

GOVERNANCE AND SUSTAINABILITY

69	CORPORATE GOVERNANCE REPORT
71	Corporate governance structure
72	Our effective leadership
78	Our executive team
84	Value-added statement
85	BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS
93	REPORT OF THE AUDIT AND RISK COMMITTEE

97	RISK MANAGEMENT REPORT
104	TECHNOLOGY AND INFORMATION
107	REMUNERATION COMMITTEE REPORT
114	SOCIAL AND ETHICS COMMITTEE REPORT
116	INVESTMENT COMMITTEE REPORT

118	TRANSFORMATION COMMITTEE REPORT
120	NOMINATION COMMITTEE REPORT
122	SUSTAINABILITY REPORT
134	SOCIAL SUSTAINABILITY

CORPORATE GOVERNANCE REPORT

CREATING VALUE THROUGH SOUND CORPORATE GOVERNANCE

Sound corporate governance and ethics 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 is the principal decision-maker and is supported by various committees and the executive management team. The Board is responsible for the strategic direction of the Group and the Company's governance framework. The governance framework supports the Company's strategic focus areas.

The Board plays a pivotal role in strategy planning and has established clear benchmarks to measure the strategic objectives of the Company. The Board ensures that its sound governance framework will enhance good corporate governance, improve internal controls and improve the Company's performance. In carrying out the Company's strategic objectives, the Board is assisted by necessary committees, including the executive committee, with clear terms of reference to assist in discharging its responsibilities. This flows down to the subsidiaries and divisional levels to ensure that the business is provided with a structure within which management can operate.

The main focus of the Group's governance framework is as follows:

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

As AEEI is listed on the JSE, the Company is subject to and has implemented controls to provide reasonable assurance of, compliance with all relevant regulatory requirements in respect of its listing. AEEI has applied all the principles of King IV™. (*King IV™ – Principle 6*)

STATEMENT OF COMMITMENT

The Board is committed to the highest standards of ethics, governance and 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 matters that impact on the Group's capacity to create value. The Board believes that it has addressed all material matters appropriately and that it fairly represents the integrated performance of the Group. The Board continuously reviews the Group's governance structures and processes to incorporate and accommodate new corporate developments, to facilitate effective leadership, to provide sustainable corporate citizenship in support of the Group's strategy and to reflect national and international corporate governance standards, developments and best practices. (*King IV™ – Principle 6*)

The Board is satisfied that effective controls have been implemented and complied with throughout the Group and that the Company fully complies with the spirit and form of the continuing obligations of the JSE Listings Requirements, King IV™ and the Companies Act.

APPLICATION OF AND APPROACH TO KING IV™

Following the launch of King IV™, the Board of AEEI adopted King IV™ during the year under review.

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

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

The Board ensured compliance with applicable laws, rules, codes and standards in a way that supported the Group in being ethical and a good corporate citizen. It ensured that

remuneration is fair and transparent and that the integrity of information for decision-making internally and externally was assured. A stakeholder-inclusive approach was applied in the Group to ensure that the needs, interests and expectations of material stakeholders were addressed.

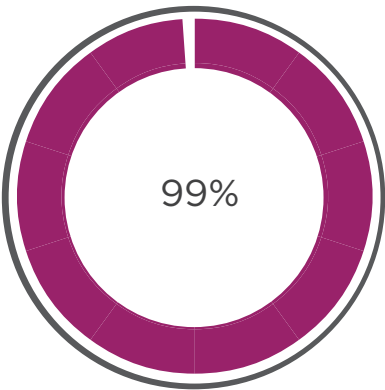


A statement on AEEI's application of the principles of the King IV™ is available on www.aeei.co.za.

AEEI has applied all the principles of King IV™.

KING IV™ REPORT WRITER

COMPLETENESS METER



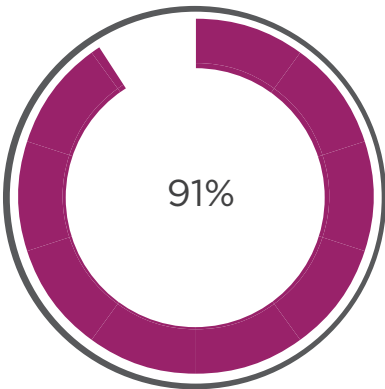
PRACTICE COUNT



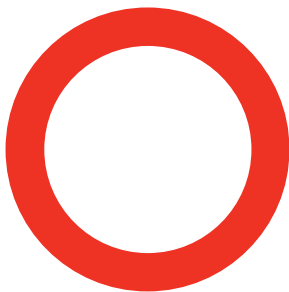
Practices with narrative	17
Practices with no narrative	0
Practices cross-referenced to narrative	382
Not applicable	1

