gathering. The 17th annual festival attracted in excess of 35 000 visitors, and more than 40 international and local artists participated in the event held over two days on five stages.

In 2016 The Cape Town International Jazz Festival was voted one of the World's Best Festivals by FEST 300 and voted the Best Festival in Cape Town in the OFLOCAL 2015 poll.

Preceding the festival, espAfrika held a series of workshops targeted at previously disadvantaged individuals, which included school workshops, arts journalism, music business, master classes and gigs for kids and the pre-festival free community concert. espAfrika also has mentoring programmes and internships across all departments, including media and marketing, project management, talent, production, logistics and public relations. Our children from Where Rainbows Meet are active participants in these workshops.



## ARTS AND CULTURE

### DELFT BIG BAND - YOUTH MUSIC DEVELOPMENT PROGRAMME

The Sekunjalo Development continues to support The Delft Big Band, under the directorship of Mr Ian Smith.

This development programme is targeted at vulnerable youth from high schools in Leiden, Rosendal and Voorbrug in the Western Cape. Through this programme, which has early intervention as a core element, music is used as a vehicle to equip the youth with valuable life skills. Currently more than 100 learners from these areas participate in the programme of which more advanced musicians make up the Delft Big Band. When the programme started, none of the students had picked up, or even played a musical instrument.

The band has already performed to accolades at a number of high-profile and NGO events, including the Sekunjalo Edujazz Concert, The Cape Town Big Band Festival, The Cape Town International Jazz Festival and the Community Jazz Festival in Gugulethu for the Amy Biehl Foundation, and recently collaborated with SA Army Band where they received standing ovations. The vocalist, Adelia Douw, won a scholarship to the prestigious Berkley College of Music in the United States. This young group continually delights audiences with their performances, making many international and local friends.

## SOCIAL SUSTAINABILITY - continued


**ARTS  
AND CULTURE**
**STEENBERG HIGH JAZZ BAND**

Steenberg High has been a recipient of the Edujazz bursaries since 2003. Since the band was formed in 2011 under the leadership of ex-learner, Sammy Webber, the band and the young musicians have blossomed. Their first public performance was at the Edujazz concert in 2012 where they blew the crowd away. The Sekunjalo Development Foundation assisted the school jazz band by sponsoring a sound system for their band and continues through the services of Sammy Webber.

They were also featured at the 2013 Cape Town International Jazz Festival. A number of students attending Steenberg High School are residents in the Vrygrond community and also benefit from our back-to-school drive initiative.


**ARTS  
AND CULTURE**
**AFRICAN MUSICIANS TRUST**

Support for The African Musicians Trust whose objective is to engage, equip, support, guide and educate South African musicians and offer services to them to empower and grow their careers by providing a platform for marketing, public relations, events management, training and networking. They are also looking to provide a medical aid and a provident fund for musicians to enable them, in their latter years, to live with dignity.


**EDUCATION**
**THE DR IQBAL SURVÉ BURSARY TRUST**

The bursary, initiated by the former chairman, Dr Survé, provides learners with the opportunity to further their studies at universities, technikons and specialised academies. Many of these young South African men and women aspire to become qualified professionals within various sectors and are afforded this opportunity through the bursary trust.

The bursary is directed at the poorest students who, without the support of the bursary, would lack the funds and resources to fulfil their dreams. The bursary fulfils the country's dire need for more professionals and to improve the accessibility to better education for a broader base of South Africans. The bursary includes the promotion of high school and tertiary education in the country. To date, more than 40 students benefited from the bursary.





## EDUCATION

### BACK TO SCHOOL PROGRAMME

In 2013, the Group initiated the “Back to School Programme”. For the year under review, more than 320 students from the community of Vrygrond were assisted with the payment of their school fees, school clothing and school stationery in order to keep them in school for the year. Some of these students have gone back to school with the financial assistance of the Company. Some of these students have also benefited from the Company’s bursary programme. This programme has recently been rolled out in the fishing communities of Hermanus and Gansbaai.



## EDUCATION

### PREMIER FISHING BURSARY TRUST

This bursary trust assists employees to further educate their dependants who want to study at a tertiary institution. The bursary also includes dependants in grades 11 and 12 wanting to qualify for future higher education by assisting them with additional lessons. To date, the bursary trust has assisted more than 50 dependants.



## EDUCATION

### PREMIER FISHING LEARNERSHIP PROGRAMME

The learnership programme covers all employees in the advancement of skills and training in society and the contribution to the socio-economic conditions of society. To date, the learnership programme has assisted more than 90 employees.

## SOCIAL SUSTAINABILITY - continued



## EDUCATION

**WHERE RAINBOWS MEET –  
TRAINING AND DEVELOPMENT FOUNDATION**
**SELWYN EARLY CHILDHOOD DEVELOPMENT (ECD) PROGRAMME**

**WHERE RAINBOWS MEET – TRAINING AND DEVELOPMENT FOUNDATION** is based in the community of Vrygrond, the oldest informal settlement in the Western Cape. The foundation is based within the community, providing services for that community and is managed and facilitated by members from the same community and surrounding areas.

The programme was started in 2010 with four children and now hosts over 300 children. The need arose as the children were left unsupervised and alone on the streets during the day, as their parents were involved in alcohol and drug abuse. A safe, supervised environment was created for these young children during the day and they are encouraged to attend other programmes on offer.

As part of government's early childhood development programme, the Group has ensured that these young learners are provided with the best foundation phase education and in doing so provided financial support for qualified ECD teachers' salaries for the year under review.

The employees in the Group are active participants in the quest to give back to the communities within which the Group operates and became involved in this community project with a hands-on approach. Ongoing employee support took place during the year under review and, together with the contribution from the Company, they were able to assist in the basic day-to-day needs of the children in the foundation phase of the programme.



## EDUCATION

**AMF DELFT YOUTH MINISTRY**

This youth ministry is based in the suburb of Delft and faces many social and economic challenges where they have been serving their community for the past 25 years. AEEI assisted with sponsorship for the youth to attend the AFM National Youth Conference as this would empower them on achieving their key focus areas to:

**REACH** – young people on their level and to assist them to realise their full potential;

**TEACH** – young people ways to apply themselves to be successful and contribute positively to society;

**EMPOWER** – young people with information and opportunities that will allow them to grow and develop beyond their circumstances and allow them to prosper; and

**RELEASE** – encourage young people to make an impact and difference in their respective families and community by being agents of influence and change and reinstall what they have learned back into the lives of those they encounter.



**SPORTS  
DEVELOPMENT**

**SALDANHA BAY RUGBY CLUB**

The Saldanha Bay Rugby Club, situated in the heart of the West Coast, is open to all members of the community. The club has a strong focus on sport development for the youth. The Sekunjalo Development Foundation continues with sponsorship of their rugby teams. We previously assisted with their gymnasium for their clubhouse as it allows players to condition themselves to be more competitive.



**SPORTS  
DEVELOPMENT**

**GANSBAAI AND HAWSTON PRIMARY SCHOOLS**

Gansbaai and Hawston Primary Schools, situated in the Overberg region, were assisted with sponsorship of their sports teams. This resulted in the students being able to actively participate in sports development at a competitive level.



**SPORTS  
DEVELOPMENT**

**WESTERN PROVINCE BOYS' HOCKEY**

Western Province U16A hockey team received sponsorship, which enabled them to participate at national level. They are the current titleholders of the tournament and have been for the past seven years. Over the last nine years, they won the tournament eight times and were the runners up in the other instance. During July 2016, they retained their championship status, with some of the young champions being selected to play for the South African junior hockey team.

SOCIAL SUSTAINABILITY - continued



**ENTERPRISE  
DEVELOPMENT**

**THE BUSINESS PLACE, EKAPA**

The Business Place (TBP), eKapa is a network of services, networking organisations and community-based organisations clustered under one roof. TBP eKapa provides a range of relevant services to aspirant and existing SMMEs and creates an inspirational enabling environment that stimulates creativity, innovation and opportunity in order to unleash individual potential. TBP eKapa has a strong focus on the youth, developing entrepreneurship by fostering and creating an enabling environment for enhanced collaboration among both public and private sector stakeholders operating within the entrepreneurship arena.



**ENTERPRISE  
DEVELOPMENT**

**INYATHELO**

The Sekunjalo Development Foundation supports Inyathelo - Inyathelo is a vibrant democracy in South Africa with a robust and sustainable civil society and higher education sector, supported by a strong local philanthropic movement, and rooted in the African cultural heritage of sharing.

Their mission is to help build a strong, stable, civil society in South Africa by contributing to the development of sustainable organisations and institutions. They do this through the development of effective grant-seeking and grant-making practices, and through capacity development in the higher education and non-profit sectors in South Africa, and on the African continent. They also work to increase corporate and individual social giving through promoting dialogue, sharing information and providing support services to facilitate sustainable philanthropic ventures that have a lasting impact.



**ENTERPRISE  
DEVELOPMENT**

**FUNDING FOR BUSINESS**

We continue to assist with start-up costs to various female black empowerment companies in South Africa, in varied industries. Ongoing financial assistance and infrastructure is provided on a monthly basis to assist with the operational costs, including mentoring and business skills.



## SOCIAL DEVELOPMENT

## AEEI/HEALTH SYSTEM TECHNOLOGIES (HST) ANNUAL GOLF DAY

HST launched this event in 2004, and to date raised more than R1m. Previous recipients for the public sector hospitals and clinics in the Western Cape, include Groote Schuur (paediatric ward), GF Jooste, Brooklyn Chest Hospital, Mowbray Maternity, Somerset Hospital, Victoria Hospital, DP Marais SANTA Hospital, Westfleur Hospital, Helderberg Hospital, Prince Albert Hospital, Clanwilliam Hospital and Caledon Hospital have all been recipients of the generous proceeds raised at this golf day, which is now a firmly established annual event.

Victoria Hospital used their funds to build and sustain a palliative care unit. Palliative care concentrates on the improvement of quality of life for those unfortunate people with debilitation or terminal illnesses. With more pressing priorities in the public health care system, patients are typically left with little or no palliative care.

The DP Marais SANTA Hospital, one of the few facilities that cater for TB patients in the Western Cape, has also been a beneficiary. Caledon Hospital utilised their funds to extend the capacity of one of their units.

The proceeds of this year's Golf Day went to Lentegeur Hospital for the "Lentegeur Spring Project". Lentegeur Hospital is one of three major psychiatric hospitals in the Western Cape, serving as a referral centre for one third of the Province's population. It also serves as a teaching hospital with strong academic links to UCT, Stellenbosch University, UWC and CPUT. The "Lentegeur Spring Project" is an attempt to re-establish the hospital as a "Green" hospital, and, even more importantly, as a symbol of hope and regeneration. This highly visible project will not only transform the way that the hospital and mental illness are seen by the communities it serves, but also provide a stimulus for the regeneration of these communities with the restoration of hope and identity through a sense of attachment to land, community and the environment. The project has been adopted as a flagship of the Provincial Health Department of the Western Cape and of the Premier's 110% Green Campaign.



## SOCIAL DEVELOPMENT

## WOMEN IN PRAISE

The Sekunjalo Development Foundation supports the Kraaifontein Centre for Abused Women and Children through the Women's Month calendar where a concert was scheduled with a major artist, as well as up-and-coming and semi-established artists. All proceeds from the concert went to the Kraaifontein Centre for Abused Women and Children.

SOCIAL SUSTAINABILITY - continued



**SOCIAL  
DEVELOPMENT**

**THINGS ON WHEELS**

Things on Wheels supports the schools in the communities in the Western Cape through their mobile feeding scheme by providing children in impoverished areas access to a meal or sandwich on a daily basis. The Sekunjalo Development Foundation assisted with funding for this project.



**SOCIAL  
DEVELOPMENT**

**THE SUNFLOWER FUND**

The Sunflower Fund was formed in 1999 in support of the South African Bone Marrow Register and was inspired by Chris Corlett and Darren Serebro's heroic struggle against leukaemia. It was formed by parents whose children had contracted leukaemia and in some cases had lost their battle against it.

The Sunflower Fund aims to educate and recruit a viable source of well-informed potential bone marrow stem cell donors who are ethnically diverse, in an effort to save the lives of those needing a transplant when suffering from life-threatening blood disorders. It strives to maintain the associated donor records of the South African Bone Marrow Registry.



**SOCIAL  
DEVELOPMENT**

**THE AMY BIEHL FOUNDATION**

The Amy Biehl Foundation is a non-profit organisation that offers programmes to develop and empower youth living in the challenged and vulnerable communities within the Western Cape. The programmes place a focus on the creative side of the child's brain, and supplement the shortcomings of the educational system in the townships of South Africa.

Reaching over 2 000 youth every day, the programmes are having a very positive effect on the youth as well as the communities in which they live. They provide educational and cultural activities that offer students healthy alternatives to all the negative influences within their society by unlocking their creative talent and create future emotionally well-rounded individuals, leaders and entrepreneurs for South Africa.

The Foundation currently operates five after-school care centres including Nyanga, Gugulethu, Manenberg and Crossroads, each hosting over 300 students per day.



## SOCIAL DEVELOPMENT

## FIRE VICTIMS

The community of Overcome Heights in Vrygrond had fire devastation where more than 425 families lost everything. Through our community initiative – Where Rainbows Meet Training and Development, The Sekunjalo Development Foundation rallied to assist these fire victims.

The Sekunjalo Development Foundation provided much needed provisions and sustenance and the staff of Where Rainbows Meet Training and Development worked tirelessly by providing cooked meals for a week while these families rebuilt their homes. Donations through our suppliers as well as staff in the Group also assisted this community.



## OTHER

## SEKUNJALO DEVELOPMENT FOUNDATION

The Sekunjalo Development Foundation has also made a significant number of ad hoc donations to various organisations and causes. We believe that these groups are doing very necessary work in their respective communities and we gladly support them.



## OTHER

## DIRECT SUPPORT FOR NGOs AND COMMUNITY GROUPINGS

The Group acknowledges its responsibility to the social upliftment of the communities within which it operates. Through the continuation and expansion of its social responsibility programmes, The Sekunjalo Development Foundation provides donations or other support to various individuals, NGOs, community projects and education causes.

The Group has committed itself to contributing to the alleviation of hunger, poverty, illiteracy, unemployment, crime and all those ills that negatively affect the moral fibre of South African society.

SOCIAL SUSTAINABILITY - continued

RETURN ON CORPORATE SOCIAL INITIATIVES

7.1% SPEND VS. PROFIT

	IMPACT	ROI
 <b>ARTS AND CULTURE</b>	<b>SOCIETY</b>	<ul style="list-style-type: none"> <li>• Shared value with communities and organisations</li> <li>• Education of arts and culture, especially in the music arena</li> <li>• Education and mentorship</li> <li>• Self-sufficient – many of our students have become musicians in their own right and have become self-sufficient, and some are the only breadwinners in their respective families</li> <li>• Benefits to the communities</li> </ul>
 <b>EDUCATION</b>	<b>COMMUNITIES</b>	<p>Education is a global equaliser. With education, people and communities around the world can become self-sufficient and prosper. By investing in education in the communities, we have:</p> <ul style="list-style-type: none"> <li>• Improved education outcomes</li> <li>• Increased literacy rates</li> <li>• Increased student engagement and performance</li> <li>• Training</li> <li>• Skills development</li> <li>• Early childhood development – live, learn and play</li> </ul>
 <b>SPORTS DEVELOPMENT</b>	<b>COMMUNITIES</b>	<p>Promotion of sports development in impoverished communities</p>
 <b>ENTERPRISE DEVELOPMENT</b>	<b>COMMUNITIES</b>	<ul style="list-style-type: none"> <li>• Promotion of entrepreneurship</li> <li>• Ensured stability, growth and profitability of young entrepreneurs</li> <li>• Promoted businesses owned and businesses run by women to become sustainable</li> <li>• Workforce development</li> </ul>
 <b>SPECIAL PROJECTS</b>	<b>ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>• Created awareness around sustainability, pollution, water, air and other</li> </ul>
 <b>SOCIAL DEVELOPMENT</b>	<b>SOCIETY</b>	<ul style="list-style-type: none"> <li>• Ensured a better quality of life</li> <li>• Promoted education</li> <li>• Improved access to childcare and families</li> <li>• Supported NGOs to build capacity and improve efficiency of resources to the communities they support</li> <li>• Ensured a better quality of life for people with disabilities</li> </ul>



## CSI/SED EXPENDITURE

	2016	2015	2014
Rand value of corporate social investments/socio-economic development	<b>R14 754 652</b>	R12 430 356	R9 565 310
Percentage of CSI/SED spend invested in South Africa	<b>100%</b>	100%	100%
Education	<b>R552 146</b>	R333 027	R390 252
Skills development	<b>R1 124 530</b>	R696 035	R1 230 897
Health and HIV/Aids	<b>R0</b>	R0	R0
Basic needs/social	<b>R636 012</b>	R426 104	R423 753
Enterprise development	<b>R1 486 513</b>	R1 243 882	R815 000
Arts and culture	<b>R7 651 871</b>	R6 653 199	R6 184 327
Infrastructure development	<b>R1 435 299</b>	R1 059 000	R1 072 081
Rand value spend on environmental management projects	<b>R341 309</b>	R0	R0
Rand value spend on small business development	<b>R745 624</b>	R0	R0
Discretionary spend	<b>R2 267 861</b>	R2 019 109	R250 000
Spend as a % of net profit after tax	<b>7.1%</b>	8.33%	9.3%

# RESPONSIBLE INVESTMENTS

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**153 FOOD AND FISHING**

153 Premier Fishing SA (Pty) Ltd

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**163 TECHNOLOGY**

163 Sekunjalo Technology  
Solutions Ltd

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**174 HEALTH AND  
BIOTHERAPEUTICS**

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174 Wynberg Pharmaceuticals  
(Pty) Ltd

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184 Genius Biotherapeutics

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**194 EVENTS AND TOURISM**

194 espAfrika (Pty) Ltd

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202 Tripos Travel (Pty) Ltd

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209 Magic 828 (Pty) Ltd

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# FOOD AND FISHING

CONTRIBUTION TO  
REVENUE

**R402m**

CONTRIBUTION TO  
OPERATING PROFIT

**R75m**

## PREMIER FISHING SA (PTY) LTD (PREMIER FISHING)

### KEY FACTS

CHIEF EXECUTIVE OFFICER | MS Saban

BOARD OF DIRECTORS | K Abdulla, MS Saban, CF Hendricks, AB Amod, TT Hove, C Ah Sing and S Young

EMPLOYEES | 382

HEAD OFFICE | V&A Waterfront, Cape Town

FOOTPRINT | Port Nolloth, Northern Cape, Western Cape, Overberg Region, Humansdorp, Saldanha Bay, Hout Bay, the USA, Asia and Europe

### PROFILE

Premier Fishing is the largest black-owned and -controlled fishing Company in the South African fishing industry and has been in existence since 1952. Premier Fishing has four operating divisions, two subsidiary companies and a number of joint venture operations. Premier Fishing is a vertically integrated Group which specialises in the harvesting, processing and marketing of fish and fish-related products.

Premier Fishing and its subsidiaries hold medium- to long-term fishing rights in west coast rock lobster, south coast rock lobster, small pelagics (anchovy and sardine), hake deep-sea trawl, hake longline, tuna, seaweed and squid. In addition, Premier Fishing owns an abalone farm and invests in organic agriculture through the Seagro range of products.

## FOOD AND FISHING - continued

**2016 OPERATIONAL PERFORMANCE**

During the current year, Premier Fishing's four main operating divisions delivered excellent growth in revenue and operating earnings.

