

## Independent Assurance Statement

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

**Integrated Reporting & Assurance Services (IRAS)** was commissioned by AEEI to provide independent third-party assurance (ITPA) over the sustainability content within AEEI's 2021 Environmental, Social and Governance (ESG, or "Sustainability") Reporting (hereafter, referred to as "the Sustainability Report"), covering the period 01 September 2020 to 31 August 2021. For the purposes of this statement, the Sustainability Report refers to content within the Integrated Annual Report (IAR) and the standalone Sustainability Report in both the printed and downloadable/online version, as well as all relevant supplemental information made available via the web at [www.aeei.co.za](http://www.aeei.co.za).

### Assurance Standard Applied

To the best of our ability, this assurance engagement has been aligned with a mix of AccountAbility's AA1000AS v3 assurance standard, structured to meet the AA1000AS Type 1 (Moderate) requirements and guidance taken from experience gained over a more than 20-year period.

### Independence, responsibility and limitations

**IRAS** was not responsible for the preparation of any part of the Report and has not undertaken any commissions for AEEI in the reporting period that would impede our independence.

The preparation of this Report is solely the responsibility of AEEI, where input from **IRAS** is limited to providing ongoing guidance of where early drafts of the report may appear to fall short of reasonable reporting expectations.

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

### Competence

The assurance team included Michael H. Rea, a Lead Sustainability Assurance Practitioner with 22 years' experience in environmental and social performance measurement, including sustainability reporting and assurance, with support from junior associates within the **IRAS** team. Michael has completed 98 assurance engagements for 39 different companies and has completed 155 assurance site visits in 19 countries to test data at source.

### Assurance objectives

The objectives of the assurance process were to...

- Assess the extent to which AEEI's ESG/Sustainability reporting adheres to AccountAbility's AA1000APS Assurance Principles Standard principles of Inclusivity, Materiality, Responsiveness and Impact.
- Assess the extent to which Group collection, collation and reporting of key sustainability data from AEEI's business units meets reasonable expectations for accuracy, consistency, completeness and reliability, as tested at the desktop/off-site level.
- Assess AEEI's ability to provide transparent disclosure of quantitative comparable sustainability data (also referred to as "Environmental, Social and Governance", or "ESG" data).
- Assess the extent to which the Report adheres to reasonable local and international expectations for effective reporting, including guidance provided by the International Integrated Reporting Committee (IIRC) recommendations for integrated reporting (the <IR> Framework).

**NOTE:** While other standards are considered while reviewing the Report, such as the Global Reporting Initiative (GRI) and Taskforce on Climate-related Financial Disclosures (TCFD), the scope of assurance excluded testing for compliance to these (and other) standards.

### Scope of work performed

The process used in arriving at this assurance statement is based primarily on **IRAS's** own ESG data criteria, as well as guidance from AccountAbility's AA1000AS v3 and other best practices in assurance. Our approach to assurance included the following:

- Meetings with key AEEI personnel responsible for the preparation of the Report to assess adherence to the principles of **Inclusivity, Materiality, Neutrality, Comparability, Responsiveness and Impact**.
- A review of sustainability measurement and reporting procedures – inclusive of reviews of the Group's ESG data consolidation process – at AEEI's head offices, via management interviews with the reporting team, as well as through desktop research.

- A review of data collection, collation and reporting procedures at the Group level, with specific reference to the ESG data points detailed in the ESG Data Table presented on pages 2 to 5 of the company's 2021 Sustainability Report (<https://aeei.co.za/wp-content/uploads/2021/12/2021-AEEI-Sustainability-Report.pdf>).
- Reviews of drafts of the Report for any significant errors and/or anomalies, inclusive of any lapses in the reporting of material issues identified during our internal and external materiality assessments.
- Reviews of drafts of the Report to test for adherence to reasonable reporting expectations.
- A series of interviews with the individuals responsible for collating and writing the Sustainability Report in order to ensure sustainability performance assertions could be duly substantiated.

**NOTE:** Although **IRAS** reviews all of the more than 200 ESG data indicators within our Sustainability Data Transparency Index (SDTI), specific attention and further review was paid to the following 33 ESG data points:

#### Labour

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

#### Health & Safety

1. Number of Fatalities
2. Number of First Aid Cases (FACs)
3. Number of Medical Treatment Cases (MTCs)
4. Number of Lost Time Injuries (LTIs)
5. Total Number of Recordable Injuries
6. Fatal Injury Frequency Rate (FIFR)
7. Lost Time Injury Frequency Rate (LTIFR)
8. Total Recordable Injury Frequency Rate (TRIFR)

#### Environment

1. Total Direct Energy Consumption (GJ)
2. Total Indirect Energy Consumption (GJ)
3. Total Energy Consumption (GJ)
4. Total Electricity Consumption (MWh)
5. Average electricity Consumption per PHW
6. Total carbon emissions (Tons CO<sub>2e</sub>) - Scope 1
7. Total carbon emissions (Tons CO<sub>2e</sub>) - Scope 2
8. Average Carbon Emissions per PHW (T/PHW)
9. Total Water Consumption (kl)
10. Average Water Consumption per PHW (l/h)
11. Total non-hazardous waste sent to landfill (tonnes)
12. Total hazardous waste sent for disposal (tonnes)
13. Total volume of waste sent for recycling (tonnes)
14. Percentage of waste sent for recycling (tonnes)

#### Findings & Recommendations

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

#### AA1000AS v3 (Type 1, Moderate)

- As per a review of management assertions, inclusive of discussions at the Group level, AEEI reasonably engages key stakeholders, as defined within this Report, thus meeting the requirements of **Inclusivity**.
- The content of the Report does not differ, in any significant way, from an analysis of the material issues discussed within AEEI, or within its sphere of influence, as per our desktop materiality scans. Adequate systems and controls appear to be in place to identify and prioritise the company's "most material issues", thereby meeting reasonable **Materiality** expectations.