KING IV™ MANAGEMENT REVIEW

COMPLETENESS METER

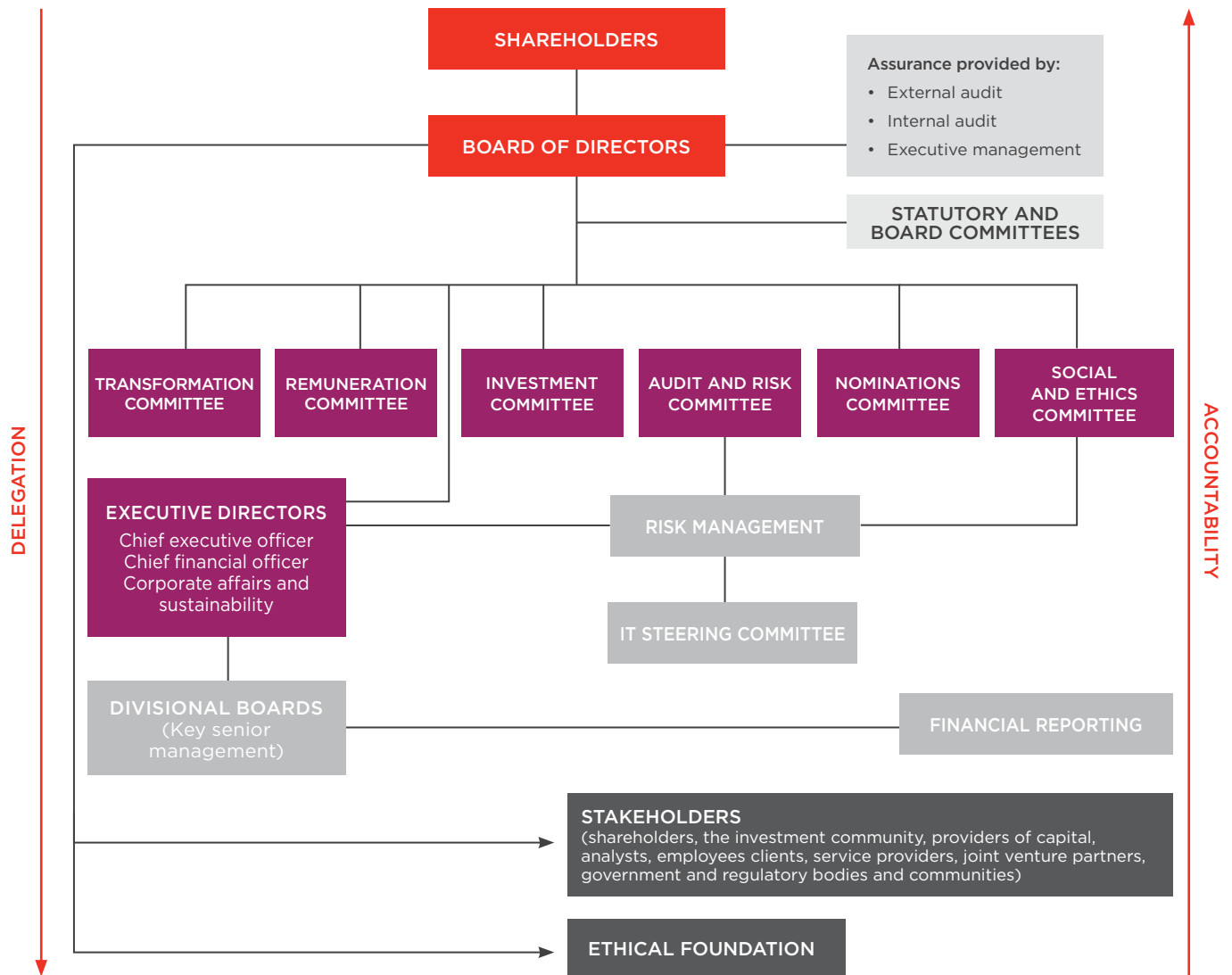


PRACTICE COUNT



Satisfactorily applied	368
Not applied	0
Not applicable	0

CORPORATE GOVERNANCE STRUCTURE



GOVERNANCE AND ETHICS

The governance structure supports the Group's strategic focus areas. The Board played a pivotal role in planning the strategy that established clear benchmarks to measure the strategic objectives of the Group. It ensured that through the sound structure and governance framework it enhanced good corporate governance, improved internal controls and business performance. In carrying out its priorities, the Board ensured the existence of the necessary committee structures, including the executive committee with clear terms of reference to assist it in discharging its responsibilities. This was cascaded down into the business, subsidiary and divisional levels to ensure that the business is provided with a structure within which management can operate effectively.