Despite low economic growth, the Premier Fishing Group's performance was ahead of budgeted expectations by 40%. Excellent results for the period was achieved through an efficient cost-base structure, improved performance across the divisions, cost containment initiatives and good catch rates. This resulted in good pricing achieved for products, positive revenue growth from the prior year as well as increased net profit compared to the prior year.

The Abalone division has once again returned strong sustainable revenues as well as improved net earnings year on year. Good growth rates were experienced on the farm in line with Premier Fishing's management's expectations. The market demand for the product remains strong and good pricing was achieved due to the current sales mix.

**VISION 2020 VISION – PREMIER FISHING'S CONTRIBUTION**

A detailed analysis of Premier Fishing was done in 2015 with the primary objective of having focused and aligned efforts across their business to deliver on their long-term goals. A five-year strategic plan to the year 2020 was implemented with clear deliverables, strategic actions for each strategic lever as well as detailing clear time frames.

Premier Fishing is on target to achieve its Vision 2020 Vision goals. Their financial target is to exceed R700m in revenue and R100m in EBITDA by 2020.

2016 Achievements to date include:

- Completion of the live packing facility;
- Growth of outside quota holders in both lobster and wild abalone;
- Installation of phase 1 of renewable energy;
- Enhanced planning to increase catch rates;
- Efficient cost base;
- Increased enterprise initiatives; by assisting small businesses to grow and add value to their communities; and
- Delivered sustainable returns to shareholders.

**PROSPECTS AND FUTURE OUTLOOK**

Premier Fishing is well positioned for growth over the next three years to unlock shareholder value and to raise capital to invest into the future of the business. Premier Fishing is committed to further improving operating efficiencies and profitability.

Premier Fishing's trusted brands and high-quality products and services have been developed over many years and remain sought after by their customers.

Going forward, Premier Fishing will focus on the following prospects through either organic or acquisitive growth in reaching their Vision 2020 Vision goals:

- Expansion of the abalone farm through a phased approach once the Environmental Impact Assessment has been completed, commencing with phase 1 in 2017;
- Further installation of renewable energy through a phased approach;
- Acquisition of small- to medium-sized fishing companies;
- Farming their own mussels and oysters;
- Construct/acquire a processing facility;
- Construct/acquire a canning factory;
- Continuous growth of outside quota holders;
- Explore other growth opportunities present in the market;
- Product diversification to further penetrate foreign markets; and
- Procurement of fish species for local and international markets and enhance marketing capacity.

Premier Fishing's existing fishing quotas are a key component of its business and securing and growing their fishing quotas is the main focus in the short to long term. Premier Fishing's west coast rock lobster fishing rights were up for renewal in November/December 2015 and they await the outcome of these applications. The south coast rock lobster, small pelagic and hake fishing rights are up for renewal in the year 2020.

There has been a focus on aquaculture in the fishing industry in order to increase output of fish stocks and ensure sustainability of the resource. Premier Fishing has recognised this opportunity and invested in abalone farming

and is currently planning on increasing its production capacity at its abalone farm. Phase 1 of the new abalone farm development will commence in the 2017 financial year. Premier Fishing has also identified an opportunity to invest in Mussel and Oyster farming. This will ensure further sustainability in terms of earnings and profits.

Premier Fishing has aligned its business model to ensure that its business structure, processes and objectives are aligned to the requirements of performance targets for the fishing quotas as set out by the Department of Agriculture, Forestry and Fisheries.

### OPERATIONAL FOOTPRINT

Premier Fishing has operations in Port Nolloth, Northern Cape, Humansdorp, Saldanha Bay, Hout Bay and Gansbaai, the USA, Asia, Europe and the United Arab Emirates.



### PRODUCTS/BRANDS

Through their various business activities Premier Fishing offers the following products and services: sales, marketing and production of west coast rock lobster, south coast rock lobster, abalone, small pelagics, canned fish products, longline line hake, squid and Seagro (organic fertiliser).

#### BRAND IDENTIFICATION:



**SEA DIAMOND**



Detailed information about Premier Fishing's business model, stakeholders, risks and governance is available on the website at [www.aeei.co.za](http://www.aeei.co.za).

## FOOD AND FISHING - continued

## PREMIER FISHING PRODUCT PORTFOLIO

- **Lobster** – They catch, process and market two types of lobster species, viz. west coast and south coast rock lobster. Their lobster is marketed through its widely recognised South Atlantic Lobster brand across many countries and is sold to the USA and Europe and their west coast rock lobster is sold into Asia, Europe, USA and South Africa. They have contracts with independent rights holders to market their west coast rock lobster. They operate four south coast vessels and two west coast vessels. All their facilities are HACCP and FDA approved.
- **Abalone** – They have an abalone farm situated in Gansbaai. Live, dried, wild and canned abalone is marketed to the Asian market through their widely recognised Atlantic Abalone brand.
- **Small pelagic** – Their small pelagic fish (anchovy and pilchards) is sold to canning and fishmeal factories situated in local communities. They operate a fleet of three vessels in this sector.
- **Squid** – Their squid is marketed through their widely recognised Sea Diamond brand. They are suppliers of frozen squid to the European markets. They operate three squid vessels and also have a joint operation in this sector with an independent rights holder.
- **Hake** – They have a joint venture operation with an independent rights holder in this sector and their hake is sold to the European markets.
- **Organic fertiliser** – They produce and market organic liquid fertiliser, which is made from fish oil. The organic fertiliser is marketed under the Seagro brand and is sold in retail outlets throughout South Africa and the United Arab Emirates.

## BUSINESS MODEL

Premier Fishing is a vertically integrated fishing and predominately a commercial fishing, fish processing and marketing Company. The revenue of the Premier Fishing Group is generated from the sales of west coast rock lobster, south coast rock lobster, small pelagics, hake, squid and abalone and also from their cold storage facilities.

The Premier Fishing Group's aim is to catch all of its fish in an environmentally friendly method as well as a cost-effective manner. In line with this, they developed strong brands across all of its products and built solid relationships with its customers in Asia (China, Japan, Vietnam and Taiwan), Spain and the USA. In doing so, the Premier Fishing Group has developed sustainable profits through efficient cost management and good marketing strategies.

The Premier Fishing Group continues to develop partnerships with small companies, particularly in the west coast rock lobster and wild abalone sectors, which it assists by giving business advice to run their businesses sustainably as well as profitably. This is in line with the Premier Fishing Group's principle of developing smaller marginalised-owned companies as well as in investing back into the communities from which it operates within.

The Premier Fishing Group continues to:

- implement innovative procedures within the value chain to increase efficiency in line with environmental best practices, thereby reducing their carbon footprint;
- invest in reliable technology which allows the Company to reduce mortalities for live lobster kept for the export market, therefore assisting in obtaining the best market price;
- develop all of their employees;
- assist small businesses to grow and achieve their full potential; and
- ultimately deliver good sustainable returns to all of their stakeholders.

## GOVERNANCE

Through the application of policies and structures implemented within the AEEI Group, Premier Fishing complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles in the current period. Key employees are also provided with regular training on the ever-changing regulatory environment to ensure that all staff are fully informed and that the Premier Fishing Group adheres to all the regulations and laws pertaining to their business operations.

## STRATEGIC PLANNING AND MONITORING

Premier Fishing manages its businesses strategically, following a process that includes an annual review of past performance, product basket, capacity, markets as well as a review of the internal and external environments. This review is followed by the setting of strategies, targets and action plans, aimed at both growth and sustainability in the short to long term.

As part of its strategy, Premier Fishing also empowers communities in which it operates. This is achieved through the transfer of skills and technical knowledge in terms of

devising catch and marketing plans to smaller, black-owned fishing companies and small-scale fishers. They promote preferential procurement from small, black-owned companies.

The Board of each business unit in Premier Fishing has an approved formal delegated authority schedule, which informs executive management of the necessary levels of approval for all key business transactions. In this way the Premier Fishing Group ensures that there is a senior manager or the Board itself reviewing each key business

transaction/initiative to ensure that key business activities are aligned with the Premier Fishing Group's strategy, is lawful, contributes to the Company's sustainability and will not be harmful to any stakeholders and/or the environment.

In this manner, each business unit can monitor its financial performance against its strategies and evaluate this against the key performance areas of management and key employees. Through this process the sustainability of operations are ensured.

## ECONOMIC SUSTAINABILITY

Premier Fishing aims to deliver good and sustainable returns to all of its stakeholders. They have defined a number of targets to measure their performance. They continually monitor their progress against these targets and, when necessary, revise them to take into account changes in the business environment.

MEASURE	2016 ACTUAL	2016 TARGET	2015 ACTUAL	2015 TARGET
Operating profit %	16%	12%	17%	10%
Current ratio	2.30 : 1	1.50 : 1	1.74 : 1	1.50 : 1
Solvency ratio	41%	25%	46%	25%

## CATCH RATES

SPECIES	2015/2016 QUOTA ALLOCATED	2015/2016 % LANDED	2014/2015 QUOTA ALLOCATED	2014/2015 % LANDED
SCRL (kg)	136 803	116 803	141 025	80%
WCRL (kg)	90 012	70 500	85 664	100%
WCRL - OSQH (kg)	131 704	102 016	101 822	86%
Sardine (tons)	4 821	3 078	6 184	50%
Anchovy (tons)	22 507	14 865	28 584	47%
Hake trawl (tons)	702	702	720	-
Hake longline (tons)	56	56	54	-
Squid (kg) - effort basis				

\* Note: The seasonal nature of the fishing industry does not tie in with the financial year.

## FOOD AND FISHING - continued

**ENVIRONMENTAL SUSTAINABILITY**

As a predominantly fishing business, the strategic plan for the short and long term incorporates sustainable usage of its resources. This is an important aspect that is discussed internally as well as in the industry that they operate within, as they deal with natural resources.

To meet the objective of sustainable resources, Premier Fishing is:

- committed to the best local and international fishing practices;
- supportive of various stakeholders involved in the proper management of marine resources;
- supportive of regulatory policies to manage the marine resources;
- implementing plans and strategies to ensure that it maintains its fishing rights;
- committed to improving energy efficiency through renewable solar technology and reducing consumption of non-renewable energy and carbon reduction; and
- committed to improving water and electricity usage and consumption.

**SOCIAL SUSTAINABILITY**

The Premier Fishing Group subscribes to a sustainable approach in conducting its business.

For Premier Fishing, corporate citizenship goes beyond legislative compliance and profits. It recognises the rights and responsibilities of businesses within a broader societal context and reinforces the aim of Premier Fishing to implement a social contract between business, government and civil society.

Premier Fishing is well aware of the critical role that business has to play in the upliftment and development of the previously disadvantaged majority. A task of this magnitude will, for a substantial period of time, be beyond the scope of state resources alone.

It is for this reason that Premier Fishing needs to give back to the communities in which they operate. To this end, they also believe in assisting small businesses to grow and achieve their full potential in the communities from which they operate by:

- providing small enterprises with the opportunities to engage with Premier Fishing's factory, administration, finance and operational divisions for skills development, training and support;
- assisting with finance for start up of businesses;
- ensuring the availability of services by assisting with the development and growth of previously disadvantaged partners; and
- imparting skills and resources with small business partners to improve business management capacity.

The Premier Fishing Group continues to create a working environment that develops and empowers its employees as well as recognises the contributions of each team player in pursuit of excellent performance and continue to maintain a safe working environment for all.

The Premier Fishing Group also recognises the importance of the communities in which it operates from and therefore aims to develop the communities through their continued employment, procurement and enterprise and technical development.

The Premier Fishing Group is actively involved in various corporate social initiatives in the West Coast and Overberg regions.



## KEY CHALLENGES AND RISK MANAGEMENT

Premier Fishing maintains a risk register, which is compiled and maintained by the executive management, with the risk status and execution of planned actions being reviewed monthly. Executive management is responsible for the identification, classification and management of all operational risks.

The challenges and business risks facing the Premier Fishing Group’s ability to sustain itself in the future as well as the mitigation against those risks, are noted below:

### KEY CHALLENGES

REGULATIONS AND LEGISLATION	COMPETITION FROM OTHER COMPANIES	STAFF SKILLS AND RETENTION	TOTAL ALLOWABLE CATCHES (available fish stocks)	PRODUCTS
<ul style="list-style-type: none"> <li>The compliance and demands placed on companies in this highly regulated industry require continuous review of business processes and strategy.</li> </ul>	<ul style="list-style-type: none"> <li>The Group exports the majority of its products and therefore the Group is faced with competition from both local and international companies who have critical mass and funding. This also has an effect on the market prices obtained for the Group’s products.</li> </ul>	<ul style="list-style-type: none"> <li>The industry in which the Group operates requires skilled and experienced staff thus staff retention is a key challenge.</li> <li>Limited resources of high-quality personnel make staff mobility one of the highest risk factors.</li> </ul>	<ul style="list-style-type: none"> <li>The Group’s quota allocations are dependent on the total allowable catches as determined by scientists and the Department of Forestry, Fishing and Agriculture.</li> <li>The Group is faced with a challenge of declining fish stocks and ultimately declining quota allocations.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure products are safe and consistent with quality and brand of Premier Fishing.</li> </ul>

FOOD AND FISHING – continued

RISKS

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
<ul style="list-style-type: none"> <li>The risk that a reduction in the fish biomass could result in a reduction in the total allowable catch for west coast rock lobster, south coast rock lobster, hake and pelagic or a reduction in the total effort catch for squid.</li> </ul>	<ul style="list-style-type: none"> <li>A reduction in total allowable catches or total allowable effort can result in a reduction in turnover, profits and cash flow from operations.</li> </ul>	<ul style="list-style-type: none"> <li>Premier Fishing are members of all the associations in the fishing sectors that they operate in. They are committed to assisting government by complying with the strict compliance of fishing methods in terms of their allowable catch allocated to them to ensure that the fishing resources can rebuild and maintain its sustainability for the future.</li> <li>The Group acquires fish from small right holders thereby reducing the impact of reductions in total quota allocations for the Group.</li> </ul>
<ul style="list-style-type: none"> <li>Employees</li> </ul>	<ul style="list-style-type: none"> <li>Expectation of a significant wage increase.</li> <li>Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>The Group is involved in constant negotiations with trade unions to ensure that the Group and its employees enter into sustainable wage agreements.</li> <li>Constant health and safety training is provided to all employees.</li> </ul>
<ul style="list-style-type: none"> <li>The risk that the Group's abalone stock might be infected by diseases.</li> </ul>	<ul style="list-style-type: none"> <li>This might result in loss of business as the Group would not be able to supply its customers.</li> </ul>	<ul style="list-style-type: none"> <li>The Group has implemented biosecurity measures at its abalone farm and constantly monitors these measures to ensure that there is no transmission of diseases to the animals.</li> </ul>

## STAKEHOLDER MANAGEMENT

Premier Fishing recognises the importance of constant engagement with stakeholders. The principal stakeholders for the Premier Fishing Group are shareholders, employees, customers, suppliers, regulatory authorities, trade unions, government and local communities.

Premier Fishing has various procedures in place with regard to stakeholder management. These are summarised as follows:

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> <li>Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Owners of the business</li> </ul>	<ul style="list-style-type: none"> <li>Integrity</li> <li>Shareholder wealth creation</li> <li>Ethical business practices</li> </ul>	<ul style="list-style-type: none"> <li>Sound corporate governance rules are implemented in the business</li> </ul>
<ul style="list-style-type: none"> <li>Customers</li> </ul>	<ul style="list-style-type: none"> <li>Consumers of Premier Fishing's products</li> </ul>	<ul style="list-style-type: none"> <li>Products are sold legally and are traceable</li> <li>Quality products that meet recognised industry standards</li> <li>Reliable long-term supply of products</li> </ul>	<ul style="list-style-type: none"> <li>Ensure inventory availability</li> <li>Ensure that all products supplied have the legal paperwork from the relevant authorities in place</li> <li>Ensure that products are safe and consistent with the quality and brand of Premier Fishing</li> <li>Ensure that they adhere to all necessary standards such as HACCP, SABS, FDA and EU standard tests</li> <li>Direct contact with major customers locally and internationally</li> <li>Compliance with international laws, regulations and legislation</li> </ul>
<ul style="list-style-type: none"> <li>Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Procurement of goods and services such as raw materials for their operations and other business units, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Ethical business relationships</li> <li>Commitment to BBBEE policies</li> <li>Prompt payment</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that they conduct business with reputable businesses – Code of Ethics</li> <li>Ensure that they support the policy on BBBEE</li> <li>Negotiate, manage and conclude contracts</li> <li>Timeous payment</li> </ul>
<ul style="list-style-type: none"> <li>Regulatory authorities such as SARB, SAMSA, MCM and NCRS</li> <li>Accreditation: HACCP, FDA, SABS, NCRS</li> </ul>	<ul style="list-style-type: none"> <li>Promulgate and monitor regulatory framework and comply with current regulations, laws and legislation</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with laws and regulations of authorities</li> </ul>	<ul style="list-style-type: none"> <li>Continuous training of management and staff responsible for compliance with various regulations by the respective authorities</li> <li>Internal control procedure checklist to ensure compliance with respective laws and regulations</li> <li>Immediate corrective action noted in the event of findings raised by authorities</li> <li>Participation in industry working groups</li> <li>Meeting with industry regulators</li> </ul>

FOOD AND FISHING – continued

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> <li>Trade unions</li> </ul>	<ul style="list-style-type: none"> <li>Employee representation</li> </ul>	<ul style="list-style-type: none"> <li>Engagement of the parties</li> <li>Addressing of grievances negotiation</li> </ul>	<ul style="list-style-type: none"> <li>Communicating to employees via employee forums</li> <li>Engaging with unions via recognised industry bodies</li> </ul>
<ul style="list-style-type: none"> <li>Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring by health and safety officers</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with health and safety standards</li> </ul>	<ul style="list-style-type: none"> <li>Continuous training of staff on health and safety matters</li> <li>Internal control procedure checklist to ensure compliance with respective laws and regulations</li> <li>Immediate corrective action noted in the event of findings raised by health and safety officers</li> </ul>
<ul style="list-style-type: none"> <li>Government and regulatory authorities</li> </ul>	<ul style="list-style-type: none"> <li>Promulgate and monitor regulations and legislation</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with laws and regulations of authorities</li> </ul>	<ul style="list-style-type: none"> <li>Internal control procedure checklist to ensure compliance with respective laws and regulations</li> <li>Immediate corrective action noted in the event of findings raised by authorities</li> <li>Participation in industry working groups</li> <li>Meeting with government representatives</li> </ul>

REMUNERATION

Premier Fishing aims to be a competitive and attractive employer in the marketplace. Remuneration and benefits are important drivers, as are career opportunities, personal development, culture and values, leadership, Company performance and reputation. As stated in the Code of Conduct, Premier Fishing complies with applicable laws, agreements and industry standards on working hours and compensation.

Premier Fishing has various incentive schemes in place in order to retain talented and experienced staff. Premier Fishing’s policy requires all staff to belong to their pension or provident fund in order to plan for their retirement and medical insurance is compulsory.