**NOTE:** While this is true at the Group level, concern was identified with respect to the principle of Materiality within one or more of the subsidiary companies for Health & Safety, Water Consumption, Energy Consumption and Carbon Emissions performance.

- As per a review of management assertions, inclusive of discussions at the Group level, AEEI reasonably addresses stakeholder concerns through engagement, inclusive of, but not limited to, the content within its Integrated Annual and Sustainability reports, thereby meeting reasonable **Responsiveness** expectations.
- As per a review of management assertions, inclusive of discussions at the Group level, it is reasonable to assert that while AEEI addresses some of its most material impacts on stakeholders and the natural environment in which it operates through risk management policies and procedures at both the Group and Business Unit levels, more can be done to improve its ability to demonstrate how actions, particularly at the subsidiary level, affect their broader ecosystems, and what is being done to mitigate these impacts. At a moderate level, we believe AEEI's activities, inclusive of, but not limited to, the content discussed within its Sustainability Report, meets basic **Impact** expectations, but require further improvement.

### **Sustainability Data Performance**

- AEEI's systems for data collection, collation and reporting, at both the Group and Subsidiary level, appear to require further improvement. The current reliance on subsidiary reporting of ESG data via Excel templates results in challenges to obtain a significant proportion of all data from the 16 separate reporting entities that sum to AEEI at the Group level. Particular attention appears to be required with respect to ensuring alignment of understanding indicator-specific definitions, monitoring of completeness and reliability of data, and the overarching commitment of all subsidiaries to provide data to the Group for collation and reporting.

**NOTE:** IRAS believes that AEEI should update its current ESG data reporting policies, procedures, systems and controls to improve data reliability, and to expand current reporting to meet stakeholder expectations with respect to the 10 principles of the Global Compact, the 17 United Nations Sustainable Development Goals (SDGs), and rising attention to the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Improvements should include an update to existing ESG data indicator definitions, as well as the intensity of Group internal and/or external scrutiny over data supplied by the various subsidiaries.

- Aside from the following exceptions, the tested data was found to be reasonably accurate and/or reliable, although process improvements at some BUs may still be required with respect to the implementation of internal control procedures for data accuracy and reliability. Exceptions:

- **Injuries on Duty**

It is our belief that, based on patterns of reported data, at least some subsidiaries require further improvement to the identification and/or reporting of injuries on duty. While we have no reason to believe that companies within the AEEI Group are not managing injuries responsibly, we suspect that at least some cases of First Aid and/or Medical Treatment injuries are not being reported to the Group, and that contractor injuries may not be recorded.

- **Direct Energy Consumption and Scope 1 Emissions**

Based on the information supplied, we believe that some subsidiaries deem Direct Energy Consumption (i.e., fuels burned, such as petrol/diesel in company owned/operated vehicles) to be immaterial, and therefore do not have systems in place to report that data to Group. This could potentially result in the under-reporting of both Direct Energy Consumption and Scope 1 greenhouse gas (GHG) emissions.

- **Indirect Energy Consumption and Scope 2 Emissions**

Based on the information supplied, we believe that some subsidiaries deem Indirect Energy Consumption (i.e., electricity consumed in offices and/or other buildings) to be immaterial, and therefore do not have systems in place to report that data to Group. In several cases, it was suggested that because the cost of electricity is built into rental/lease agreements, no such data could be obtained for reporting purposes. This could potentially result in the under-reporting of both Indirect Energy Consumption and Scope 2 greenhouse gas (GHG) emissions.

- **Water Consumption**

Based on the information supplied, we believe that some subsidiaries deem Water Consumption to be immaterial, and therefore do not have systems in place to report that data to Group. In several cases, it was suggested that because the cost of water consumption is built into rental/lease agreements, no such data could be obtained for reporting purposes. This has undoubtedly resulted in the under-reporting of Water Consumption data, although it's uncertain whether the scale of under-reporting meets a reasonable threshold for materiality (i.e., 5.0% of total water consumed).

- **Waste Management**

Based on the information supplied, we believe that some subsidiaries deem the management on non-hazardous waste to be immaterial, and therefore do not have systems in place to report that data to Group. In several cases, it was suggested that because the total estimated volume of waste disposed of and/or sent for recycling is so low, it would be “immaterial” to the overall Group volumes. This has undoubtedly resulted in the under-reporting of data for non-hazardous waste sent to landfills, as well as the volume of waste recycled, although it’s uncertain whether the scale of under-reporting meets a reasonable threshold for materiality (i.e., 5.0% of total waste generated and/disposed of).

- Based on the depth of reporting of ESG data within the Integrated Annual Report (IAR) and Sustainability Report, including data tables within the body of the reports, we believe that AEEI demonstrates leadership relative to public disclosure of the ESG data. As per our SDTI analysis of AEEI’s current reporting, their ESG data transparency falls within the Top 10% of all JSE-listed companies.

## **Conclusions**

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



**Integrated Reporting & Assurance Services (IRAS)**

Johannesburg

22 December 2021