CORPORATE GOVERNANCE REPORT – continued

OUR EFFECTIVE LEADERSHIP

In terms of AEEI's Memorandum of Incorporation and Board Charter, the Board is responsible for strategic direction and ultimate control of the Company.

INTRODUCING OUR BOARD OF DIRECTORS

The diversity and skills of our Board ensure that the Group is steered to deliver growth to all our stakeholders.

EXECUTIVE DIRECTORS

**CHIEF EXECUTIVE OFFICER****Khalid Abdulla (52)**

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 AEEI and has been with the AEEI Group since 1999. He served as the chief executive officer (CEO) of various subsidiaries, i.e. the information technology and financial services businesses and as Group chief financial officer (CFO) in 2007 before being appointed as Group CEO in November 2009.

Mr Abdulla has been appointed to and serves on various boards, committees and non-governmental organisations (NGOs). He has over 30 years' commercial experience related to fishing, technology, health, biotherapeutics, events and tourism and financial services. He is a regular invitee to and participant at the World Economic Forum in Africa as well as the Summer Davos in China. He was a speaker for the Department of Trade and Industry at conference in the United Kingdom and Germany for "Investing into South Africa".

Mr Abdulla is the recipient of many awards, some of which include being the overall winner of the Inaugural South African Vision 2030 Future Maker: Driver for Change 2017 Award and the overall winner at the Oliver Empowerment Awards as SA's most Empowered Business Leader of the Year 2017. He was voted one of the best CEOs in the country in 2016 by Financial Mail and was ranked among the 10 best executives of 2015 by Financial Mail. He was the recipient of the prestigious Black Business Executive Circle (BBEC)/Absa Bank Kaelo Award (2010), for giving guidance and leadership to grow junior and middle management.

Major directorships: Premier Fishing and Brands Ltd, BT Communication Services South Africa (Pty) Ltd, Saab Grintek Defence (Pty) Ltd, Health System Technologies (Pty) Ltd, espAfrika (Pty) Ltd, AYO Technology Solutions Ltd, Bioclones (Pty) Ltd, Premier Fishing SA (Pty) Ltd, Puleng Technologies (Pty) Ltd, Kalula Communications (Pty) Ltd trading as Headsets Solutions and Orleans Cosmetics (Pty) Ltd.

**CHIEF FINANCIAL OFFICER****Chantelle Ah Sing (43)**

BCom (Nelson Mandela University), Post graduate diploma in Accounting (KZN)

Appointed: 19 November 2009

Nationality: South African

Expertise and experience: Ms Ah Sing is the Group chief financial officer of AEEI and was appointed to the AEEI Board as an executive director in November 2009. She joined the AEEI Group in 2007 under the health and biotherapeutics subsidiaries, where she advanced to the position of financial director.

Major directorships: Premier Fishing SA (Pty) Ltd, AYO 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 (54)**

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

Appointed: 18 March 2009

Nationality: South African

Board subcommittees:
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 18 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: Premier Fishing and Brands Ltd, Health System Technologies (Pty) Ltd, Premier Fishing SA (Pty) Ltd, Ribotech (Pty) Ltd, AYO 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, Puleng Technologies (Pty) Ltd, Kalula Communications (Pty) Ltd trading as Headset Solutions, African News Agency (Pty) Ltd and Orleans Cosmetics (Pty) Ltd.

NON-EXECUTIVE BOARD MEMBERS

**INDEPENDENT NON-EXECUTIVE CHAIRMAN****Reverend Dr Vukile Charles Mehana (65)**

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), DBA, Honoris Causa (Commonwealth University)

Appointed: 8 August 2007

Nationality: South African

Board subcommittees:

Chairman of the investment committee

Chairman of the nomination committee

Social and ethics committee

Remuneration committee

Expertise and experience: Reverend Dr Mehana is the chairman of the LR Management Group (Pty) Ltd and 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), Mazwe Financial Services (non-executive chairman), Makana Investment Corporation (Pty) Ltd (non-executive director representing the Ex-Political Prisoners Trust), espAfrika (Pty) Ltd (non-executive chairman), Community Schemes Ombud Service (CSOS) (chairman), Sizwe Africa IT Group (Pty) Ltd (non-executive chairman), Mustek Ltd (non-executive chairman), Premier Fishing and Brands Ltd (non-executive chairman) and Chairman of the South African Police Services Transformation Task Team.