ACRONYMS

EU	European Union
FAWU	Food and Allied Workers Union
FDA	Food and Drug Administration
HACCP	Hazard Analysis and Critical Points Control
MCM	Marine Coastal Management
NCFAWU	National Certified Fishing and Allied Workers Union
NCRS	National Regulator for Compulsory Specifications
SABS	South African Bureau of Standards
SAMSA	South African Maritime Safety Authority
SARB	South African Reserve Bank
TALFU	Trawler and Line Fishermen’s Union



# TECHNOLOGY

CONTRIBUTION  
TO REVENUE

**R217m**

CONTRIBUTION TO  
OPERATING PROFIT

**R38m**

## SEKUNJALO TECHNOLOGY SOLUTIONS LTD (SEKUNJALO TSL)

### KEY FACTS

CHAIRMAN | K Abdulla

BOARD OF DIRECTORS | K Abdulla, C Ah Sing, CF Hendricks, N Gamielidien, AB Amod and TT Hove

EMPLOYEES | 203

HEAD OFFICE | V&A Waterfront, Cape Town

FOOTPRINT | South Africa, the UK, the USA, Dubai, Nigeria, Tanzania, Ghana, Zambia, Uganda, Cameroon, Australia, Zimbabwe, Namibia

### PROFILE

As a niche market enterprise, Sekunjalo TSL provides effective information communication technology (ICT) business solutions and services that enhance business performance in government and corporate customers. Sekunjalo TSL comprises businesses that are leaders in their respective niche markets, have solid client bases and achieve high levels of sustained organic growth.

Sekunjalo TSL offers a range of ICT solutions well suited to the health care industry, hospital information and laboratory systems, pharmacy information systems. This is backed by the necessary professional services such as consulting, technical expertise, professional

services, system integration, engineering of bespoke solutions, business intelligence, software development and engineering. Included in this sector is mobile inspection management, mobile field service, property inspections, franchise evaluations, cloud solution architecture, mobile banking and commissioning. Digital marketing, digital content redistribution for the publishing and media industry as well as commercial, industrial and agricultural solar PV solutions are included in this sector.

Sekunjalo TSL companies have international partnerships with leading technology suppliers, including InterSystems Corporation, JAC (UK), Microsoft and Fujitsu Computers.

## TECHNOLOGY - continued

**2016 OPERATIONAL PERFORMANCE**

The Sekunjalo TSL Group is in the Top 3 ICT integrator in Africa and holds 25% of the market share in the public hospital sector. They have developed their in-house hospital information system as well as long-term Value-Added Reseller Agreements with international partners. They have an exceptional track record with successful implementation in hospitals and laboratories across the country as well as servicing blue-chip clients.

Despite low economic growth, the Sekunjalo TSL Group's performance was ahead of budgeted expectations yielding a 15% increase in operating profit. With the completion of the laboratory implementation in one of the business units during the financial year, they switched to maintenance income for the remainder of the year. This will continue into the next financial year with sustainable annuity revenue being generated from their Service Level Agreements.

**VISION 2020 VISION – SEKUNJALO TSL DIVISIONAL CONTRIBUTION**

In 2015, the Sekunjalo TSL Group aligned its strategy in terms of Vision 2020 Vision by setting strategic levers, goals, activities and milestones with clear deliverables for each business unit.

As part of Sekunjalo TSL's Vision 2020 Vision, they aim to unlock shareholder value through listing their IT assets.

The Sekunjalo TSL Group is on track to achieve its strategic objectives and milestones. During the year under review, progress was made against its strategic objectives and target areas.

2016 Achievements to date include:

- Penetrated the African market outside of South Africa, with the implementation of Laboratory Information Systems in Tanzania and a procuring a consulting engagement on telemedicine in Ghana;
- Extended business outside of South Africa by signing a support agreement on health care solutions in Dubai;
- Raised the profile in the South African Public Sector by working with the Council for Scientific and Industrial Research on integrating patient data at national level in preparation for the National Health Insurance;
- Embarked upon a modernisation drive for existing systems in the Western Cape to ensure longevity and sustainability of systems;
- Formed a joint venture company to market state-of-the-art telemedicine solutions as part of the strategy to expand on its product range and services;

- Developed and sold new products which include rail tracking solutions and mobile applications;
- Constantly achieved more than 95% compliance on Service Level Agreements with customers;
- Improved processes and procedures improved resulting in increased sales;
- Controlled costs on project and supply chain management;
- Further expand into Africa – entrenched as supplier to African subsidiary of a major mobile operator – achieved in Cameroon, Ghana, Zambia and Uganda;
- Renewal of key contracts at major customers and expansion of footprint to increase customer base across the IT Group;
- Closed Rail Tracking Project for customer in the petrochemical vertical;
- Reinvested in new and existing product development associated with digital publishing; and
- Ongoing roll-out of digital transformation of print sales team at major publishing Group.

**PROSPECTS AND FUTURE OUTLOOK**

The Sekunjalo TSL Group is very successful at retaining its client base in the long term and its established foundation has set the platform for future business growth. These strategies have paid dividends and are a cost-effective way of providing a short- to medium-term source of income and growth and remain an integral part of their core strategy to develop new opportunities.

Acquiring and developing their own intellectual property is a key strategic focus area, will ensure better margins with resulting profitability. Increasing revenue is generated through the launch of their own products and services into local and international markets. By extending their footprint into the South African Public Health and Private Sectors and replicating their successes in other parts of Africa, this will ensure the sustainability of the Sekunjalo TSL Group's businesses. As a medium-term opportunity provide implementation services to first-world countries such as Australia and the UK. Opportunities are actively pursued to increase their market reach through partnerships and are culturally aligned with complementary businesses.

The future outlook for the various business units are as follows:

- Reducing dependence on the South African economy by investing in structures to expand activities into Africa. This strategy is aligned with the concept of South Africa being a gateway into Africa with the intention of using the most appropriate South African and imported products to meet the needs of their customers in Africa.
- Increasing the amount of business in the private sector and other African customers in order to spread the risks arising from slow and erratic payments by government customers as well as the long intervals between issuing of tenders for large new ICT projects.
- Continued organic growth coupled with acquisitive growth of complementary businesses and the acquisition and/or development of additional products.
- Rewrite of InspectionOne Mobile in Android.
- Ongoing roll-out of digital transformation of print sales team at major publishing Group.

In the medium term:

- Providing products and services into selected African countries;
- Acquiring and developing their own IP;
- Increasing annuity revenue through the launch of their own products and services;
- Creating search engine marketing;
- Creating new product opportunities to existing clients;
- Tailoring their software to be globally competitive;
- Launch initiatives to feed their renewable energy solutions provider; and
- Increasing market reach through partnerships and acquisitions.

In the long term, Sekunjalo TSL needs to ensure that it remains relevant in its various sectors by investing in research and development. Providing niche products and services into selected African countries is seen as a major opportunity. They intend to grow their renewable energy solutions provider business and to position the Company as one of the leaders of renewable energy solutions providers in the country.

## OPERATIONAL FOOTPRINT

The Sekunjalo TSL Group has a service delivery footprint in all the cities of South Africa and has expanded into the UK, the USA, Dubai, Tanzania, Ghana, Nigeria, Zambia, Uganda and Cameroon.



## TECHNOLOGY - continued

### PRODUCTS/BRANDS

Through their various business units, they work closely with the following brands:

- InterSystems Corporation who is an internationally renowned manufacturer of Database Technology and Health IT solutions;
- JAC Medicines Management is a world leader in the space of Medicines Management Software with large implementations across the UK;
- British Telecoms South Africa – project completed in Ghana; and
- SYSPRO ERP Software – implemented in the Western Cape.

#### BRAND IDENTIFICATION:



Detailed information about Sekunjalo TSL Group's business model, stakeholders, risks and governance is available on the website at [www.aeei.co.za](http://www.aeei.co.za).



## BUSINESS MODEL

Sekunjalo TSL's business model continually seeks innovative ways to sustain its existing businesses by adapting to changing environments through their acquisitions and new business development approach where at its core; there is a social contract for responsible business between it and society.

This enables Sekunjalo TSL to add value through their extensive expertise and networks, while promoting an entrepreneurial culture within its various business unit structures and employees. Their businesses become efficient on a sustainable basis with some of the businesses working on a retainer-based and consultancy services approach while generating revenue and cash flow. As part of their services to new investors they provide solutions and ancillary services.

With Sekunjalo TSL's risk management approach and the impact of changing markets, competitors and the economic environment, management is constantly aware of how they can improve sustainability through constant change. In addition, they consistently broaden their market opportunities by diversifying services in order to spread the risk.

## GOVERNANCE

Through the application of policies and structures within the AEEI Group, the Sekunjalo TSL Group complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles in the current period. The continued training and exposure of employees to the ever-changing regulatory environment and regulations of the Companies Act ensure that all employees are fully informed of their responsibilities.

## STRATEGIC PLANNING AND MONITORING

Sekunjalo TSL manages its businesses strategically following a process, which includes an annual review of past performance, products/services, markets as well as a review of the internal and external environments. This review is followed by the setting of strategies and action plans, aimed at both growth and sustainability in current markets.

In addition to the annual strategic planning exercise, quarterly reviews of strategy achievement and how changes in the internal and external environments may positively, or negatively, affect each business unit, are held. Strategies and actions are adjusted to ensure the growth and sustainability of each business units.

In this manner, each business unit and the Sekunjalo TSL Group can monitor its financial performance against strategies set for the year and evaluate this against the key performance areas of management and key employees. Through this process, the sustainability of operations are ensured.

The Board of each business unit in Sekunjalo TSL has an approved formal delegated authority schedule, which informs executive management of the necessary levels of approval for all key business transactions. In this way, the Sekunjalo TSL Group ensures that there is a senior manager or the Board itself reviewing each key business transaction/initiative to ensure that key business activity is aligned with the Sekunjalo TSL Group strategy, is lawful, will contribute to the Company's sustainability and will not be harmful to any stakeholders and/or the environment.

## ECONOMIC SUSTAINABILITY

Sekunjalo TSL aims to deliver sustainable returns to all of its stakeholders. Trusted relationships with their key clients and increasing the awareness of their brands as innovative and high-quality offerings, positions the Sekunjalo TSL Group well for continued growth. By increasing the value of their range of activities will result in reducing the cost of products and materials purchased internationally and focus on internally developing and acquiring a set of core products.

## TECHNOLOGY - continued

A measure of the value created by the Sekunjalo TSL Group is the amount of value added by its wide range of activities to the cost of products and materials purchased. Trusted relationships with key customers and increasing awareness of their brands as innovative and high-quality offerings position them well for new opportunities and continued growth.

### ENVIRONMENTAL SUSTAINABILITY

The various business units in which Sekunjalo TSL operates is not considered to make particularly heavy demands on the natural environment in which their community stakeholders live. Management is consistently mindful of reducing CO<sub>2</sub> emissions, reducing paper usage and appropriate electronic waste disposal in operating decision-making.

Sekunjalo TSL has an investment in a renewable energy solutions provider, Emergent Energy (Pty) Ltd, to contribute towards reducing South Africa's consumption of and reliance on fossil fuels and improving its footprint across its value chain. Beyond the inherent benefits of delivering a carbon-free energy production solution, they continuously look at improving their footprint across the whole value chain with specific care being given to internal procedures and practices.

### SOCIAL SUSTAINABILITY

Sekunjalo TSL subscribes to a sustainable approach in conducting its business.

For Sekunjalo TSL, corporate citizenship goes beyond legislative compliance. It recognises the rights and responsibilities of businesses within a broader societal context and reinforces the mission of the Sekunjalo TSL Group to implement a social contract between business, government and civil society.

The Sekunjalo TSL Group is well aware of the critical role that a business has to play in the upliftment and development of the previously disadvantaged majority. It is for this reason that they give back to the communities in which they operate by contributing to the following initiatives:

- Implementation of recruitment policies that encourage the recruitment of appropriately skilled, previously disadvantaged individuals;
- Development of staff within the various business units and to grow human capital;
- Implementation of learnerships to assist with elevating the skill levels of previously disadvantaged individuals;
- Financial and in-kind contributions to the development of various early childhood development, youth centres and adult teacher training;

- Organisational involvement and sponsorship of start-up workshops held annually;
- Partnership with the University of Cape Town's Commerce Faculty to provide relevant, updated course content for their second-year students;
- Participation on the University of the Witwatersrand Information Systems industry advisory board to contribute to the industry relevance of university course content;
- Investment in a number of emerging, black-owned technology enterprises at an enterprise development level through business incubation programmes;
- Learning programmes within the digital space;
- Partnership with the Cape Peninsula University of Technology to provide mentorship and collaborate with previously disadvantaged individuals.

The Sekunjalo TSL Group is an active member of SETA and strongly believes in internal training and development. During the year under review, staff attended seminars and training programmes in their relevant areas to further grow and develop.

With the changes in the new BBBEE codes, each business unit continually strives to meet and exceed the benchmarks set by the BBBEE codes of good practice.

## TECHNOLOGY - continued

### KEY CHALLENGES AND RISK MANAGEMENT

#### KEY CHALLENGES

At present, their strategic focus is aimed at overcoming the following potential challenges:

<p><b>EMPLOYEE SKILLS AND RETENTION</b></p>	<ul style="list-style-type: none"> <li>• This remains the key challenge, as experience and reputation are critical factors in influencing the market.</li> <li>• High levels of demand and international portability of skills, together with inadequate maths and science education at school level all contribute to a high degree of scarcity of key technical skills.</li> <li>• Limited resources of high-quality personnel make employee mobility one of the highest risk factors.</li> </ul>
<p><b>TECHNOLOGY</b></p>	<ul style="list-style-type: none"> <li>• ICT products are evolving and investment is required to develop and acquire new innovative products to remain relevant when compared against competitors' and meeting the ever-increasing client expectations.</li> <li>• The high-tech nature of the industry requires that companies establish a presence in the market and present themselves as stable, professional and sustainable entities.</li> <li>• This is achieved through the quality of information, the professionalism of their employees and the ability to deliver new products to the markets.</li> <li>• Ensuring that technology remains relevant for end-users, addressing areas such as cloud computing, mobility and, at the same time, keeping abreast of integration into increasingly sophisticated medical equipment modules.</li> </ul>
<p><b>EXTERNAL ENVIRONMENT</b></p>	<ul style="list-style-type: none"> <li>• The increasing price of energy both for travel and electrification is an external environment trend that drives demand for more energy efficient ICT hardware and the use of collaboration tools. These factors are a consideration in all of their ICT hardware supplied and the operations of their businesses.</li> <li>• The current decline on health ICT spending by government is a challenge, which is mitigated by developing opportunities in other sectors.</li> <li>• The general economic slowdown has created pressure on rates for services, putting margins under increasing pressure.</li> <li>• Many large companies are insourcing their digital marketing function.</li> <li>• The industry being open to both local and international companies is highly competitive and the biggest challenge is competing with companies who have critical mass and funding.</li> </ul>
<p><b>EMPLOYEES AND COMMUNITY</b></p>	<ul style="list-style-type: none"> <li>• The business units focus on the development of individuals.</li> <li>• Creates opportunities for scarce skill areas for the broader community.</li> </ul>
<p><b>ECONOMIC CONDITIONS</b></p>	<ul style="list-style-type: none"> <li>• The general economic slowdown has created pressure on rates for the services, hence putting margins under increasing pressure.</li> <li>• Some clients operate in the Petrochemical sector and the depressed oil price has impacted capital expenditure on new projects.</li> <li>• Renewable energy systems require a large investment upfront with most of the solutions being imported – the volatility of the rand also impacts operations.</li> <li>• The price of electricity has a direct influence on savings which the renewable energy systems are able to deliver.</li> <li>• Legal requirements regarding power generation is constantly evolving and could be a threat on the industry.</li> </ul>

## RISKS

Risk management is integrated into each business unit's management process. Each business unit maintains a risk register, which is compiled and maintained by the executive management, with the risk status and execution of planned actions being reviewed monthly. Executive management is responsible for the identification, classification and management of all operational risks.

Significant strategic and going-concern risks can be identified at all levels in each business unit. However, the responsibility for directing the actions necessary

to manage these risks is the responsibility of the board of directors of each business unit. Strategic and going-concern risks are reviewed at the quarterly Board meetings and the executive directors are charged with the execution of approved risk management actions.

In the year under review, although a number of identified risks could not be avoided, the pre-planned management strategies for these risks were successful in mitigating or avoiding the severity of the impact on the respective companies and overall Group financial performance.

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
<ul style="list-style-type: none"> <li>Acquire products and intellectual property</li> </ul>	<ul style="list-style-type: none"> <li>Continuous dependence on third-party suppliers for software products</li> </ul>	<ul style="list-style-type: none"> <li>Their strategy is to complement the software offering by:               <ul style="list-style-type: none"> <li>acquiring controlling equity in other companies with appropriate software; and</li> <li>internally developing their own IP</li> </ul> </li> <li>Negotiate rand-based pricing with international suppliers</li> </ul>
<ul style="list-style-type: none"> <li>Slow-down of public sector expenditure on IT</li> </ul>	<ul style="list-style-type: none"> <li>No new growth opportunities in the public sector in the short term</li> </ul>	<ul style="list-style-type: none"> <li>Pursue expansion on the range of products and customers</li> </ul>
<ul style="list-style-type: none"> <li>Dependence on major customers</li> <li>Loss of major project at a key client</li> </ul>	<ul style="list-style-type: none"> <li>Potential reduction in revenue</li> <li>Employee loss</li> </ul>	<ul style="list-style-type: none"> <li>Pursue extension of client base by:               <ul style="list-style-type: none"> <li>expansion into Africa; and</li> <li>acquiring other companies with an existing client base</li> </ul> </li> <li>Diversified project mix and customer base resulting in risks being mitigated through long-term support and maintenance agreements</li> </ul>
<ul style="list-style-type: none"> <li>Impact on market positioning through lower BBBEE rating as new codes are implemented</li> </ul>	<ul style="list-style-type: none"> <li>Potential loss of new business</li> <li>Limited access to new opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Tactical items implemented during the financial year and strategic planning for further improvement in 2017 taking into account the impact of the new BBBEE codes</li> <li>Focus on charter requirements to retain or improve current rating</li> </ul>
<ul style="list-style-type: none"> <li>Key technical resources</li> </ul>	<ul style="list-style-type: none"> <li>Product modules, implementation support and product growth and stability</li> </ul>	<ul style="list-style-type: none"> <li>Recruit senior staff to learners and drive delivery in parallel</li> </ul>
<ul style="list-style-type: none"> <li>Employees retention</li> </ul>	<ul style="list-style-type: none"> <li>Relationships may be affected together with delivery and associated contractual obligations may be compromised</li> </ul>	<ul style="list-style-type: none"> <li>Investigate share option scheme</li> </ul>

## TECHNOLOGY - continued

### STAKEHOLDER MANAGEMENT

The Sekunjalo TSL Group recognises the importance of constant engagement with stakeholders. The principal stakeholders for the Sekunjalo TSL Group are shareholders, employees, customers and suppliers.

A key element of their strategic planning process is the documenting of the values and the culture of their business units.

Stakeholder-oriented values include:

- honesty and integrity;
- passion for customers;

- quality in all that we do;
- development and respect for employees;
- accountability and commitment; and
- protecting/conserving the environment.