**NON-EXECUTIVE DEPUTY CHAIRMAN AND LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR****Salim Young (60)**

Appointed: 12 December 2005

Nationality: South African

Board subcommittees:

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. During this time Mr Young served as the appointed South African representative of the London-based BAT Plc, whose secondary listing on the JSE at the time ranked it as the largest company by market capitalisation. Mr Young maintains board positions in a number of other companies and significant trusts. He holds a post-graduate 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 Investment Holdings Ltd and chairs the investment and remuneration committees. He also sits on the Company's audit committee.

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

**INDEPENDENT NON-EXECUTIVE DIRECTOR****Johannes Mihe Gaomab (55)**

Appointed: 13 September 2006

Nationality: Namibian

Board subcommittees:

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) and African Renaissance Mining Company (Pty) Ltd, a South African company with subsidiaries in Namibia, the Democratic Republic of the Congo, Malawi and Zambia.

CORPORATE GOVERNANCE REPORT – continued

NON-EXECUTIVE BOARD MEMBERS

**INDEPENDENT NON-EXECUTIVE DIRECTOR****Aziza Begum Amod (55)****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 professional director, businesswoman, philanthropist and entrepreneur with more than 30 years of business experience in the retail sector. She provides consultancy to women-owned businesses in the areas of impact investment, social innovation and technology applications for social impact in the food and retail sector.

Ms Amod has been featured and published in numerous articles in relation to business and women entrepreneurs. She is a well-known philanthropist supporting a number of NGOs, outreach programs and serves on the board of trustees of numerous philanthropic associations.

She currently serves as a director and trustee on various business entities and trusts.

Major directorships: Health System Technologies (Pty) Ltd, AYO Technology Solutions Ltd and Premier Fishing and Brands Ltd.

**INDEPENDENT NON-EXECUTIVE DIRECTOR****Takudzwa Tanyaradzwa Hove (35)**BCom (Hons) Accounting
(Nelson Mandela Metropolitan University) CA(SA), ACMA, CGMA**Appointed:** 4 September 2013**Nationality:** Zimbabwean**Board subcommittees:**

Audit and risk committee

Investment committee

Expertise and experience: Mr Hove worked for AEEI 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 (Pty) Ltd.

Major directorships: Independent Media (Pty) Ltd, African Technology and Media Holdings (Pty) Ltd, Premier Fishing and Brands Ltd, AYO Technology Solutions Ltd, Condé Nast Independent Magazines (Pty) Ltd, Allied Publishing Ltd and Allied Media Distributors (Pty) Ltd.

**INDEPENDENT NON-EXECUTIVE DIRECTOR****Zenariah Barends (55)**

Diploma in Library and Information Science and BA (Honours) (UWC)

Appointed: 14 November 2014**Nationality:** South African**Board subcommittees:**
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, Ms Barends is chief of staff at Independent Media (Pty) Ltd. She was appointed as a senior executive at Sekunjalo Investment Holdings (Pty) Ltd earlier this year. Her portfolio includes coordinating the involvement of the Sekunjalo Group in the BRICS Business Council, where she has also served as the Chief Secretariat of the South African Chapter of the BRICS Business Council (SA BBC). 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.

BOARD POWERS AND PROCEDURES

The Board assumed ultimate responsibility and accountability for the performance and affairs of the Group and ensured effective leadership on an ethical foundation. It serves as the focal point and custodian of corporate governance for the Group. The Board sets and steers the direction of the Group to ensure that it brings informed, independent and effective judgment and leadership on all material decisions reserved for the Board. It ensures that strategy, risk, performance and sustainable development issues are effectively integrated and appropriately balanced. *(King IV™ – Principles 1, 2, 3, 4 and 6)*

The Board believes that diversity is an essential component for sustaining a competitive advantage. Directors are chosen for their corporate leadership skills, experience, expertise and gender diversity. The Board believes that the current mix of knowledge, skill and experience meet the requirements to lead the Group effectively. 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. *(King IV™ – Principles 1, 8 and 10)*

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 CEO and the executive management team to run the business within the parameters prescribed by the Board and to produce clear, accurate and timely reports, thus enabling the Board to make informed decisions. *(King IV™ – Principles 7 and 8)*

The Board and its committees continue to monitor the implementation of compliance to policies and processes and improve upon them and to mitigate the risk of non-compliance with all applicable laws. *(King IV™ – Principle 11)*

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

subsidiaries on material matters and is satisfied that its delegation of authority framework contributes to role clarity and effective exercise of authority and responsibilities. *(King IV™ – Principle 1, 2 and 3)*

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 the annual general meetings (AGM).

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

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 13 January 2017, Ms Cherie Hendricks resigned as the interim company secretary and Ms Nobulungisa Mbaliseli has been appointed as the new company secretary.

ETHICAL AND RESPONSIBLE LEADERSHIP

The Board provides effective leadership based on a principled foundation and the Group subscribes to the highest ethical standards. Responsible leadership, instilled by the values of responsibility, transparency, accountability and fairness, has been a defining characteristic of the Company since inception.

AEEI's fundamental objective has always been to do business ethically while building a sustainable Company that recognises the short and long-term impact of its activities on the economy, society and the environment.

CORPORATE GOVERNANCE REPORT – continued

The Group is governed by the Group Code of Conduct and Code of Ethics. The Code of Ethics requires all directors, management and employees to obey the law, respect others, to be honest and fair and to protect the environment. The Code of Conduct articulates AEEI's commitment to doing business according to best practices, the right way and guided by our values.

(King IV™ – Principles 1 and 2)

RESPECTED CORPORATE CITIZENSHIP

The Board and management recognise that AEEI is an economic entity and also a corporate citizen and that it has a social and moral standing in society with all the attendant responsibilities. Further information is provided in our corporate social investment report on page 134.

(King IV™ – Principle 3)

COMPOSITION OF THE BOARD, COMMITTEES AND APPOINTMENT OF DIRECTORS

The Board recognises and embraces the benefits of a diverse Board. Diversity is core and an essential component for sustaining a competitive advantage. Directors are chosen for their leadership and business skills, experience and expertise. The Board of AEEI is diverse in terms of race, gender, composition and academic backgrounds and business skills.

(King IV™ – Principle 7)

The committees established by the Board play an important role in enhancing standards of governance, ethics and effectiveness within the Group. The terms of reference of the Board and its committees are reviewed and amended as required in terms of legislation annually.

The nomination committee makes recommendations to the Board for the appointment of new non-executive directors. In the Board's opinion, all directors have the

relevant knowledge, skills and experience to make a meaningful contribution to the Company's business.

The Board believes that, as long as non-executive directors remain completely independent of management and relationships that could significantly affect their decisions and advice and are of the right calibre and integrity, they can perform the required function of looking after the Company's interests.

Appointments to the Board are formal and transparent and a matter for the Board as a whole. The Board specifically considers the independence of directors and their other commitments when they are first appointed, as well as annually, or at any other time when a director's circumstances change and warrant re-evaluation. This is done to determine whether the director has sufficient time to discharge his or her duties effectively and is free from conflicts that cannot be managed satisfactorily. Should the nomination committee be of the view that a director is over-committed or has an unmanageable conflict, the chairman will meet with that director to discuss the resolution of the matter, to the satisfaction of the committee. *(King IV™ – Principle 7)*

In terms of the 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 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.

(King IV™ – Principle 8)

BOARD COMPOSITION – DIVERSITY

GENDER DIVERSITY

Male – 55.55%
Female – 44.45%

HISTORICALLY DISADVANTAGED

White – 0%
Black – 78%
Black other – 22% (non-South African)

OVERVIEW OF THE BOARD

	2017	2016
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
Tenure of executive director service (in years)	8.67	7.75
Tenure of non-executive director service (in years)	7.50	6.39
Tenure of directors (full Board) service (in years)	7.89	6.84
Average age of directors (in years)	52.44	51.55
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 to ensure effective functioning. Ever-changing issues facing companies make it essential to look at the agenda items of the Board to ensure that it stays aligned with good governance and ethics, meets current needs and best practices and matters of strategic importance. The independence of directors and their other commitments are also evaluated. The results of these evaluations are not disclosed in the integrated report. The non-executive chairman concluded that the Board is functioning well and noted minor areas for improvement. The independent non-executive chairman and 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. *(King IV™ – Principles 7 and 9)*

The Board appraises the performance of the CEO, the CFO and the corporate affairs director on an annual basis and identifies areas of improvement, which are appropriately addressed. The Board confirmed that they were happy that the executive directors carried out their duties with due skill and diligence and in the best interest of the Company for the period under review.

The Board is of the view that all non-executive are independent and specifically reviewed the independence of directors whose tenure is nine years or longer. Reverend Dr Mehana and Messrs Young and Gaomab are in excess of nine years' tenure and the Board is satisfied that they are still independent after taking into account their experience, skills and diversity. *(King IV™ – Principle 9)*

INDEPENDENT NON-EXECUTIVE CHAIRMAN

The independent non-executive chairman of the Board is Reverend Dr Vukile Charles Mehana.

During the year under review, the chairman ensured that the Board functions efficiently and provided guidance and overall leadership to the Board and the Group. He ensured the integrity and effectiveness of the Board and its committees and ensured that Board members were fully involved in and informed of any business issues on which a decision had to be made. He ensured Board members exercised independent judgment, acted objectively and all relevant matters were placed on the agenda and prioritised accordingly for discussion by the Board.