The Sekunjalo TSL Group has various procedures in place with regard to stakeholder management. These are summarised as follows:

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> <li>• Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Owners of the business</li> </ul>	<ul style="list-style-type: none"> <li>• Integrity</li> <li>• Shareholder wealth creation</li> <li>• Ethical business practices</li> <li>• Regular communication</li> </ul>	<ul style="list-style-type: none"> <li>• Sound corporate governance rules are implemented in the business</li> </ul>
<ul style="list-style-type: none"> <li>• Customers</li> </ul>	<ul style="list-style-type: none"> <li>• Recipients of services rendered by the Group</li> </ul>	<ul style="list-style-type: none"> <li>• Timely and high-quality professional delivery of quality goods and services</li> <li>• Competitive pricing</li> <li>• Innovation and strategic advice</li> </ul>	<ul style="list-style-type: none"> <li>• Employ formal project management methodology</li> <li>• Best practice processes to ensure professional, timeous delivery of the contracts, in budget and to the anticipated quality standards</li> <li>• Direct contact with major customers locally and internationally</li> <li>• Innovative solutions and strategic advice</li> <li>• Active management of key accounts</li> <li>• Compliance with laws, regulations and legislation</li> </ul>
<ul style="list-style-type: none"> <li>• Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement of goods and services</li> </ul>	<ul style="list-style-type: none"> <li>• Ethical business relationships</li> <li>• Commitment to BBBEE policies</li> <li>• Prompt payment</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that business is conducted with other reputable businesses as per the Code of Ethics</li> <li>• Ensure that they support the policy on BBBEE</li> <li>• Negotiate, manage and conclude contracts</li> <li>• Timeous payment</li> <li>• Ensure compliance with agreed contractual terms relating to intellectual property ownership</li> </ul>

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
Communities	<ul style="list-style-type: none"> <li>Assistance is provided by the Company to the communities</li> </ul>	<ul style="list-style-type: none"> <li>Provide assistance to black businesses to help them grow and succeed</li> <li>Provide assistance to the community</li> </ul>	<ul style="list-style-type: none"> <li>Assist enterprise development beneficiaries with regard to strategy, training, marketing and skills transfer</li> <li>Involvement in community projects</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Employees of the Company</li> </ul>	<ul style="list-style-type: none"> <li>Develop human capital</li> <li>Foster growth, productivity and well-being of the employees</li> <li>Sustainable employment</li> <li>Competitive salary</li> <li>Stimulating, cutting-edge project work</li> </ul>	<ul style="list-style-type: none"> <li>Provident Fund ICT Group Risk Insurance (linked to the provident fund)</li> <li>Employment equity policies and procedures</li> <li>Skills development policies and procedures</li> <li>A disciplinary code</li> <li>Employee retention programmes</li> <li>Clear KPIs for performance review and development planning</li> <li>Regular open forums for discussion</li> <li>Open-door policy for communication at all levels</li> </ul>
Regulatory authorities	<ul style="list-style-type: none"> <li>Comply with regulations, best practices, laws and legislation</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with laws and regulations of authorities</li> </ul>	<ul style="list-style-type: none"> <li>Training of employees responsible for compliance with regard to various regulations by authorities</li> <li>Internal control procedure to ensure compliance</li> <li>Immediate corrective action noted in the event of findings raised by authorities</li> <li>Participation in industry working groups</li> <li>Meeting with industry regulators</li> </ul>
Government	<ul style="list-style-type: none"> <li>Comply with laws, regulations and legislation</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with laws and regulations of authorities</li> </ul>	<ul style="list-style-type: none"> <li>Comply with all the laws of South Africa with particular emphasis on the labour and tax laws</li> </ul>

## REMUNERATION

The Sekunjalo TSL Group aims to be a competitive and attractive employer in the marketplace. Remuneration and benefits are important drivers, as are career opportunities, personal development, culture and values, leadership, Company performance and reputation. The Sekunjalo TSL Group complies with applicable laws, agreements and industry standards on working hours and compensation.

The Sekunjalo TSL Group has various incentive schemes in place in order to retain talented and experienced staff.



# HEALTH AND BIOTHERAPEUTICS

CONTRIBUTION TO  
REVENUE

**R4m**

OPERATING LOSS

**R8m**

## WYNBERG PHARMACEUTICALS (PTY) LTD (WYNBERG)

### KEY FACTS

EXECUTIVE MANAGER | Dr A Sidar

BOARD OF DIRECTORS | K Abdulla, C Ah Sing, CF Hendricks and AB Amod

EMPLOYEES | 8

HEAD OFFICE | V&A Waterfront, Cape Town

FOOTPRINT | Western Cape



## PROFILE

Wynberg supplies an extensive range of natural, chemical-based products that are human, animal and plant safe, as well as internationally recognised and certified in terms of the British Standards, European Standards (BS ES), UK, and the National Regulatory Compulsory Specifications (NRCS) in terms of the National Regulator for Compulsory Specifications Act, 2008 (No. 5 of 2008), South Africa, as well as the Department of Agriculture, Forestry and Fishing (DAFF) certification and registrations.

The products are registered and manufactured locally and are used in the agricultural, food, and general health and hygiene sectors. Wynberg signed a licensing and joint venture agreement with a UK-based company to manufacture and market an extensive and totally natural range of hygiene and sanitation products into the food and agricultural pre-harvest spray programs and post-harvest packhouse processing sectors. These strategic initiatives enhance the local manufacturing industry to build resources and skills.

As a result of these signed agreements, Wynberg now has the capability to operate in southern Africa and as a global player, established a significant export network.

## 2016 OPERATIONAL PERFORMANCE

Wynberg increased its market share in the southern region to 5% after three years of research and development and the registration of various products. Their overall financial performance is below budget largely due to the drought in the Western Cape region which reduced the demand for their products.

Diversification into the food sector is critical to reduce the impact of the drought and the cyclical nature of the agricultural market. Wynberg successfully concluded a joint venture and registered a company in South Africa to supply equipment required as an efficient delivery mechanism for their products.

Key to sustainability is the ownership of IP registered product and the right to manufacture locally by agreement. South Africa will be the centre of excellence for future development of the product portfolio and act as the global agricultural centre of field research.

Wynberg, together with Citrus Research Institutes are in their 3rd year of trials to eliminate "Citrus Black Spot" which for the prior two years yielded excellent results.

## VISION 2020 VISION – WYNBERG'S CONTRIBUTION

A detailed analysis of the business was done in 2015 with the primary objective of having focused and aligned efforts across the business to deliver on its long-term goals. A five point strategic plan in line with Vision 2020 Vision was implemented in 2015 with clear deliverables, strategic actions for each strategic level as well as detailing clear time frames.

The following was achieved during the 2016 year:

- Wynberg moved from research to commercialisation of products into the agricultural sector.
- New regulatory submissions to the NRCS are currently in progress. A test trial, after overseas Good Laboratory Practice (GLP) Laboratory "Micro-Challenge" on two ViBacSan products was successful and Wynberg was granted the NRCS Registration Number, by the NRCS for these two products. The timeline for completion of registration by the NRCS is estimated to be the end of 2016.
- The introduction of pre-harvest products to the local market has been extremely successful providing farmers with opportunities to meet international standards on food safety in the export of fruit and vegetables. All registrations with the Department of Agriculture, Forestry and Fisheries for pre-harvest products have been successfully accomplished.
- The post-harvest products will add to the value chain in the agricultural sector. These are part of the products mentioned in the second bullet point above and is used in the processing following harvest and picking. Packhouses are the primary customer and a national agreement has been signed with a distribution company to promote to the farms and packhouses.
- Growth in the food and beverage sector is still in the research and development phase having done projects with bread manufacturers and other fresh product producers to extend the shelf life of products. It is anticipated that this will become commercial in 2017.

## HEALTH AND BIOTHERAPEUTICS - continued

## PROSPECTS AND FUTURE OUTLOOK

Wynberg developed a platform for growth which is estimated at 25% per annum based on the uptake of the product offering over the next three years. There are no planned acquisitions in the short to medium term and organic growth is expected by increasing market share and penetration into both the pre- and post-harvest markets.

The main opportunity that exists is the international focus of a green economy and protecting the environment as Wynberg have acquired the rights to internationally recognised natural products supporting key industries that impact on the health and well-being of the population as a whole, ranging from domestic hygiene to food security.

The following prospects have been identified in reaching their Vision 2020 Vision:

- Growth of product portfolio for food and beverage – the opportunities to capitalise on their empowered status and successfully attract international and local partners to expand their product portfolio;
- One joint venture is currently under negotiation which will bring new technology and innovative products into the South African economy with cost-effective improvements in food shelf life and quality;
- The food and beverage manufacturing and processing market sector has been delayed for active entry until the 2017 – 2018 fiscal year, due to the intense focus and demand from the agricultural market sector;
- Concluding a joint venture local manufacturing agreement with a UK-based company – this initiative will provide local jobs and require the transfer of new skills to staff;
- Diversity of product portfolio – the diversity of their portfolio and their strategy to manufacture using local companies;
- Expansion into new sectors with innovative products – a significant opportunity exists to capture a large portion of the infection control and hygiene and sanitation markets in the health delivery system, the food processing and hospitality sectors;
- Retention of business won – in a business environment that is based on a high level of relationship building, the successful retention of business won on this basis is a key measure of their performance; and
- Expand into new markets outside of South Africa.

## OPERATIONAL FOOTPRINT

Wynberg's administrative functions which include management, marketing and finance operate under AEEI at the V&A Waterfront offices. Manufacturing is done under agreement with a contract manufacturer in Blackheath, Cape Town. The distribution of product is done under distribution agreements with vendors in the respective sectors.



## BRANDS/ PRODUCTS



Detailed information about Wynberg's business model, stakeholders, risks and governance is available on the website at [www.aeei.co.za](http://www.aeei.co.za).

## HEALTH AND BIOTHERAPEUTICS - continued

**BUSINESS MODEL**

Wynberg's model for the manufacture and distribution of its products are based on the following principles:

- The acquisition of innovative local and international products patents and internal IP as well as international collaborative IP that is relevant to the African markets;
- The Company trials and micro challenges all products and brings them to registration at which point they do the following upon receipt of registration and certification:
  - Appoint local manufacturers to produce the products to stringent quality standards; with the objective of establishing own manufacturing facilities throughout the country where critical mass has been attained;
  - Appoint local distributors who are active in the markets relevant to the products; and
- Provide their partners with ongoing technical support.

In applying this business model, the ultimate objective is to transfer knowledge and opportunities to local SMMEs while providing employment opportunities.

**GOVERNANCE**

Through the application of policies and structures within the AEEI Group, Wynberg complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles in the current period. The continued training and exposure of employees to the ever-changing regulatory environment and regulations of the Companies Act ensure that all employees are fully informed of their responsibilities.

The Board of Wynberg approved a formal delegated authority schedule, which informs executive management of the necessary levels of approval for all key business transactions. In this way, the Board of Wynberg ensures that there is a senior manager, or the Board itself, reviewing each key business transaction/initiative to ensure that key business activities are aligned with their strategy, is lawful, will contribute to their sustainability and will not be harmful to any stakeholders and/or the environment.

**STRATEGIC PLANNING AND MONITORING**

In applying its business model, Wynberg is focused on becoming the leading black empowered Company in its sector which is completely void of BBBEE Companies in

this market sector. In addition, while providing returns to its investors and making a positive contribution to the provision of bio-agricultural solutions, food manufacturing and processing entities, medical care and in this process increasing employment and knowledge transfer to the broadest possible population of South Africa. In achieving this objective Wynberg strives to support similar strategies in the rest of Africa.

Wynberg manages its businesses strategically, following a process, which includes an annual review of past performance, products/services, markets as well as a review of the internal and external environments. This review is followed by the setting of strategies and action plans, aimed at both growth and sustainability in current markets.

In addition to the annual strategic planning exercise, quarterly reviews of strategy achievement and how changes in the internal and external environments may positively, or negatively, affect them is held. Strategies and actions are adjusted to ensure the growth and sustainability of the business with due regard to the success of its partners.

The Board of Wynberg approves the annual operational budgets and monitors their financial performance against strategies set for the year and evaluates this against the key performance areas of management and key employees. Through this process the sustainability of operations are ensured.

Wynberg's focus is on servicing the public and private sectors and strategically maximising opportunities that arise from legislative changes to introduce their natural range of products, which promote health and environmental safety. In June 2016, the "REACH ACCORD" blacklisted more than fifty agrochemical products. Over time their product range will be able to replace a high percentage of the blacklisted synthetic chemical products.

The initiatives taken in Wynberg within the agricultural sector, offers local farmers alternative products to the synthetic chemicals, which are being eliminated through the REACH Accord to which, South Africa is a signatory. In addition, it is now known that Government Gazette regulations for "clean labelling" and the ongoing collaboration with the research and production of food manufacturing and processing will have a positive impact on the sustainable production of food through the use of ViBacSan products which will positively enhance the health of consumers as well as the environmental impact by reducing the use of harmful chemicals in the production

of food. Recent trials have been successful and resulted in the shelf life extension of bread which is one of the staple foods of the lower income groups, as well as at abattoir level, the prevention of fruit decomposition prior to packaging in controlled atmospheric cold storage facilities. This innovative and natural solution will ensure less wastage and longer storage in the supply chain. In following these exhaustive trials Wynberg has ensured that human and environmental standards of safety have met the stringent regulatory standards set.

## ECONOMIC SUSTAINABILITY

Wynberg believes that with its current strategy of focusing on innovation and conversion of current markets to future thinking and technology will provide for the long-term sustainability of the Company in that existing business will be maintained while future business is developed in new markets.

The involvement of communities in this process will increase the sustainability and increase their profile especially in the agricultural sector where an increase in emerging farmers as reform initiatives start to impact on this sector. Wynberg will continue to diversify their business to compete in key sectors of the total health and agricultural produce delivery system in South Africa and southern Africa and increase their product offering by acquiring innovative new products in the medical, general health care and food safety and agricultural sectors.

## ENVIRONMENTAL SUSTAINABILITY

Wynberg specialises in this arena with a product range that is developed and derived from totally natural plant sustainable resource extracts. These extracts have the ability to be formulated into products that achieve the same level or better results than synthetic chemicals, which are currently being banned in terms of the REACH Accord.

Wynberg considers themselves to be among the cutting-edge companies in producing sustainable products without any negative effect on the environment.

## SOCIAL SUSTAINABILITY

Wynberg subscribes to AEEI's code in this regard and recognises that without the upliftment and involvement of the total population they will not have a viable business environment and they will not achieve their social contract to improve the health service delivery to all their people. The assistance to and support of government initiative for "Emerging Farmers" is an area to which their products are specifically applicable as is the ability to technically support this level of framing practices.

Wynberg has highly motivated employees with the required skills to grow their business in each chosen sector and will continue to develop internal skills and acquire external expertise to bring knowledge and skills to South Africa creating opportunities for the transfer of intellectual property to South Africans.

Their key aims are to:

- Transfer knowledge and skills beyond their own workforce;
- Give the community access to resources that encourages innovation; and
- Support entrepreneurs as they extend their product offering.

Wynberg continues to form local and international alliances to introduce cost-effective services and innovative products relevant to the needs of South African citizens. Their primary objective is to include the transfer of knowledge through job opportunities to the local economy.

## HEALTH AND BIOTHERAPEUTICS - continued

### KEY CHALLENGES AND RISK MANAGEMENT

#### KEY CHALLENGES

Key challenges that must be overcome to achieve their strategic objectives within their value set are:

<b>REGULATIONS AND LEGISLATION</b>	<ul style="list-style-type: none"> <li>The compliance and demands placed on companies in this highly regulated industry require continuous review of the business capacity and strategy as well as compliance with several regulatory bodies governing agricultural products, public health, safety and Wynberg is fully compliant with all regulatory requirements.</li> </ul>
<b>ACQUISITION OF NEW AND INNOVATIVE PRODUCTS</b>	<ul style="list-style-type: none"> <li>The industry, being open to both local and international companies is highly competitive and the biggest challenge is competing with companies who have critical mass and funding.</li> </ul>
<b>EMPLOYEE SKILLS AND RETENTION</b>	<ul style="list-style-type: none"> <li>This remains the key challenge as experience and reputation are critical factors in influencing the market.</li> <li>Limited resources of high-quality personnel make employee mobility one of the highest risk factors.</li> </ul>
<b>TECHNOLOGY</b>	<ul style="list-style-type: none"> <li>The high-tech nature of the industry requires that companies establish a presence in the market and present themselves as stable, professional and sustainable entities.</li> <li>This is achieved through the quality of information, the professionalism of their employees and the ability to deliver new products to the markets.</li> <li>The application of independent local trials although costly and time consuming are critical to the introduction of new innovative products.</li> </ul>
<b>EMPLOYEES AND COMMUNITY</b>	<ul style="list-style-type: none"> <li>In meeting these values, Wynberg has at its core the development of both the individual employee and the creation of opportunity for the broader community to participate in the growing economy through SMMEs.</li> </ul>

## RISKS

Risk management is integrated into Wynberg’s business management process. They maintain a risk register, which is compiled and maintained by the executive management, with the risk status and execution of planned actions being reviewed monthly. Wynberg’s executive management is responsible for the identification, classification and management of all operational risks.

Significant strategic and going-concern risks can be identified at all levels in their business. However, the responsibility for directing the actions necessary to

manage these risks is the responsibility of the Board of Wynberg. Strategic and going-concern risks are reviewed at the quarterly Board meetings and the executive directors are charged with the execution of approved risk management actions.

In the year under review, although a number of identified risks could not be avoided, the pre-planned management strategies for these risks were successful in mitigating or avoiding the severity of the impact on their overall financial performance.

The following risks have been identified:

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
<ul style="list-style-type: none"> <li>Regulatory constrains</li> </ul>	<ul style="list-style-type: none"> <li>A key risk is the current disarray in the regulatory departments of government, which delay the registration of new products and the issuing of licences and other requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Wynberg has employed additional internal resources to manage this risk and develop sound business relationships within the regulatory sector.</li> </ul>
<ul style="list-style-type: none"> <li>Resistance to innovation in established markets</li> </ul>	<ul style="list-style-type: none"> <li>Entering the market with unique products will also have some degree of risk, as large agrochemical companies will not stand back but increase their efforts to compete.</li> <li>The introduction of ViBacSan has required intensive local trials to validate the product despite having international certification.</li> </ul>	<ul style="list-style-type: none"> <li>Wynberg increased its sales and marketing capacity by entering into an alliance with another agrochemical Company.</li> <li>Successful trials and education have increased market acceptance and the recognition of regulatory bodies.</li> </ul>
<ul style="list-style-type: none"> <li>Foreign exchange volatility</li> </ul>	<ul style="list-style-type: none"> <li>Foreign exchange exposure may increase the cost of the product and will therefore not be affordable to the local market.</li> <li>Only raw materials are being imported.</li> </ul>	<ul style="list-style-type: none"> <li>The foreign exchange risk element has been reduced by over 80% due to local manufacture.</li> <li>Joint venture agreement concluded in May 2016.</li> </ul>
<ul style="list-style-type: none"> <li>Distribution</li> </ul>	<ul style="list-style-type: none"> <li>Dependence on single distributor</li> </ul>	<ul style="list-style-type: none"> <li>Wynberg reduced its risk exposure by signing additional distribution agreements with distributors who have a national footprint in South African and in Namibia.</li> </ul>

## HEALTH AND BIOTHERAPEUTICS - continued

### STAKEHOLDER MANAGEMENT

The main ministerial or departmental stakeholders are listed below and their business model is based on strong relationships and the dissemination of highly technical information.