He ensured that executive members played an effective management role and participated fully in the operations, governance and ethics of the Group. He availed himself to the CEO and executive management between Board meetings to provide counsel and advice. *(King IV™ – Principle 9)*

CORPORATE GOVERNANCE REPORT – continued

OUR EXECUTIVE TEAM

CHIEF EXECUTIVE OFFICER

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

During the year under review, he was responsible for leading the implementation and execution of the approved strategy, policy and operational planning. He served as the chief link between management and the Board and is accountable to the Board.

He continued with the implementation of the Group's Vision 2020 Vision strategy as approved by the Board. He reviewed the annual business plans and budgets that support the Company's long-term view and made recommendations thereon. He is responsible for aiding the achievement of performance goals, objectives and targets as well as maintaining an effective management team and management structures. He ensured that the appropriate policies were formulated and implemented to guide activities across the Group and ensured effective internal organisation and governance measures were deployed. A succession plan is in place for the CEO in the event of unplanned leave or planned resignation.

(King IV™ – Principle 10)

CHIEF FINANCIAL OFFICER

Ms Chantelle Ah Sing is the CFO of the Group and is an executive director.

During the year under review she assisted the Board to protect and manage the Company's financial position with the assistance of the audit and risk committee. She ensured that the financial statements are fairly presented and contained the proper disclosures. She ensured that the appropriate internal controls and regulatory compliance policies and processes are in place and that non-financial aspects relevant to the business of the Company were identified.

The audit and risk committee has considered the expertise and experience of the CFO 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. *(King IV™ – Principle 10)*

CORPORATE AFFAIRS AND SUSTAINABILITY

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

During the year under review, she ensured an effective ethical culture and corporate governance is maintained in the Group. She reported to the Board on social and economic development, B-BBEE, sustainable development, transformation and good corporate citizenship, with the emphasis on corporate social responsibility within the focus areas. She ensured that stakeholder relationships and stakeholder engagement activities, consumer relationships including public relations and marketing were managed effectively. She ensured that the human resources function and employment activities were aligned with Group policies. She updated Board policies and charters in compliance with statutory, regulatory and legislative requirements for adoption and approval by the Board.

She is responsible for writing the integrated report, the notice of the annual general meeting and form of proxy to shareholders and ensured the timeous delivery thereof.

(King IV™ – Principle 10)

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.

During the year under review he exercised general executive control over the management of the subsidiaries in the Group and to a degree, regularly participated in the exercise of general executive control of the business units and activities of the Group.

The prescribed officer is not remunerated separately for this function.

COMPANY SECRETARY

Ms Nobulungisa Mbaliseli was appointed as the company secretary effective 13 January 2017 and Ms Cherie Hendricks stepped down as the interim company secretary. The company secretary is accountable to the Board.

During the year under review, the company secretary provided guidance to the directors in terms of their duties, responsibilities and powers and their responsibilities and liabilities under the Companies Act. She made the Board aware of changes to any relevant law affecting the Company. She prepared Board packs and recorded detailed minutes of meetings. She ensured that Board and committee meetings and the annual general meeting of the Company were properly and orderly conducted. She disclosed the corporate actions, SENS announcements and directors' dealings in securities and ensured compliance with the JSE Listings Requirements and the Companies Act.

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

The Board is satisfied that an arm's length relationship exists between the company secretary and the Company, as she is not a member of the Board, is not involved in the day-to-day operations of the Company and is not a prescribed officer.

BOARD COMMITTEES

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

STATUTORY DUTIES

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

TERMS OF REFERENCE

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

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

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

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

CORPORATE GOVERNANCE REPORT – continued

AUDIT AND RISK COMMITTEE	REMUNERATION COMMITTEE	INVESTMENT COMMITTEE	TRANS-FORMATION COMMITTEE	NOMINATION COMMITTEE	SOCIAL AND ETHICS COMMITTEE
COMPOSITION					
Three independent non-executive directors	Three independent non-executive directors and a consultant	One executive director and three independent non-executive directors	Two independent non-executive director and one executive director	Three independent non-executive directors	One executive director and four independent non-executive directors
COMMITTEE MEMBERS					
S Young (chairman) JM Gaomab TT Hove	S Young (chairman) Reverend Dr VC Mehana AB Amod A lpp (Consultant)	Reverend Dr VC Mehana (chairman) S Young K Abdulla TT Hove	Z Barends (chairman) CF Hendricks AB Amod	Reverend Dr VC Mehana (chairman) S Young AB Amod	AB Amod (chairman) CF Hendricks Reverend Dr VC Mehana JM Gaomab Z Barends
FREQUENCY OF MEETINGS					
Three times a year	Twice a year	Twice a year	Twice a year	Annually	Twice a year
TERMS OF REFERENCE – BOARD-APPROVED CHARTER/POLICY					
Yes	Yes	Yes	Yes	Yes	Yes
INVITEES					
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.	Meetings are attended by members of the executive management team.
OTHER					
The auditors have unlimited access to the audit and risk committee, ensuring independence is not compromised in any way.					

The company secretary, Ms N Mbaliseli is the secretary to all of the above committees.

Reverend Dr VC Mehana resigned from the audit and risk committee on 18 August 2017 to improve governance, as the chairman of the Board cannot be a member of the audit and risk committee.

Taking into account the various inputs, including the outcomes, the Board combined the social and ethics and the transformation committee's going forward.

Board committee members are authorised to obtain independent outside professional advice when necessary.

DIRECTORS' DETAILS AND ATTENDANCE AT MEETINGS

	EXECUTIVE (E) NON-EXECUTIVE (NE)	OVERALL ATTENDANCE AT BOARD MEETINGS %	OVERALL ATTENDANCE AT COMMITTEE MEETINGS %	LENGTH OF SERVICE (YEARS)	AGE (YEARS)
K Abdulla	E	100	100	10	52
C Ah Sing	E	100	N/A	8	43
CF Hendricks	E	100	100	8	54
Reverend Dr VC Mehana	NE	100	72	10	64
S Young	NE	75	80	12	60
AB Amod	NE	100	100	5	55
JM Gaomab	NE	75	80	11	54
TT Hove	NE	75	50	4	35
Z Barends	NE	75	80	3	55

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 ensured that the Company complied with all the laws, codes, rules and standards including, but not limited to, the JSE Listings Requirements, King IV™, the Companies Act, Competition Law, legislative and environmental standards, consumer protection laws, employment legislation, international laws and legislation as well as compliance in terms of corporate governance, ethics, risk, technology and information. The Board considers adherence to non-binding rules, codes and standards.

The Board reviews the compliance with laws, regulations, codes and other standards and continually monitors the implementation of the legal compliance processes. Board policies and charters were updated during the year under review in compliance with statutory, regulatory and legislative requirements. (*King IV™ – Principle 13*)

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.

AEEL's financial statements are based on appropriate accounting policies as set out in the notes to the financial statements and are supported by reasonable and prudent significant 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 Board established formal and transparent arrangements with the external and internal auditors and ensured that timely and accurate disclosure was made of any information that would be of material importance.

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

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

CORPORATE GOVERNANCE REPORT – continued

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

The external auditors offered reasonable, but not absolute, assurance of the accuracy of the financial statements. AEEI's management is responsible for the preparation of the financial statements. *(King IV™ – Principle 15)*

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 disseminated written notices to all directors and senior management throughout the Group informing them that dealing in AEEI shares during the closed periods is 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 reinforced the Code of Conduct for insider trading. During the year under review, directors were 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

AEEI places great value on the high standards of corporate governance, ethics, communication, transparency of information in terms of the Promotion of Access to Information Act, and regulatory and other directives relating to the dissemination of information. AEEI's primary emphasis is to protect its reputation through managing the Company's relationships with its stakeholders.

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 at all times when reporting to stakeholders.

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.

The independent non-executive chairman and CEO 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's website and at the registered offices of the Company. *(King IV™ – Principle 16)*



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 morals, ethical practices, the Company's values, moral conduct and legal standards.

The Board continues to provide effective leadership based on a principled foundation AEEI's leadership is characterised by the values of responsibility, accountability, fairness and transparency. One of AEEI's fundamental objectives has always been to do business ethically while building a Company that is sustainable, taking into account the short, medium and long-term activities of the economy, society and the environment.

In executing its responsibilities, the social and ethics committee considered and monitored the Group's activities, having regard to legislation, human rights and prevailing practice in matters relating to social and economic development, including compliance with the 10 principles of the United Nations Global Compact and labour and employment activities. Refer to page 114 for the social and ethics committee report.

The Board of AEEI recognises that the Company is an economic entity and a corporate citizen and has a social and moral standing in society with all the attendant responsibilities. Refer to page 134 on Social Sustainability.