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> <li>Employees</li> </ul>	<ul style="list-style-type: none"> <li>Employer-employee relationship</li> </ul>	<ul style="list-style-type: none"> <li>Performance on contractual obligations from both parties</li> </ul>	<ul style="list-style-type: none"> <li>Strong relationships and the dissemination of highly technical information, which requires skilled employees in all areas of its operation.</li> <li>Key to Wynberg's success is the skill set of their employees and their ability to operate effectively in this highly competitive environment.</li> </ul>
<ul style="list-style-type: none"> <li>Government</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory and potential customers</li> </ul>	<ul style="list-style-type: none"> <li>Comply with regulations and governance</li> </ul>	<ul style="list-style-type: none"> <li>The industry is highly regulated through several different acts, making government a key stakeholder and one that has to be interacted with on a regular basis.</li> </ul>
<ul style="list-style-type: none"> <li>The Department of Health</li> </ul>	<ul style="list-style-type: none"> <li>Legal and policy-setting body</li> </ul>	<ul style="list-style-type: none"> <li>Adherence to policy laws and governance</li> </ul>	<ul style="list-style-type: none"> <li>Both national and regional - which regulates the health industry as a whole and sets out policies regulating the delivery of health services.</li> <li>Registers all natural products used in the production and processing of food products.</li> <li>Key to working in this environment is professionalism and the provision of accurate information and cooperation in meeting compliance standards.</li> </ul>
<ul style="list-style-type: none"> <li>Treasury and distribution depots</li> </ul>	<ul style="list-style-type: none"> <li>Customer and procurer of Company products</li> </ul>	<ul style="list-style-type: none"> <li>To service customers in line with agreed tender and procurement procedures and provide service on product information</li> </ul>	<ul style="list-style-type: none"> <li>For state enterprises that regulate tenders, the procurement and distribution of medical supplies to all governmental and regional entities.</li> </ul>
<ul style="list-style-type: none"> <li>The South African Bureau of Standards</li> </ul>	<ul style="list-style-type: none"> <li>The relationship is one of product endorsement and compliance with specifications</li> </ul>	<ul style="list-style-type: none"> <li>To achieve full certification and have this validated and where required to test results to maintain certification</li> </ul>	<ul style="list-style-type: none"> <li>The bodies regulating food safety have also become key stakeholders, as has the regulatory sector of the agricultural and food industry in which they have become active competitors.</li> <li>SABS have informed all Natural Chemical Manufacturers that they are unable to "Micro-Challenge" the Disinfecting/ Sanitising Products submitted, hence Wynberg now uses a GLP-approved laboratory based in the UK ALS Laboratories.</li> </ul>



STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> <li>Organised agriculture and the Department of Agriculture, Forestry and Fishing</li> </ul>	<ul style="list-style-type: none"> <li>Customers and purchasers of Company products and registrations of new products</li> </ul>	<ul style="list-style-type: none"> <li>To provide quality products to the market that comply with DAFF regulations</li> </ul>	<ul style="list-style-type: none"> <li>The expansion of the ViBacSan range has brought this sector into the realm of significance as a stakeholder in their business.</li> </ul>
<ul style="list-style-type: none"> <li>Financial institutions</li> </ul>	<ul style="list-style-type: none"> <li>Normal banking and factoring of invoices</li> </ul>	<ul style="list-style-type: none"> <li>To secure funding and provide returns that are competitive</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders fund the acquisition of raw products and services.</li> </ul>
<ul style="list-style-type: none"> <li>Distributors</li> </ul>	<ul style="list-style-type: none"> <li>Service providers</li> </ul>	<ul style="list-style-type: none"> <li>They distribute their products into the market effectively</li> </ul>	<ul style="list-style-type: none"> <li>Wynberg relies on distributors to ensure the storage and delivery of their products into the markets.</li> </ul>
<ul style="list-style-type: none"> <li>Third-party manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>Contractual manufacture of their products under licence</li> </ul>	<ul style="list-style-type: none"> <li>To produce products that meet specifications and quality standards set contractually</li> </ul>	<ul style="list-style-type: none"> <li>Wynberg uses third-party manufacturers for certain products locally as opposed to buying fully imported products.</li> </ul>
<ul style="list-style-type: none"> <li>International and local research bodies and certification authorities</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration on ensuring their products are acceptable internationally</li> </ul>	<ul style="list-style-type: none"> <li>To receive research and scientific feedback on all developments related to product usage</li> </ul>	<ul style="list-style-type: none"> <li>Wynberg collaborates with international and local research bodies in developing products to have them certified in South Africa.</li> </ul>
<ul style="list-style-type: none"> <li>Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Investors in their Company</li> </ul>	<ul style="list-style-type: none"> <li>To provide competitive returns on their investment and to attract new investments</li> </ul>	<ul style="list-style-type: none"> <li>Both institutional and private investors are considered key to the future of any company.</li> </ul>

## REMUNERATION

Wynberg aims to be a competitive and attractive employer in the marketplace. Remuneration and benefits are important drivers, as are career opportunities, personal development, culture and values, leadership. As stated in the Code of Conduct, they comply with applicable laws, agreements and industry standards on working hours and compensation.

Wynberg has various incentive schemes in place in order to retain talent and experienced employees. Their Company policy requires all employees to belong to the pension or provident fund in order to plan for their retirement and medical insurance is compulsory.

## HEALTH AND BIOTHERAPEUTICS - continued

**GENIUS BIOTHERAPEUTICS (GENIUS)** (FORMERLY BIOCLONES)**KEY FACTS**

CHIEF EXECUTIVE OFFICER | I Amod

BOARD OF DIRECTORS | K Abdulla, I Amod, C Ah Sing, CF Hendricks and R Latchman

EMPLOYEES | 10

HEAD OFFICE | V&amp;A Waterfront, Cape Town

FOOTPRINT | Cape Town and Centurion, Pretoria

**PROFILE**

Genius was established in 1982, and is arguably the oldest health care biotechnology company in South Africa, if not the African continent, with a track record of investing in research and development work that led to successfully commercialising South Africa's first biosimilar product Repotin, a recombinant human hormone known as erythropoietin (EPO).

Genius is a research and development biopharmaceutical group of companies which includes the following operational business units:

- Immunotherapy dendritic cell vaccine technology (DCV)
- Erythropoietin production registered as Repotin
- Granulocyte-colony stimulating factor (G-CSF) product development
- Integrated Bioworks (IBW)
  - Producing laboratory reagents
  - MMLV Reverse Transcriptase (RT)
  - Additional lab consumables
- Other niche products
  - Peptide cream

## 2016 OPERATIONAL PERFORMANCE

Progress has been made across all the projects in the research and development phase. The operational performance depends on their respective timelines and milestones.

A key milestone for the DCV project was the successful submission of the clinical trial protocol to the Medicines Control Council (MCC) in 2016. The evaluation of cell culture technology is in progress with the objective of improving the current production process for the production of erythropoietin which will result in a significant efficient and optimised manufacturing process. A review of contract manufacturing activities is under investigation with the objective of generating short-term income to improve the GMP standards at the Cape Town production facility. Genius recently concluded a partnership agreement for the production of niche products like peptide cream.

Integrated Bioworks (IBW) is the latest start-up business unit in this division which manufactures laboratory enzymes and sells MMLV-RT Reverse Transcriptase (RT) product to research laboratories. Management increased their product offerings to meet the demands for their products.

## VISION 2020 VISION – GENIUS' CONTRIBUTION

A detailed analysis of the businesses was done in 2015 with the primary objective of having focused and aligned efforts across the Genius Group to deliver on its long-term goals. A five-year strategic plan was implemented with clear deliverables, strategic actions for each strategic lever as well as detailing clear time frames.

The following was achieved to date:

- Immunotherapy
  - Pre-clinical work on breast cancer was completed with a positive outcome;
  - Submission of a Clinical Trial Protocol to the MCC. Once approval is received from the MCC, phase 1 of human clinical trials can commence.

- Erythropoietin production
  - Infrastructure and facility improvement to meet the MCC audit was completed;
  - The evaluation of cell culture technology is in progress with the objective of improving the current process to increase efficiencies and reduce production risks;
  - Appointment of key personnel: pharmacists, scientists and technicians;
  - Implementation of Quality Management System in progress including Standard Operating Procedures (SOPS);
  - Validation of equipment completed.

## PROSPECTS AND FUTURE OUTLOOK

The following prospects have been identified:

### SHORT-TERM PROSPECTS:

- For Repotin to re-enter the market by early 2018 and optimising the production process into a pre-filled syringe;
- Secure funds to continue with the G-CSF project at the Ribotech facility;
- Complete the phase 1 human clinical trial in breast cancer patients and pre-clinical work on other diseases;
- Integrated Bioworks to generate revenue from the sale of laboratory reagents and increase its product offering; and
- Based on the phase 1 trial results – accelerate the listing of Genius to obtain the necessary capital to complete phase 2 and 3 trials.

### MEDIUM- TO LONG-TERM:

- Optimise and increase the output of Repotin so that it is able to meet market demand and introduce additional formulation strengths to enter the oncology market.
- Introduce an additional range of cosmeceutical products;
- Re-capitalise the reagent business to increase its product pipeline and establish local production;
- Grow a portfolio of new products by increasing research and development; and
- Plan and prepare to list Genius on a foreign stock exchange.

## HEALTH AND BIOTHERAPEUTICS - continued

### OPERATIONAL FOOTPRINT

The Genius Group has two state-of-the-art medium-sized biopharmaceutical laboratory facilities, one in Cape Town and the other in Centurion, Pretoria.



### PRODUCTS/BRANDS

Dendrovac is registered as the commercial brand for the cancer DCV immunotherapy treatment.

Bioclones has two erythropoietin therapeutics registered – Repotin 2000 and Repotin 4000.

Recogen is the registered commercial brand for G-CSF therapeutic.

#### BRAND IDENTIFICATION:



Detailed information about Genius' business model, stakeholders, risks and governance is available on the website at [www.aeei.co.za](http://www.aeei.co.za).

## BUSINESS MODEL

Genius operates a production facility based in Centurion, Pretoria for the production of Repotin. The product is used for treating anaemia in patients caused mainly as a result of kidney disease. Repotin acts by increasing the production of red blood cells that help improve the oxygen carrying capacity of the blood in the body. Patients suffering from anaemia due to kidney failure are affected due to lack of EPO released by the kidney. This leads to poor oxygen supply to the body and also affects their normal daily physical activities. Using Repotin as the treatment helps to improve the quality of life of such patients.

Ribotech is a subsidiary of Genius and is based in Goodwood, Cape Town. The drug to be produced at the facility is the second most important biosimilar used in the treatment of cancer patients suffering from neutropenia, a low white blood cell count as a result of chemotherapy treatment.

Genius has a strong pipeline of 22 patent-protected technologies that is focused on the enhancement of cellular immune response in humans. This immunotherapy from the dendritic cell vaccine (DCV) is an example of personalised medicine, where the patient's intrinsic cellular immune response is used for the treatment of cancer. Significant progress has been made in the areas of immunotherapy, which stimulates the body's own immune cells to fight a range of cancers.

## GOVERNANCE

Through the application of policies and structures within the AEEI Group, Genius complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles in the current period. The continued training and exposure of employees to the ever-changing regulatory environment and regulations of the Companies Act ensure that all employees are fully informed of their responsibilities.

## STRATEGIC PLANNING AND MONITORING

Genius manages its businesses strategically, following a process which includes an annual review of past performance, products/services, markets as well as a review of the internal and external environments. This review is followed by the setting of strategies and action plans.

The Board of each business unit approved a formal delegated authority schedule, which informs executive management of the necessary levels of approval for all

key business transactions. In this way, the respective Boards ensure that there is a senior manager, or the Board itself, reviewing each key business transaction/initiative to ensure that key business activities are aligned with Genius' strategy, is lawful, will contribute to their sustainability and will not be harmful to any stakeholders and/or the environment. In this manner, Genius can monitor its performance against strategies set for the year and evaluate this against the key performance areas of management and key employees.

In addition to the annual strategic planning exercise, quarterly reviews of strategic achievements and how changes in the internal and external environments may positively or negatively affect each business unit are held. Strategies and actions are adjusted to ensure the growth and sustainability of each business unit is tracked.

## ECONOMIC SUSTAINABILITY

Genius has re-prioritised the different projects in order to take advantage of other low-hanging opportunities so that they are able to generate some revenue while attending to their core products such as Repotin and Recogen. The use of Repotin as an active ingredient in cosmeceutical products was vigorously pursued by scientists on the basis that it has skin healing and rejuvenating properties. A product was launched into the market in June 2016 and is now generating sales.

A research grant was awarded for three years by the National Research Foundation (NRF) and with matching funding from the major shareholder for the pre-clinical work done on cancer immunotherapy using dendritic cell vaccine. This is one of the global patented technologies that Genius owns and they are working in collaboration with the University of Cape Town's Department of Medicine. The pre-clinical phase on the dendritic cell vaccine is completed. They expect the phase 1 trial to commence during 2017.

An additional grant was awarded by the NRF to investigate the use of DCV immunotherapy on extreme drug resistant tuberculosis (XDR TB) patients. The DCV immunotherapy may offer XDR TB patients a solution. The research and development work will be conducted by the Department of Medicine, Immunology Department and the Lung Institute at the University of Cape Town. According to UCT's researchers this will be pioneering work in the field of XDR TB and will be the first of its kind in the world. It will present the researchers with an opportunity to publish and present papers on their research and holds the promise of new IP.

## HEALTH AND BIOTHERAPEUTICS - continued

Integrated Bioworks (IBW) is a new business in the Genius Group and was set up in 2014 to take advantage of opportunities in the laboratory reagents and the enzyme market. These products are very lucrative and unlike human therapeutic products or biosimilars such as Repotin and G-CSF, they do not require lengthy regulatory approval processes or any complex manufacturing processes. IBW makes use of contract manufactures to make its products which are essentially protein-based reagents used in research laboratories. Their first product was an enzyme, Reverse Transcriptase (RT MMLV) and was launched in June 2016. Export opportunities are also being pursued and IBW is in the process of appointing a distribution agent in the USA. Reciprocal arrangements with the American Company for their products are also being sought for the South African market. IBW will be focusing on sales and marketing to grow before developing more reagents of which it has a strong pipeline of products.

**INNOVATION**

Genius' two production facilities are designed and constructed as a single product facility for the production of two different recombinant therapeutic drugs. To accelerate the return on investment of these facilities requires a change in the operating model from a single product facility to a multiple production facility by introducing additional products, bearing in mind that each site uses two very different production technologies. Genius is currently investigating other biosimilar products that use similar processing technologies. This could offer the opportunity to produce multiple products using these methods in both facilities.

Genius will continue with its plans to list offshore since an approval was granted by the South African Reserve Bank. Success of its current production processes with new technology, sales generation and growth plans for the underlying businesses and expanding its current product portfolio will support and strengthen its business case to the market and to potential investors.

**ENVIRONMENTAL SUSTAINABILITY**

Regulatory requirements dictate the disposal of biological waste generated during production including radio-active waste. Using new equipment and improved testing methods has reduced waste and eliminated the use of radio-active material from the mouse-assay which was previously used.

The heating, ventilation and air conditioning (HVAC) system acts as the "lung" of the any biopharmaceutical manufacturing facility by providing a constant supply of fresh, clean and sterile and temperature regulated air to the plant. The HVAC system is responsible for the consumption of approximately 70% of the energy demand of the facility. The facility was upgraded using the latest technologies on the HVAC system at the Centurion facility and employs a Quality Management System. This provides better control and reduces energy costs. The Ribotech facility will be following suite with a similar control system.

**SOCIAL SUSTAINABILITY**

Genius has collaborated with research institutions to develop human capital and take advantage of skills transfer. They also afford scientists the opportunity to upskill themselves by creating opportunities within the businesses based on new business opportunities.

The research work also presents academics with the opportunity to publish work in peer review journals. This could generate global interest from other medical institutions and investors alike.

## KEY CHALLENGES AND RISK MANAGEMENT

### KEY CHALLENGES

The Genius Group face the following key challenges:

#### GENIUS

##### FUNDING

- Raising funds still remain a major challenge in South Africa.
- Listing offshore will make funding available for the completion of the clinical trial phase, which requires significant funding.
- The industry is often viewed as high risk by potential investors as returns on investment are longer than in other commercial/industrial sectors.

##### REGULATIONS AND LEGISLATION

- The compliance demand placed on companies in this highly regulated industry requires continuous review of business capacity and strategy.
- Successful outcome of the phase 1 clinical trials using the DCV immunotherapy.

##### ACQUISITION OF NEW AND INNOVATIVE PRODUCTS

- The industry is dominated by international companies, is highly competitive and the biggest challenge is competing with companies with critical mass and access to funds.

##### PRODUCTS

- Package product from glass ampoules to glass vials. This innovation will ensure increased marketability of the product and help compete against multinational companies.

##### CENTURION FACILITY

- Regulatory requirements have evolved over the years, with the South African MCC drawing closer to its European counterparts; has resulted in more stringent requirements.
- With the facility having been in existence for more than 15 years, the MCC recommended that the facility be upgraded to comply with the latest Good Manufacturing Practice (GMP) code.

#### RIBOTECH

##### FUNDING

- To commercialise G-CSF will require further funding for phases 2, 3 and the commercial phase 4.

##### CLINICAL TRIALS

- Commencement of clinical tests on patients or a bioequivalent study is necessary.

##### REGULATORY COMPLIANCE

- A critical milestone will be the successful outcome of the clinical stage leading to product registration with the MCC.
- Revenue generation can start with the commencement of sales and marketing of the product.

## HEALTH AND BIOTHERAPEUTICS - continued

### RISKS

Risk management is integrated into Genius' business management process. Each business unit maintains a risk register, which is compiled and maintained by the executive management, with the risk status and execution of planned actions being reviewed monthly. Executive management is responsible for the identification, classification and management of all operational risks.

Significant strategic and going-concern risks can be identified at all levels in each business unit. However, the responsibility for directing the actions necessary to manage these risks is the responsibility of the Genius board of directors of each business unit. Strategic and going-concern risks are reviewed at the quarterly business units Board meetings and the executive directors are charged with the execution of approved risk management actions.

Funding challenges that Genius faces is not atypical to what most small biotech companies globally experience. In most cases research and development work requires sustainable funding support for lengthy periods of time due to various regulatory processes, including early stage clinical trials. The other challenge lies in achieving commercial scale production, coupled to this is the effective sales and marketing plan for their products.

In the year under review, although a number of identified risks could not be avoided, the pre-planned management strategies for these risks were successful in mitigating or avoiding the severity of the impact on the respective business units overall financial performance.



The following risks have been identified and are being managed. Means of mitigating these risks have been identified.

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
<ul style="list-style-type: none"> <li>Regulatory bodies</li> </ul>	<ul style="list-style-type: none"> <li>Medicines Control Council – the regulatory compliance and demands in this industry requires continuous review.</li> </ul>	<ul style="list-style-type: none"> <li>The Centurion facility has undergone a major change to ensure it is more compliant and a revised quality management system (QMS) will be adopted to ensure compliance.</li> <li>The Ribotech facility will follow a similar approval process for its product regarding its GMP licence.</li> <li>A clean room facility is to be erected at Groote Schuur Hospital for the DCV work to be done under sterile conditions. This will also be done to meet MCC compliance.</li> </ul>
<ul style="list-style-type: none"> <li>Employees</li> </ul>	<ul style="list-style-type: none"> <li>Employing suitable candidates usually presents a challenge due to lack of experience in this field of expertise.</li> </ul>	<ul style="list-style-type: none"> <li>Management has identified suitable candidates for the vacant positions.</li> <li>An extensive training and skills development programme will be adopted for the newly recruited candidates.</li> </ul>
<ul style="list-style-type: none"> <li>Manufacturing capacity</li> </ul>	<ul style="list-style-type: none"> <li>The manufacturing capacity will need to be scaled up to meet market demands. There is a risk that manufacturing capacity and production delays may be faced.</li> </ul>	<ul style="list-style-type: none"> <li>A strong regulator and scientific team are required to increase efficiency of the production process.</li> </ul>
<ul style="list-style-type: none"> <li>Competitors</li> </ul>	<ul style="list-style-type: none"> <li>The Group operates in a highly competitive market that attracts both global biotechnology leaders and new biotechnology companies in developing countries.</li> </ul>	<ul style="list-style-type: none"> <li>Lobbying the Department of Health and Treasury highlighting the economic advantages for supporting local manufacturing and export.</li> </ul>
<ul style="list-style-type: none"> <li>Intellectual property</li> </ul>	<ul style="list-style-type: none"> <li>The Group currently holds 22 patents in the manufacturing techniques and technologies as well as trademarks. Patent laws will protect its proprietary manufacturing techniques and brands. The Group will take legal action to protect any infringements.</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining patents to ensure that they are enforceable.</li> </ul>

HEALTH AND BIOTHERAPEUTICS - continued

**STAKEHOLDER MANAGEMENT**

The Genius Group’s businesses are based on strong relationships with external stakeholders, ensuring the understanding of their business units and its requirements. The industry is highly regulated and subject to several legislative acts. The main stakeholders are:

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> <li>Employees</li> </ul>	<ul style="list-style-type: none"> <li>Employees of the Company</li> </ul>	<ul style="list-style-type: none"> <li>Develop human capital</li> <li>Market-related remuneration</li> </ul>	<ul style="list-style-type: none"> <li>The responsible pharmacist and quality assurance persons have very important roles to play in the production process and they also carry a legal responsibility for the release of the final product to the market.</li> <li>The senior scientist is responsible for the production process. This scientist ensures that the production process is efficient and robust to meet GMP codes.</li> </ul>
<ul style="list-style-type: none"> <li>Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Procurement of goods and services</li> </ul>	<ul style="list-style-type: none"> <li>Commitment to BBBEE policies</li> <li>Ethical business behaviour</li> <li>Prompt payment</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that they conduct business with reputable businesses - Code of Ethics.</li> <li>Ensure that they support the policy on BBBEE.</li> <li>Negotiate, manage and conclude contracts.</li> <li>Ensure long-term availability of the raw materials for the products is essential.</li> </ul>
<ul style="list-style-type: none"> <li>Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Owners of the business</li> </ul>	<ul style="list-style-type: none"> <li>Shareholder wealth creation</li> <li>Integrity</li> <li>Ethical business practices</li> </ul>	<ul style="list-style-type: none"> <li>Financial support is provided by their majority shareholder to ensure the current sustainability of the business.</li> </ul>

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> <li>Regulatory</li> </ul>	<ul style="list-style-type: none"> <li>Monitor regulatory compliance framework</li> <li>Comply with regulations, laws and legislation</li> <li>Meeting with industry regulators</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with laws and regulatory authorities</li> </ul>	<ul style="list-style-type: none"> <li>The MCC is responsible for the registration of all medicines, dossiers and licences.</li> <li>Continuous training of management and employees responsible for compliance with various regulations by the respective authorities.</li> <li>Internal control procedure checklist to ensure compliance with respective laws and regulations.</li> <li>Immediate corrective action in the event of findings raised by authorities.</li> <li>Participation in industry working groups.</li> </ul>
<ul style="list-style-type: none"> <li>Government</li> </ul>	<ul style="list-style-type: none"> <li>Monitor regulations and legislation</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with laws and regulations of authorities</li> </ul>	<ul style="list-style-type: none"> <li>A key stakeholder and one that has to be interacted with on a regular basis. Lobby with government to address the issues they face as a local manufacturer as they are subject to restrictive policies that counter the development and growth of their business.</li> </ul>

## REMUNERATION

Genius focuses its remuneration policy on the balance between fixed and risk remuneration practices. Structuring pay packages evaluated on job-specific market trends to ensure that they remain competitive. Affordability and sustainability are also factors that influence the remuneration model with performance and incentive-driven targets to stimulate growth.

## ACRONYMS

EPO	Erythropoietin
G-CSF	Granulocyte-colony stimulating factor
GMP	Good Manufacturing Practice
MCC	Medicines Control Council
CSIR	Council for Scientific and Industrial Research
DCV	Dendritic Cell Vaccine
IBW	Integrated Bioworks
NRF	National Research Foundation
UCT	University of Cape Town
HVAC	Heating, ventilation and air-conditioning



## EVENTS AND TOURISM

CONTRIBUTION TO  
REVENUE

**R127m**

CONTRIBUTION TO  
OPERATING PROFIT

**R5m**

### ESPAFRIKA (PTY) LTD (espAfrika)

#### KEY FACTS

CHIEF EXECUTIVE OFFICER | K Abdulla (acting)

BOARD OF DIRECTORS | VC Mehana, K Abdulla, CF Hendricks, M Domingo and S Ramdenee

EMPLOYEES | 37

HEAD OFFICE | Claremont, Cape Town

FOOTPRINT | Western Cape and North West Province

#### PROFILE

espAfrika is a cutting-edge global competitor in events management. Over the past decade, they have staged international music festivals throughout Africa. In 2016 The Cape Town International Jazz Festival was voted one of the World's Best Festivals by FEST 300 and voted the Best Festival in Cape Town in the OFLOCAL 2015 poll. The festival contributes over R0,5 billion to the economy of the Western Cape and R0,9 billion to the gross domestic product (GDP) of the South African economy.

espAfrika is able to produce and host a range of events, from festivals to corporate functions and gala dinners. This innovative events management company thrives on

challenges and their collective energy produces dynamic results. espAfrika's primary strategy is to use indigenous resources and they collaborate with local businesses and the public to ensure that all stakeholders benefit from this collaboration.

espAfrika consistently aspires and inspires new business within the events and entertainment sector throughout Africa. Having diligently established trustworthy relationships in the international music industry, espAfrika ensures a lucrative flow of artists and expertise between Africa, Europe, Asia and the United States.

## 2016 OPERATIONAL PERFORMANCE

espAfrika has been able to fund its operations and events without having recourse to external funding. The Company is profitable and contributes positively to all its stakeholders. All the objectives set by the Board of espAfrika have been met and the Company is on track to building a long lasting and sustainable business.

## VISION 2020 VISION - ESPAFRIKA'S CONTRIBUTION

Following a strategic review of the business, management's main task was to develop two new Company-owned events and to secure two third-party events in order to reduce the Company's dependency on the Cape Town International Jazz Festival.

Strategic objectives and progress to date:

- **Return the Company to solvency and profitability** - espAfrika is now solvent and profitable as well as being able to fund their operations without having to seek external funding.
- **Improve staff morale and bring stability to the Company** - Staff morale improved significantly and the Company is now stable.
- **Reduce dependency on Cape Town International Jazz Festival and introduce two new Company-owned events** - A new annual event "The Royal Escape Experience" was launched at the end of July 2016 at Sun City in the North West Province and an additional annual event will be launched during the 2019 financial year.

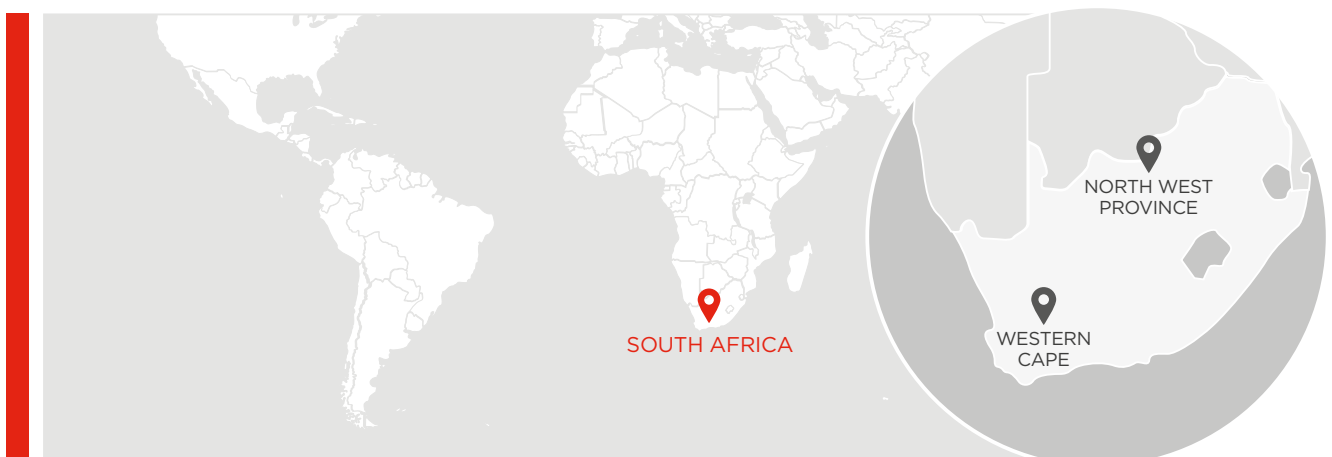
- **Seek new sponsorship for the Company events** - This is an ongoing process and new sponsors have been brought on board for the Cape Town International Jazz Festival and "The Royal Escape Experience". Negotiations with new potential sponsors are ongoing.

## PROSPECTS AND FUTURE OUTLOOK

- Establish the Company as the leader in events production and management in the country.
- Additional new Company-owned events are planned over the next few years outside of the Western Cape as well as securing new third-party events on a long-term contract. It is envisaged that these new events will contribute significantly to the success of espAfrika while at the same time reducing the dependability on the Cape Town International Jazz Festival.
- Through espAfrika's existing business initiatives, social development programmes and innovative leadership, narrow the gap between the rich and the poor and promote music to a wider audience. The development programmes offered by espAfrika in the events industry is providing opportunities to the previously disadvantaged communities to have access to this industry.

## OPERATIONAL FOOTPRINT

espAfrika currently operates in the Western Cape and the North West Province. Plans are afoot to produce and manage new events in other provinces in the near future thus expanding their footprint as a truly national Company.



## PRODUCTS/BRANDS

### BRAND IDENTIFICATION:

espAfrika is represented through its main logo:



The two established brands of the Company are as follows:



The Cape Town International Jazz Festival



The Royal Escape Experience



Detailed information about espAfrika's business model, stakeholders, risks and governance is available on the website at [www.aeei.co.za](http://www.aeei.co.za).

## BUSINESS MODEL

espAfrika's business model is a mix of organising and producing its owned events and managing events on behalf of clients (third-party events). A new annual event under the brand name "The Royal Escape Experience" was launched in Sun City during the month of July 2016. Additional new owned annual events are scheduled to be launched outside of the Western Cape during the next few years. In line with the strategy of developing these new owned events as well as securing third-party events on long-term contracts, espAfrika will create a more sustainable business model going forward and lessen its dependency of its main event the Cape Town International Jazz Festival.

As sponsorship is a critical component in delivering a successful and sustainable event, the multiple company events scenario will enable sponsors to leverage their brand over a much longer period including platforms which in turn will enhance the sponsorship offerings and value proposition.

By devoting more time and effort on building its owned events, the desired results of building a more controllable and sustainable business with projected growth will be achieved.

## GOVERNANCE

espAfrika through the application of policies and structures as defined by the AEEI Group complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles in the current period. The continued training and exposure of employees to the ever changing regulatory environment and regulations of the Companies Act ensure that all employees are fully informed of their responsibilities.

## STRATEGIC PLANNING AND MONITORING

espAfrika manages its business strategically, following a process, which includes an annual review of past performance, products/services, markets as well as a review of the internal and external environments. This review is followed by the setting of strategies and action plans, aimed at both growth and sustainability in current markets.

In addition to the annual strategic planning exercise and quarterly reviews of strategy achievement, espAfrika's management and employees have an Imbizo annually to discuss the long- and short-term targets that need to be reached and diversify in order to maintain their existing economic, operational and environmental sustainability and advantage. Monthly targets are agreed upon and managed through the chief financial officer and various heads of departments. espAfrika believes that in order to achieve the utmost sustainability financially and holistically, it is essential to formulate these objectives collectively with full buy-in from all their staff. The responsibility and understanding is shared among the employees and a sense of achievement is felt when targets are met. Strategies and actions are adjusted periodically to ensure the growth and sustainability of the business.

The Board of espAfrika has approved a formal delegated authority schedule, which informs executive management of the necessary levels of approval for all key business transactions. In this way, the Board of espAfrika ensures that there is a senior manager, or the Board itself, reviewing each key business transaction/initiative to ensure that key business activities are aligned with their strategy, is lawful, will contribute to their sustainability and will not be harmful to any stakeholders and/or the environment.

In this manner, espAfrika can monitor its financial performance against strategies set for the year and evaluate this against the key performance areas of management and key employees. Through this process, the sustainability of operations is ensured and the objectives of the Company are achieved.

## ECONOMIC SUSTAINABILITY

espAfrika aims to deliver sustainable returns to all of its stakeholders. A measure of the value created by espAfrika is the amount of value added by its wide range of activities to the cost of products and materials purchased from small and micro enterprises as well as the economic impact it creates to the Western Province and the country as a whole.

espAfrika continuously reviews its entire cost base using a zero base approach to ensure that this is in line with its revenue and business growth expectations as well as ensuring that the return on investment is in line with the industry standard. Overheads are continuously monitored

## EVENTS AND TOURISM - continued

and a delegated authority is cascaded throughout espAfrika to ensure that each manager is responsible for the monitoring of costs as well as its impact on the Company's performance. Regular meetings are held to ensure all managers and staff are aware of their contribution and the impact of their decision/s on the business.

The strategy adopted has resulted in espAfrika improving on its profitability, liquidity, staff morale and participation as well as ensuring sustainable growth and profitability for future financial years.

### ENVIRONMENTAL SUSTAINABILITY

espAfrika adheres to a strict internal environmentally friendly policy when producing events.

This is implemented through:

- Waste management; and
- Recycling.

All espAfrika's events incorporate a recycling and waste management plan, utilising different coloured bins spread throughout events. The bins are transported to a waste management complex where the waste is then recycled. All construction materials such as plaster board, plywood, beams and corrugated iron are donated to needy causes.

### SOCIAL SUSTAINABILITY

espAfrika's integrated sustainability plan is two-pronged:

- To develop from within the business and grow their human capital; and
- To develop small businesses within the industry and to grow community-based services to alleviate poverty. During the year, espAfrika held many workshops to further promote this initiative. The initiative is fully supported by the National Department of Arts and Culture as part of the Mzansi Golden Economy and additionally espAfrika uses a number of small and micro enterprises as part of its procurement policy.

espAfrika is an active member of SETA and strongly believes in internal training and development. During the year, a number of employees attended training seminars to further enhance their skills. The events industry strongly relies on skilled contractors. However, espAfrika always matches a skilled contractor with a permanent employee so that a transfer of skills can occur.

espAfrika believes that each and every resource should be utilised creatively to support and develop music, arts, culture and job creation. espAfrika, through the Cape Town International Jazz Festival and "The Royal Escape Experience", created in excess of 3 250 jobs, in addition to the numerous skills transfer and development projects held during the events. With the development of new events the impact on job creation, support for small companies and poverty alleviation will further improve.



## KEY CHALLENGES AND RISK MANAGEMENT

### KEY CHALLENGES

The following key challenges have been identified:

<b>RAISING OF SPONSORSHIP</b>	<ul style="list-style-type: none"> <li>The raising of commercial sponsorship income is critical to the success of espAfrika and to further develop its strategic objectives.</li> </ul>
<b>ESTABLISHING NEW ESPAFRIKA-OWNED EVENTS</b>	<ul style="list-style-type: none"> <li>In order to expand its offerings and footprint and lessen the impact of third-party events on its financial performance.</li> </ul>
<b>CASH MANAGEMENT</b>	<ul style="list-style-type: none"> <li>Managing the limited cash resources is critical in order to deliver on espAfrika's strategic objectives.</li> </ul>
<b>EMPLOYEE SKILLS AND RETENTION</b>	<ul style="list-style-type: none"> <li>This remains a key challenge as experience and reputation are critical factors in influencing the market.</li> <li>Limited resources of high-quality personnel make employee mobility one of the highest risk factors.</li> </ul>
<b>EMPLOYEES AND COMMUNITY</b>	<ul style="list-style-type: none"> <li>In meeting these values, espAfrika has at its core the development of both the individual employee and the creation of opportunity for the broader community.</li> </ul>

### RISKS

Risk management is integrated into the business management process. espAfrika maintains a risk register, which is compiled and maintained by executive management, with the risk status and execution of planned actions being reviewed monthly. Executive management is responsible for the identification, classification and management of all operational risks.

Significant strategic and going-concern risks can be identified at all levels in the Company. However, the responsibility for directing the actions necessary to

manage these risks is the responsibility of the Board of espAfrika. Strategic and going-concern risks are reviewed at the quarterly Board meetings of espAfrika and the executive directors are charged with the execution of approved risk management actions.

In the year under review, although a number of identified risks could not be avoided, the pre-planned management strategies for these risks were successful in mitigating and avoiding the severity of the impact on the Company.

## EVENTS AND TOURISM - continued

The following risks have been identified:

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
<ul style="list-style-type: none"> <li>Sponsorship revenue</li> </ul>	<ul style="list-style-type: none"> <li>As sponsorship revenue is an integral part of the Cape Town International Jazz Festival and other espAfrika-owned events, the failure of the Company to attract potential sponsors will have a detrimental effect on both the liquidity and profitability of the Company</li> </ul>	<ul style="list-style-type: none"> <li>New revenue streams have and continue to be developed to reduce the dependency on sponsorship income. A special task team to review the sponsorship proposition and approach to sponsors was established. This resulted in new sponsors being signed as well as committing existing sponsors to new long-term sponsorship contracts. With new events coming on line the value proposition to sponsors is enhanced.</li> </ul>
<ul style="list-style-type: none"> <li>Succession planning</li> </ul>	<ul style="list-style-type: none"> <li>Succession planning is a critical aspect of the long-term future of the business</li> <li>Loss of employees will impact the Company's delivery on its strategic objectives</li> </ul>	<ul style="list-style-type: none"> <li>The Board of espAfrika established a working committee to ensure continuity of the business in case any of its key management or employees leaving.</li> <li>Provide training and development programmes as well as offering market-related remuneration and progression within the Company to retain skilled staff.</li> </ul>

## STAKEHOLDER MANAGEMENT

espAfrika recognises the importance of constant engagement with stakeholders. The principal stakeholders for the Company are shareholders, employees, customers, suppliers, regulatory authorities, trade unions, government and local communities.

espAfrika has various procedures in place with regard to stakeholder management. These are summarised as follows:

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> <li>Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Owners of the business</li> </ul>	<ul style="list-style-type: none"> <li>Integrity</li> <li>Shareholder wealth creation</li> <li>Ethical business practices</li> </ul>	<ul style="list-style-type: none"> <li>Sound corporate governance rules are implemented in the business</li> <li>Adequate return on investment</li> </ul>
<ul style="list-style-type: none"> <li>Customers</li> </ul>	<ul style="list-style-type: none"> <li>Continued support and feedback</li> </ul>	<ul style="list-style-type: none"> <li>Good event artist line-up</li> <li>Safety and security</li> <li>Good value</li> <li>Good facilities</li> </ul>	<ul style="list-style-type: none"> <li>Continuity of event/s</li> <li>Quality of event/s</li> <li>Effective event stewardship</li> </ul>

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> <li>Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Procurement of safe and quality products with reliable and trustworthy deliverables that support their event planning</li> </ul>	<ul style="list-style-type: none"> <li>Ethical business relationships</li> <li>Commitment to BBBEE policies</li> <li>Prompt payment</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that they conduct business with reputable businesses – Code of Ethics</li> <li>Ensure that they support the policy on BBBEE</li> <li>Negotiate, manage and conclude contracts</li> <li>Timeous payment</li> </ul>
<ul style="list-style-type: none"> <li>Regulatory authorities</li> </ul>	<ul style="list-style-type: none"> <li>Promulgate and monitor regulatory frameworks and comply with current regulations, laws and legislation</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with laws and regulations of authorities</li> </ul>	<ul style="list-style-type: none"> <li>Continuous training of management and employees responsible for compliance with various regulations by the respective authorities</li> <li>Internal control procedure checklist to ensure compliance with respective laws and regulations</li> <li>Immediate corrective action noted in the event of findings raised by authorities</li> </ul>
<ul style="list-style-type: none"> <li>Employees</li> </ul>	<ul style="list-style-type: none"> <li>The foundation of their business is through innovation, integrity, productivity and accountability</li> </ul>	<ul style="list-style-type: none"> <li>Skills training</li> <li>Employee benefits</li> <li>Market-related remuneration</li> <li>Ethical behaviour and mutual respect</li> <li>Safe working environment</li> <li>Empowerment</li> </ul>	<ul style="list-style-type: none"> <li>Training and education</li> <li>Open communication between managers and employees</li> <li>Market-related remuneration</li> <li>Transformation</li> <li>Career progression and planning</li> </ul>
<ul style="list-style-type: none"> <li>Employees</li> </ul>	<ul style="list-style-type: none"> <li>The foundation of their business is through innovation, integrity, productivity and accountability</li> </ul>	<ul style="list-style-type: none"> <li>Skills training</li> <li>Employee benefits</li> <li>Market-related remuneration</li> <li>Ethical behaviour and mutual respect</li> <li>Safe working environment</li> <li>Empowerment</li> </ul>	<ul style="list-style-type: none"> <li>Training and education</li> <li>Open communication between managers and employees</li> <li>Market-related remuneration</li> <li>Transformation</li> <li>Career progression and planning</li> </ul>
<ul style="list-style-type: none"> <li>Local communities</li> </ul>	<ul style="list-style-type: none"> <li>Building trusted relationships with the community interest as the base</li> </ul>	<ul style="list-style-type: none"> <li>Contributing transparently and responsibly to community needs</li> </ul>	<ul style="list-style-type: none"> <li>Sponsorships</li> <li>Bursaries</li> <li>Employment opportunities</li> </ul>

## REMUNERATION

espAfrika staff are its most important asset and the Company aims to be a competitive and attractive employer in the marketplace. Remuneration and benefits are important drivers, as are career opportunities, personal development, culture and values, leadership. As stated in the Code of Conduct, espAfrika complies with applicable laws, agreements and industry standards on working hours and compensation.

espAfrika has various incentive schemes in place in order to retain talent and experienced employees. espAfrika's policy requires all employees to belong to their pension or provident fund in order to plan for their retirement.

## TRIPOS TRAVEL (PTY) LTD (TRIPOS)

### KEY FACTS

EXECUTIVE MANAGER | R Romaney

BOARD OF DIRECTORS | K Abdulla, CF Hendricks, AM Salie and L Burt

EMPLOYEES | 11

HEAD OFFICE | Woodstock, Cape Town

FOOTPRINT | Western Cape

### PROFILE

Tripos has been in existence since 1970 and has two distinct operating divisions: Travel Management Services and Inbound Tours and Events. While Tripos is specialists in corporate travel, they provide a service in both the corporate and leisure markets. In the tours and events department, they focus on inbound tours to southern Africa for groups and independent travellers.

Tripos has long-term contracts with corporate clients and independent (on and off-site) travel consultants.

Tripos aims to:

- deliver a superior service while actively contributing to the development of people in the Travel Industry;
- invest in leading-edge technology to service clients through an Omni channel, both online and in person;
- develop their employees;
- build strong relationships and leverage its membership in the Sure Group to provide clients with the best prices; and
- ultimately deliver sustainable returns to their stakeholders

### 2016 OPERATIONAL PERFORMANCE

The economic downturn had a negative impact on corporate travel and outbound leisure travel. Despite this, Tripos managed to increase their revenue by pricing more aggressively. Although a lower profit margin was achieved, the current sales mix is being addressed in order to provide an all-round service offering to their customers. Tripos reviewed its sales processes and the back office procedures as well as performed a complete overhaul in office administration to improve their business.

The weak rand assisted their inbound travel department but this was offset by the government visa regulations and the slow implementation of its reversal, which discouraged many people from travelling to South Africa. Since this regulation was revisited and reversed, the tourism market is rising again and the Company is actively pursuing innovative solutions to capture this section of the market.

## VISION 2020 VISION – TRIPPOS' CONTRIBUTION

A detailed analysis of Tripos was done in 2015 with the primary objective of having focused and aligned efforts across the business to deliver on its long-term goals. A five-year strategic plan was implemented with clear deliverables and strategic actions for each strategic lever as well as detailing clear time frames.

Below is a high-level outline of their progress of the Vision 2020 Vision strategic goals.

Tripos continues to grow by focusing on:

- Growing their share of the corporate market by concentrating their efforts to grow the number of corporate clients, NGOs and government business. They also have a number of government and corporate tenders pending.
- Concentrating more of their resources on the outbound leisure market and they have employed a dedicated senior consultant to focus on growing the sales revenue in this area.
- Investing resources in promoting southern Africa and Niche Tours to grow their share of the inbound market.
- Tripos' relationship with the SURE Consortium has strengthened in that they have negotiated a new and improved agreement with their global distribution system supplier, Amadeus. In addition, SURE also provides formal training, the use of their in-house consultants for design and sales advice without charge. A partnership was agreed between espAfrika and Tripos for the 17th Cape Town International Jazz Festival and Tripos was elected as the official Travel Partner of the festival.
- Tripos implemented an incentive scheme based on key performance indicators, to drive sales and assess the efficiency and productivity of employees. Customer satisfaction was measured via a survey conducted and administered externally. A key value of Tripos is to put the customer first and this is entrenched in their values, staff coaching and training, incentives and allocation of resources.

## PROSPECTS AND FUTURE OUTLOOK

South Africa's status as a tourist destination has become more attractive due to the weak rand, its reversal of unpopular visa regulations and its infrastructure. Tripos is planning to grow this part of their business to exploit the increase in tourism revenue.

The outbound leisure market has also been neglected in the past and a concerted drive is underway to increase their share of this market is in progress. The overall objective is to grow the leisure part of the travel business as well as the Inbound Tours division, to alleviate the dependency on corporate travel and to attain better margins.

The actions in progress to achieve this are listed below:

- Tripos will develop, promote and sell inbound packages for southern Africa;
- Sell niche packages for the Cape Town International Jazz Festival and negotiate a partnership as the official Travel Partner to the festival on a long-term basis;
- Sell niche packages for The Harley Davidson Tours;
- Tripos will develop, promote and sell outbound leisure packages;
- Work closely with suppliers to provide the best deal to its customers;
- Arrange meetings, incentive travel, conferences and corporate events for corporate clients;
- A learnership programme is under way to contribute toward the development of South Africans in the travel industry;
- Customer service and sales training has been arranged for all staff;
- A plan is in place to improve the systems used by their consultants to improve efficiency and to improve the customer experience; and
- A complete review of all processes to identify opportunities to improve service and gain efficiencies.

## EVENTS AND TOURISM - continued

### OPERATIONAL FOOTPRINT

Tripos has a single office in Cape Town with their corporate client list being predominantly Cape Town-based with less than 5% based in Gauteng.

Inbound clients have originated from a number of countries including Argentina, Dubai, France and the UK.



### PRODUCTS/BRANDS

#### BRAND IDENTIFICATION:



Detailed information about Tripos' business model, stakeholders, risks and governance is available on the website at [www.aeei.co.za](http://www.aeei.co.za).

## PRODUCTS/BRANDS

### TRAVEL MANAGEMENT

- Retail Travel
  - Outbound leisure travel
  - Corporate Travel
    - Tripos has contracts with corporate clients, NGOs and government bodies to manage their travel arrangements.
    - Tripos also has a number of agreements with corporates where they are retained as a preferred supplier.
- Wholesale Travel
  - Tripos structures packages (air, accommodation, tours and transfers) for resale by other Travel Agencies
- Inbound Travel
  - Inbound Tours of southern Africa
  - Niche Tours
- List of services offered:
  - IATA air tickets and non-IATA air tickets (e.g. air charters)
  - Accommodation and car-hire
  - Transfer and chauffeur services
  - Packaged travel arrangements
  - Travel insurance, passport and visas
  - After-hours service line
  - Manage corporate events including meeting and conferencing arrangements
  - Incentive Travel

### BUSINESS MODEL

Tripos is a retail and wholesale travel business. They retail air, land and associated services directly to the consumer as well as wholesale travel packages to other travel companies. Tripos' retail business is split into corporate and leisure travel.

Tripos has contracts to manage the travel arrangements for a number of corporate clients based in South Africa. In leisure travel, the focus is on selling outbound travel packages to clients in the local market. The inbound tours department focuses on selling packages to inbound tourists from abroad. In addition, Tripos has agreements with independent travel consultants who use their infrastructure to issue tickets and to service their clients.

Revenues from travel management are generated from service fees and override commissions (from some service providers). A small portion of their income is in the form of rental from the independent travel consultants.

Tripos is growing its retail travel business in line with its strategy while simultaneously planning to grow its inbound tours business. This strategy is designed to ensure regular income from corporate clients and through outbound and inbound sales, improve the overall profit and profit margin.

### GOVERNANCE

Tripos, through the application of policies and structures implemented within the AEEI Group, complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles in the current period. Employees are also provided with regular training or presentations on the ever-changing regulatory environment to ensure that all their staff are fully informed and that Tripos adheres to all the regulations and laws.

### STRATEGIC PLANNING AND MONITORING

Tripos manages its business strategically by following a process that includes an annual review of past performance, source of income and a review of the internal and external environments including the market. This review is followed by the setting of new strategies, targets and action plans, aimed at growth and sustainability in the short to long term.

Quarterly reviews of their strategic achievements, progress on action plans and how changes in the internal and external environments may positively, or negatively, affect each action plan is conducted and monitoring of the new strategic levers have been implemented. Strategies and actions are then adjusted to ensure that Tripos achieves its targets and delivers on its action plans.

As part of its strategy, Tripos also empowers communities in which it operates. This is achieved through the transfer of skills and technical knowledge by employing interns as consultants and in the back office. Tripos promotes preferential procurement from small, black-owned companies.

Tripos has an approved formal delegated authority schedule, which informs executive management of the necessary levels of approval for all key business transactions. In this way they ensure that there is a senior manager or the Board of Tripos itself reviewing each key business transaction/initiative to ensure that key business activities are aligned with their strategy, is lawful, contributes to their sustainability and will not be harmful to any stakeholders and/or the environment.

## EVENTS AND TOURISM - continued

### ECONOMIC SUSTAINABILITY

Tripes aims to deliver sustainable returns to all of its stakeholders. To mitigate the low margins in corporate travel, they have embarked on a strategy to grow the tours and leisure part of their business which traditionally return higher margins. Revenue, costs and cash flow is monitored closely to ensure sustainability.

### ENVIRONMENTAL SUSTAINABILITY

The growth of tourism has led to a strain on the world's natural environment. Tripes promotes responsible travel and encourages the conservation of the environment and the improvement of indigenous people. They also reflect the CO<sub>2</sub> emissions from air travel on their invoices to create awareness around the traveller's carbon footprint. They are also committed to reducing their environmental footprint.

### SOCIAL SUSTAINABILITY

Tripes is aware of their responsibility to play a meaningful role in the communities in which it operates.

Tripes is committed to introduce and integrate people of previously disadvantaged backgrounds into the travel and tourism sector.

To achieve this Tripes has:

- Started a learnership programme;
- Assists with the growth of small business by giving it preferred supplier status; and
- Is planning corporate social initiatives in the Western Cape.

## KEY CHALLENGES AND RISK MANAGEMENT

### KEY CHALLENGES

The following key challenges have been identified:

#### GOVERNMENT POLICY

- Government policy to cut all commissions and overrides will put upward pressure on their service fee pricing, making it more difficult to justify their service charges.

#### COMPETITION

- Travel management companies are under pressure from:
  - Online Travel Agencies,
  - A large number of competitors in the market
  - Suppliers selling directly to the consumer
  - Consortiums selling directly to the consumer
  - The growth of collaborative sales (the sharing economy)
  - Corporates insourcing their travel management in the belief that it will save them money
- All of the above puts a downward pressure on pricing and leads to thinner margins.

#### STAFF SKILLS AND RETENTION

- A consultant's reputation is the main selling point when clients consider using a travel management Company and the relationship they build is the main factor why their business is retained.
- The level of a consultant's knowledge, experience, interpersonal skills and reputation are critical in acquiring and retaining business.
- Skilled consultants are in short supply and staff retention is a key challenge.
- Incentive and retention schemes are becoming increasingly important to retain the best talent.

#### EMPLOYEE SKILLS AND RETENTION

- In meeting these values, Tripes has at its core the development of both the individual employee and the creation of opportunities for the broader community.



## RISKS

Triplos maintains a risk register, which is compiled and maintained by their executive management, with the risk status and execution of planned actions being reviewed monthly. Executive management is responsible for the identification, classification and management of all operational risks.

The business risks facing Triplos' ability to sustain itself in the future as well as the mitigation against those risks, are noted below:

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
<ul style="list-style-type: none"> <li>The discontinuation of commissions and overrides</li> </ul>	<ul style="list-style-type: none"> <li>Negative impact on revenue and profits</li> </ul>	<p>Triplos is prepared to re-negotiate its service fees in the event of this eventuality and will compensate for this possibility and impact in all future contracts. In addition, they have refocused their business to grow the inbound/ tours department which is not dependent on the same model as travel.</p>
<ul style="list-style-type: none"> <li>The processing of credit cards is not compliant to POPI</li> </ul>	<ul style="list-style-type: none"> <li>Financial liability</li> </ul>	<p>This process is to be instituted during the next financial year.</p>
<ul style="list-style-type: none"> <li>Staff Retention</li> </ul>	<ul style="list-style-type: none"> <li>Negatively impacts the sustainability of the business</li> </ul>	<p>A retention plan, including incentives, training and development and team engagement has been introduced.</p>

## REMUNERATION

Triplos aims to be a competitive and attractive employer in the marketplace. Remuneration and benefits are important drivers, as are career opportunities, personal development, culture and values, leadership, Company performance and reputation. As stated in the Code of Conduct, they comply with applicable laws, agreements and industry standards on working hours and compensation.

Triplos has various incentive schemes in place in order to retain talented and experienced staff. All new contracts stipulate that it is compulsory for staff to belong to the provident fund in order to plan for their retirement and medical insurance is compulsory.

## EVENTS AND TOURISM - continued

## STAKEHOLDER MANAGEMENT

Triplos recognises the importance of constant engagement with stakeholders. The principal stakeholders for Triplos are shareholders, employees, clients, suppliers and associations.

Triplos has various procedures in place with regard to stakeholder management. These are summarised as follows:

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> <li>Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Owners of the business</li> </ul>	<ul style="list-style-type: none"> <li>Shareholder wealth creation</li> <li>Ethical business practices</li> </ul>	<ul style="list-style-type: none"> <li>Sound corporate governance rules are implemented in the business</li> <li>Their strategic plans are aligned to their growth strategy</li> </ul>
<ul style="list-style-type: none"> <li>Clients</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Travel Managers</li> <li>Travellers</li> </ul>	<ul style="list-style-type: none"> <li>Clients experience, excellence in products and services provided</li> <li>Build good relationships with corporate clients.</li> <li>Reliable supply of appropriate advice and products.</li> </ul>	<ul style="list-style-type: none"> <li>Investment in staff training and development</li> <li>Suppliers are vetted and managed to provide quality products</li> <li>Staff adhere to all ethical and legal requirements in the delivery of the service</li> <li>Regular meetings and contact with major clients</li> <li>Customer service standards and performance is measured</li> </ul>
<ul style="list-style-type: none"> <li>Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Procurement of travel, accommodation, land transport and travel-related products, either on behalf of the client, or for Triplos to sell on.</li> </ul>	<ul style="list-style-type: none"> <li>Ethical business relationships.</li> <li>Commitment to BBBEE policies.</li> <li>Prompt payment.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that they conduct business with reputable businesses – Code of Ethics.</li> <li>Ensure that they support the policy on BBBEE.</li> <li>Negotiate, manage and conclude contracts.</li> <li>Timeous payment.</li> </ul>
<ul style="list-style-type: none"> <li>Accreditation and Associations: BBBEE, IATA, ASATA and SATSA</li> </ul>	<ul style="list-style-type: none"> <li>Interact with industry leaders, regulatory bodies and government and provides accreditation of good standing.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with strict code of conduct, laws and applies the highest ethical standards.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous training of management and staff responsible for compliance with various regulations by the respective authorities.</li> <li>Participation in industry meetings and conferences.</li> </ul>
<ul style="list-style-type: none"> <li>Employees</li> </ul>	<ul style="list-style-type: none"> <li>Employed at Triplos.</li> </ul>	<ul style="list-style-type: none"> <li>Safe working environment.</li> <li>Fair treatment and fair remuneration.</li> <li>Maintain a sustainable business for job security.</li> </ul>	<ul style="list-style-type: none"> <li>Training and development of staff.</li> <li>An incentive scheme was introduced, in addition to fixed salary.</li> <li>Fixed salaries were benchmarked to industry standard.</li> <li>Long-term business plan for growth.</li> </ul>

## MAGIC 828 (PTY) LTD (MAGIC 828)

### KEY FACTS

CHIEF EXECUTIVE OFFICER | A Sanderson-Kasner

BOARD OF DIRECTORS | K Abdulla, C Ah Sing, CF Hendricks, AB Amod, A Brading, A Fehrsen and A van der Sandt

EMPLOYEES | 20

HEAD OFFICE | Mowbray, Cape Town

FOOTPRINT | Cape Town, Western Cape

### PROFILE

Magic 828 is a medium-wave commercial music radio station and was officially launched on 1 October 2015, broadcasting to Cape Town and the greater Western Cape region. Their studios are situated in Pinelands, Cape Town with a transmitter sited at the centre of a geographic triangle with Paarl, Durbanville and Malmesbury as the three corner points. Magic 828 radiates a 25 000 watt (25 kW) signal to major suburban areas of the Cape, unrestricted by mountainous terrain and operates on the AM wavelength.

The essential broadcast format of the radio station is one of golden oldies music, mixed with less talk, sport, news and community information.

### 2016 OPERATIONAL PERFORMANCE

Since the launch in October 2015, the radio station is operating smoothly with all of its equipment fully operational. The radio station is built on an advertising revenue model driven primarily by listenership. Advertising revenue continues to increase as a result of the steadily increase in listenership. With the base costs now established and stabilised, Magic 828's focus will turn to marketing and exploring various product offerings.

## EVENTS AND TOURISM - continued

**VISION 2020 VISION –  
MAGIC 828'S CONTRIBUTION**

A five-year strategic plan was implemented in 2015 with clear deliverables, strategic actions for each strategic lever as well as detailing clear time frames. Magic 828 is on target to achieve its Vision 2020 Vision objectives.

2016 Achievements to date include:

- Mast and studio built to broadcast by live date;
- Created brand awareness of Magic 828;
- The radio station was staffed since September 2015;
- Local sales team in place;
- Station went live on 1 October 2015;
- Production streamlined by increasing the quality of music and training of staff;
- Lending expertise to community radio broadcasters – ongoing;
- Involvement with outside broadcasts and training programmes – ongoing;
- Setting up and running a weekend training school – ongoing;
- Promoting local talent in terms of the ICASA requirements with a HDI target of 70% with 60% achieved to date – ongoing; and
- External broadcasts into shopping malls and other events to market their brand.

**PROSPECTS AND  
FUTURE OUTLOOK**

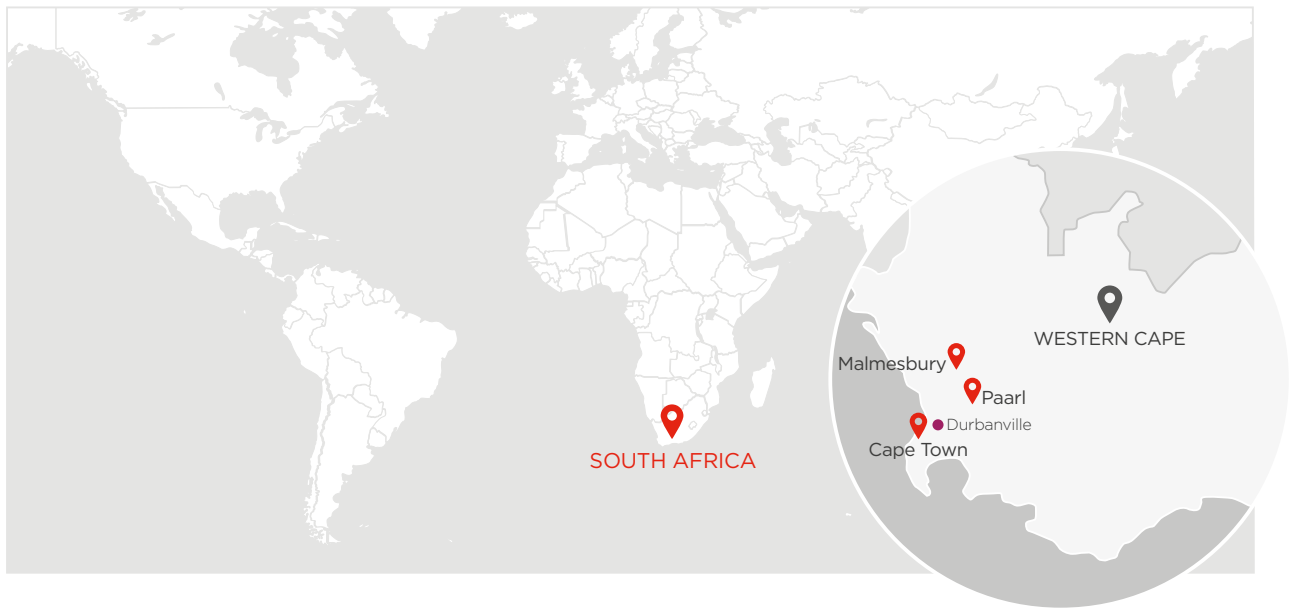
Magic 828 have identified the following prospects and opportunities in reaching their Vision 2020 Vision:

- Further increasing brand awareness and increasing listenership;
- Explore an opportunity of obtaining government business with the assistance of their partners;
- Construct a road show to visit agencies in three centres Gauteng, Cape, and KwaZulu-Natal. This has proven (by other stations) to be exceedingly successful;
- Explore opportunities to bring small to medium business into their advertising fold;
- Perform at various community events encouraging the underprivileged to participate;
- Extending their broadcasting via programming from Magic 828 AM on FM community stations;
- Protecting their industry to create more employment;
- Further advertising opportunities rising due to the exposure of their station;
- Further growth in listenership;
- Fine tuning programming on a daily basis;
- Creating affordable advertising packages to entities that were previously excluded;
- Continue to look at joint ventures in marketing and advertising;
- In conjunction with another entity create an e-Entertainment magazine realising further advertising and income;
- Employing more people on an equal employment basis; and
- Increasing their broadcast area.

The Company has aligned its business model to ensure that the business structure, processes and objectives are aligned to the requirements of the ICASA radio licence.

## OPERATIONAL FOOTPRINT

Listenership is in the Cape Town and the greater Western Cape region with Paarl, Durbanville and Malmesbury as the three corner points.



## PRODUCTS/BRANDS

### BRAND IDENTIFICATION:



Detailed information about Magic 828's business model, stakeholders, risks and governance is available on the website at [www.aeei.co.za](http://www.aeei.co.za).

## EVENTS AND TOURISM - continued

**BUSINESS MODEL**

The nature of Magic 828's programming is intended to appeal to the tastes and interests of most age, gender and race groups within the geographic broadcast reception area. Research conducted by Luisa Belter, an independent media and research consultant, together with Freshly Ground Insights (FGI), a research and data collection company, has indicated that this will be achieved in their targeted region.

**GOVERNANCE**

Through the application of policies and structures within their Company, Magic 828 complies with all sound governance and regulatory functions and has had no reported fraud or deviations in the application of these principles during the current period. The continued training and exposure of employees to the ever-changing regulatory environment and regulations of the Companies Act and ICASA ensures that all employees are fully informed of their responsibilities.

Magic 828's current control and governance structure have been evaluated and is continually being improved. The Board of Magic 828 approved a formal delegated schedule of authority, which informs executive management of the necessary levels of approval for all key business transactions. It is aligned with their strategy, is lawful and will contribute to their sustainability and will not be harmful to any stakeholders and/or the environment.

**STRATEGIC PLANNING AND MONITORING**

Magic 828 follows a process that includes an annual review of the past performance, services, markets as well as reviews the internal and external environments.

**ECONOMIC SUSTAINABILITY**

Magic 828 aims to deliver sustainable returns to all of its stakeholders by adding value to a range of activities through their development strategy which is based on:

- providing a sustainable music station on a sound financial basis;
- providing a service to their audience and advertisers;

- providing a means for the free and fair dissemination of news and information;
- displaying integrity in advertising;
- remaining an independent, law-abiding commercial entity, displaying responsible corporate governance;
- involvement of all aspects of radio including advisory boards and self-regulatory bodies;
- being skills reliant;
- promoting the transfer of skills;
- promoting the growth of South African talent in the radio industry;
- advancing the radio industry in technological areas; and
- continuing to re-invest in the business and the radio industry as a whole.

**ENVIRONMENTAL SUSTAINABILITY**

As a radio station, Magic 828 has a very low direct impact on the environment.

**SOCIAL SUSTAINABILITY**

Magic 828's aim is:

- to conduct proper and professional training in radio, engineering and production;
- place interns within the station to learn about professional programming, sales, copywriting, advertising and station management;
- to assist and train community radio stations with advice and expertise;
- sharing programming to community radio stations on a pro bono basis;
- a further requirement of their licence condition is to assist a community station by imparting skills and resources. To this end RKP FM on 99.0 and 102.7 FM totally BEE community stations have been assisted; and
- attaining a socially acceptable HDI employment balance to 70% of all employees – at present at 60% in terms of their licence requirements.

## KEY CHALLENGES AND RISK MANAGEMENT

### KEY CHALLENGES

The following key challenges have been identified:

<b>ADVERTISING PLACEMENT AND REVENUE</b>	<ul style="list-style-type: none"> <li>The raising of advertising income is critical to the success of Magic 828 as this will increase revenue and further develop its strategic objectives</li> </ul>
<b>LISTENERSHIP</b>	<ul style="list-style-type: none"> <li>Increasing listenership dictates advertising income from agencies</li> </ul>
<b>EMPLOYEE SKILLS AND RETENTION</b>	<ul style="list-style-type: none"> <li>This remains a key challenge as experience and reputation are critical factors in influencing the market</li> <li>Limited resources of high-quality personnel</li> </ul>
<b>ECONOMIC CONDITIONS</b>	<ul style="list-style-type: none"> <li>Prevailing economic conditions reflect on advertising expenditure by customers</li> </ul>

### RISKS

Risk management is integrated into their business management process. Magic 828 maintains a risk register, which is compiled and maintained by executive management, with the risk status and execution of planned actions being reviewed monthly. Executive management is responsible for the identification, classification and management of all operational risks.

Significant strategic and going-concern risks can be identified at all levels in the Company. However, the responsibility for directing the actions necessary to

manage these risks is the responsibility of the Board of Magic 828. Strategic and going-concern risks are reviewed at the quarterly Board meetings of Magic 828 and the executive directors are charged with the execution of approved risk management actions.

During the year under review, although a number of identified risks could not be avoided, the pre-planned management strategies for these risks were successful in mitigating and avoiding the severity of the impact on Magic 828.

## EVENTS AND TOURISM - continued

The following risks have been identified:

RISK IDENTIFICATION	IMPACT ON BUSINESS	RESPONSE
<ul style="list-style-type: none"> <li>ICASA requirements</li> </ul>	<ul style="list-style-type: none"> <li>Addressing ICASA requirements of 70% BEE level – currently at 60%.</li> </ul>	<ul style="list-style-type: none"> <li>A letter has been written requesting a six-month extension to enable training. A reply has been received indicating that the matter will be considered.</li> </ul>
<ul style="list-style-type: none"> <li>Advertising revenue</li> </ul>	<ul style="list-style-type: none"> <li>Advertising revenue is an integral part of the business and the failure of the Company to attract potential advertisers will have a detrimental effect on both the liquidity and profitability of the Company</li> <li>A declining market that reacts to political events creates an unwillingness to advertise</li> </ul>	<ul style="list-style-type: none"> <li>New revenue streams have and continue to be developed to reduce the dependency on advertisement income.</li> </ul>
<ul style="list-style-type: none"> <li>Listenership</li> </ul>	<ul style="list-style-type: none"> <li>Delay by RAMS in supplying industry accepted listenership figures. Such figures dictate as to advertising income from agencies.</li> </ul>	<ul style="list-style-type: none"> <li>An independent listenership survey has been approved but there is a delay in RAMS.</li> </ul>
<ul style="list-style-type: none"> <li>Skills retention</li> </ul>	<ul style="list-style-type: none"> <li>Loss of employees will impact the Company's delivery on its strategic objectives</li> </ul>	<ul style="list-style-type: none"> <li>Provide training and development programmes as well as offering market-related remuneration.</li> </ul>
<ul style="list-style-type: none"> <li>Training</li> </ul>	<ul style="list-style-type: none"> <li>Addressing ICASA licence requirements</li> </ul>	<ul style="list-style-type: none"> <li>Additional time is required to source and train disadvantaged individuals to broadcast such as presenters, engineers, news readers and copy writers.</li> </ul>



## STAKEHOLDER MANAGEMENT

Magic 828 recognises the importance of constant engagement with stakeholders. The principal stakeholders for the Magic 828 are shareholders, employees, customers, suppliers, regulatory authorities, government and local communities.

Magic 828 has various procedures in place with regard to stakeholder management. These are summarised as follows:

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> <li>Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Owners of the business</li> </ul>	<ul style="list-style-type: none"> <li>Integrity</li> <li>Shareholder wealth creation</li> <li>Ethical business practices</li> </ul>	<ul style="list-style-type: none"> <li>Sound corporate governance rules are implemented in their business</li> </ul>
<ul style="list-style-type: none"> <li>Customers</li> </ul>	<ul style="list-style-type: none"> <li>Continued support and feedback</li> </ul>	<ul style="list-style-type: none"> <li>Good line-up of music</li> </ul>	<ul style="list-style-type: none"> <li>Target audience reach</li> <li>Effective radio stewardship</li> </ul>
<ul style="list-style-type: none"> <li>Advertisers</li> </ul>	<ul style="list-style-type: none"> <li>Procurement of safe and quality advertisement with reliable and trustworthy deliverables.</li> </ul>	<ul style="list-style-type: none"> <li>Ethical business relationships</li> <li>Commitment to BBBEE policies</li> <li>Prompt payment</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that they conduct business with reputable businesses - Code of Ethics</li> <li>Ensure that they support the policy on BBBEE</li> <li>Negotiate, manage and conclude contracts</li> <li>Timeous payment</li> </ul>
<ul style="list-style-type: none"> <li>Regulatory authorities</li> </ul>	<ul style="list-style-type: none"> <li>Promulgate and monitor regulatory frameworks and comply with current regulations, laws and legislation</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with laws and regulations of authorities</li> </ul>	<ul style="list-style-type: none"> <li>Continuous training of management and employees responsible for compliance with various regulations by the respective authorities</li> <li>Internal control procedure checklist to ensure compliance with respective laws and regulations</li> <li>Immediate corrective action noted in the event of findings raised by authorities</li> <li>Participation in industry working groups</li> </ul>

EVENTS AND TOURISM - continued

STAKEHOLDER	RELATIONSHIP	EXPECTATION	EXPECTATION MANAGED
<ul style="list-style-type: none"> <li>• Employees</li> </ul>	<ul style="list-style-type: none"> <li>• The foundation of their business is through innovation, integrity, productivity and accountability.</li> </ul>	<ul style="list-style-type: none"> <li>• Skills training</li> <li>• Employee benefits</li> <li>• Market-related remuneration</li> <li>• Ethical behaviour and mutual respect</li> <li>• Safe working environment</li> <li>• Empowerment</li> </ul>	<ul style="list-style-type: none"> <li>• Training and education</li> <li>• Open communication between managers and employees</li> <li>• Market-related remuneration</li> <li>• Transformation</li> <li>• Career progression and planning</li> </ul>
<ul style="list-style-type: none"> <li>• Local communities</li> </ul>	<ul style="list-style-type: none"> <li>• Building trusted relationships with the community interest as the base</li> </ul>	<ul style="list-style-type: none"> <li>• Contributing transparently and responsibly to community needs</li> </ul>	<ul style="list-style-type: none"> <li>• Learnerships</li> <li>• Training and development</li> <li>• Employment opportunities</li> </ul>

REMUNERATION

Magic 828 aims to be a competitive and attractive employer in the marketplace. Remuneration and benefits are important drivers, as are career opportunities, personal development, culture, values and leadership. As stated in the Code of Conduct, they comply with applicable laws, agreements and industry standards on working hours and compensation.

ACRONYMS

- RAMS** Radio Audience Measurement Survey
- ICASA** The Independent Communications Authority of South Africa

# STRATEGIC INVESTMENTS

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**218** British Telecoms South Africa  
(Pty) Ltd

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**219** Saab Grintek Defence  
(Pty) Ltd

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**220** Pioneer Foods Group Ltd

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**221** Sygnia Ltd

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# STRATEGIC INVESTMENTS

## BRITISH TELECOMS SOUTH AFRICA (PTY) LTD (BT)



BT has been present in South Africa for more than 16 years and is continuing to expand its operations in Sub Saharan Africa. BT Communications Services South Africa entered into an agreement with AEEI, under which AEEI holds a 30% share in BT's South African business. This partnership is a demonstration of BT's long-term commitment to South Africa and the BBBEE agenda.

### MARKET/SERVICES

BT is focused on serving the increasing requirements of both South Africa-based multinationals expanding globally as well as global companies that are expanding their presence into South Africa and the rest of Africa. BT has experience across all industry sectors, and has unrivalled expertise in the financial services, mining, oil and gas, government, health care, and media and broadcast sectors.

Customers include more than 300 blue-chip clients in South Africa, including Anglo American, Unilever, Thomson Reuters, Barclays Bank Africa and VISA.

BT has extended its next-generation global IP network into South Africa to three global Points of Presence within South Africa. BT's Global Media Network is also being extended to South Africa with the deployment of the Media and Broadcast Node in Johannesburg, enabling the delivery of high-quality, real-time video content between South Africa and popular media hubs worldwide.

BT has also extended its global managed voice network into South Africa, providing carrier-grade global voice services including global termination services for outbound voice requirements both mobile and fixed line originated, global inbound voice services for South African call centre operations, as well as extending BT Conferencing services into the region.

On top of these Network services delivered by the BT 21st Century Network platform globally, BT also delivers Unified Communications and Collaboration services, including Immersive TelePresence, Managed LAN and IPT services as well as the Security and Consulting services that form an essential part of these offerings.



Further information on this strategic investment can be found on: [itweb.co.za/office/btgroup/profile.htm](http://itweb.co.za/office/btgroup/profile.htm).

## SAAB GRINTEK DEFENCE (PTY) LTD (SAAB)



Saab has reinforced its position as a leading South African defence and security company, bringing capabilities including electronic warfare systems, sensor technology, command and control, training systems, avionics, security and support solutions to the African and international markets.

With new and improved technological systems and solutions, Saab increases a country's defence capabilities and provides innovative, effective products and services for those tasked to maintain security. The Company also works with various stakeholders in gathering data and providing insight into how security threats evolve, and what the best market-customised solutions are.

Saab is able to work with customers to create solutions that meet their needs and budgets, and many of the Company's solutions can be retrofitted to existing infrastructure, further enhancing their versatility and cost-efficiency.

As the exporting of products represents almost 75% of the South African Company's total turnover, Saab was awarded the Best Exporter Award by the SA Premier Business Awards in 2013 and 2014. Hosted by the Department of Trade and Industry in partnership with Proudly South Africa and Brand South Africa, the award recognises the spirit of success, innovation and good business ethics in the economy.

Important markets beyond the country's borders is where the Company intends to maintain and expand its successes include India, Asia Pacific and Europe. On the continent, markets of particular focus include Namibia, Botswana, Kenya, Ghana and Nigeria, while the Company's solutions and services are at home in many nations beyond these.

Saab offers practical services to a wide range of sectors, including conservation, mining, health support services, peace-keeping, air traffic control, weather forecasting and other sectors that require sophisticated military-grade technology to deliver the best solutions for civilian safety and protection. The Company's local aeronautics business focuses on the marketing and sales of all aeronautics products and services, programme components and support for its Gripen Fighter System, supplied to the South African Air Force.

With 650 members of staff across two campuses in Pretoria and Cape Town, the Company represents the second largest of Saab's workforces worldwide out of the 70 countries in which it operates, with the local team researching, developing, producing, exporting, maintaining and upgrading world-standard technologies.



Further information on this strategic investment can be found on: [www.saab.com/region/saabafrika/](http://www.saab.com/region/saabafrika/).

## STRATEGIC INVESTMENTS - continued

**PIONEER FOODS GROUP LTD  
(PIONEER FOODS)**

Established in 1997, Pioneer Foods is one of the largest South African producers and distributors of a range of branded food and beverage products. The Group operates mainly across South Africa, providing wholesale, retail and informal trade customers with products of a consistently high standard. Pioneer Foods exports to more than 60 countries across the globe. The growing international business represents 21% of operating profit.

The Group operates a number of world-class production facilities producing a range of products that includes some of the most recognisable and best loved brand names in South Africa, including the following power brands: Weet-Bix, Liqui-Fruit, Ceres, Sasko, Safari, Spekko and White Star.

They have three main divisions:

- **Essential Foods** – manufactures wheat and maize products, pasta, packing of rice, beans and other dried vegetables and has large bakery operations;
- **Groceries** – produces breakfast cereals, rusks, cake mixes, baking aids, dried fruit products, nuts, sweet and savoury spreads, processed salads, long-life juices, fruit concentrate mixtures and dairy fruit blends.
- **International** – this is primarily structured around an export business model which is managed across two channels, namely Africa and the Rest of the World. This division incorporates the Group's operations and the wholly owned Bokomo Foods UK Business.



Further information on this strategic investment can be found on: [www.pioneerfoods.co.za](http://www.pioneerfoods.co.za).

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**SYGNIA LTD  
(SYGNIA)**

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Sygnia is a specialist financial services group headquartered in South Africa focusing on the provision of investment management and administration solutions to institutional and retail clients predominantly located in South Africa.

The main services provided by Sygnia include Multi-Manager investment solutions, index-tracking investment solutions, customised/bespoke investment strategy management, transition management and investment administration/platform services.

The primary institutional clients span both the private and public sector and include retirement funds, Umbrella Funds, life insurers, third-party Multi-Managers, endowments and other special purpose funds. The primary retail clients include individual members and beneficiaries of retirement funds, as well as the wider individual savings market.

Sygnia's principal geographic focus is South Africa, where it has been operating in its current form since November 2006.



*Further information on this strategic investment can be found on: [www.sygnia.co.za](http://www.sygnia.co.za).*

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