AEEI's Code of Ethics addresses corruption, bribery, conflicts of interest and human rights and governs the Group's approach to ethical behaviour and fair business practice. All directors and employees are aware of the Code of Ethics and Code of Conduct, which are maintained throughout the Group. The Code of Ethics and Code of Conduct were updated during the year under review and approved by the Board. 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. (*King IV™ – Principles 1, 2, 3 and 16*)

REPORTING UNETHICAL BEHAVIOUR

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

ENGAGING WITH OUR STAKEHOLDERS

The Group's stakeholder engagement is governed by the recommendations of King IV™. AEEI has a stakeholder engagement framework, which includes communication guidelines and corporate identity. AEEI's stakeholder

engagement framework outlines the Company's approach to communicating and working with our stakeholders. Engagement is an integral part of developing an understanding of our stakeholders' needs, interests and expectations and assists with strategic and sustainable decision-making.

Stakeholder consultation and relationship management is implemented in all divisions of 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.

AEEI regularly communicated with its stakeholders during the year under review, including presenting the Group's strategy and performance. 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. For further information refer to page 85 – Building relationships with our stakeholders. (*King IV™ – Principle 16*)

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

2017 VALUE DISTRIBUTION

58.2%

EMPLOYEES



1%

COMMUNITIES



10.4%

RETAINED FOR GROWTH



9%

DEBT PROVIDERS



13.1%

GOVERNMENT



8.3%

CAPITAL PROVIDERS



CORPORATE GOVERNANCE REPORT – continued

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	2017 R'000	2016 R'000	2015 R'000
Cash value generated from revenue	970 806	859 628	659 865
Less cost of materials and services	(682 548)	(648 534)	(492 996)
Value added	288 258	211 094	164 869
Investment revenue	23 903	33 592	16 976
Wealth created	303 974	244 686	181 845
Distributed as follows:	%	%	%
Employees	58.2 181 666	43.80 107 216	52.70 95 871
Capital providers	8.3 25 804	5.90 14 527	6.06 12 075
Debt providers	9 28 267	10.70 26 232	10.80 19 695
Communities	1.0 3 070	1.30 3 109	1.60 2 845
Government	13.1 41 028	8.30 20 192	8.00 14 590
Retained for growth	10.4 32 327	30.0 73 440	20.20 36 769
Wealth distribution	100 312 161	100 244 686	100 181 845
Employee statistics			
Number of employees at year-end	858	680	618
Turnover per employee	1 134	1 264	1 065
Value added per employee	337	310	267
Wealth created per employee	365	360	294

BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS

Our stakeholders are integral to our ability to protect, create and grow value, a process that is advanced through relationships with others and balances the needs, interests and expectations of material stakeholders in the best interests of the Company over time.

AEEI appreciates the role of its stakeholders and is committed to nurturing impactful relationships that deliver mutual benefits and encourage 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 the change needed for sustainable development. Building and maintaining trust and respect with our various stakeholders has a positive impact on our reputation and is essential in addressing risks and opportunities. We strive to respond timeously and appropriately to issues raised in our interactions.

At AEEI we believe that the strength of our relationships with all our key stakeholders is critical in the achievement of our strategic objectives and creating mutual value for the Company and our stakeholders. As such, our stakeholder management approach involves gaining a thorough understanding of key stakeholders, assessing the matters that are material to them, including risks and opportunities. Our approach manages stakeholders' expectations and how much material matters impact them and the Group.

Stakeholder engagement involves communicating our strategy, performance, decisions and activities that impact our stakeholders or are of significant interest to them, as well as understanding the needs and perspectives of our stakeholders.

The views and actions of our stakeholders can impact our ability to execute our strategy and conduct our business activities. The feedback from our stakeholders enables us to develop and update our engagement plan to help us create stronger partnerships and improve our overall relationships. We respond appropriately and timeously to matters that emerge – whether they are regulatory, shareholder-based or others.

WE HAVE IDENTIFIED THE FOLLOWING KEY STAKEHOLDER GROUPS WITH WHOM THE GROUP ENGAGES IN A STRUCTURED MANNER:

KEY STAKEHOLDERS THAT CONTRIBUTE TO OUR VALUE DRIVERS



SHAREHOLDERS, INVESTMENT
COMMUNITY AND CAPITAL
PROVIDERS



STAFF



REGULATORS



COMMUNITIES AND NGOS



CLIENTS

BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS – continued

BELOW IS AN OVERVIEW OF HOW WE ENGAGED WITH OUR PRINCIPAL STAKEHOLDERS INCLUDING WHAT THEY EXPECT 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. These 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 in 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 2017, we have **1 827 SHAREHOLDERS**

LOCAL: 1 800 SHAREHOLDERS

INTERNATIONAL: 27 SHAREHOLDERS

(98.52%)

(1.48%)

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), regular dividend payments and growth and a strong balance sheet allocation of capital to businesses with high returns. Experienced leadership, transparent reporting, ethical operations on a sustainable basis, responsible corporate governance and ethics are important to our stakeholders.

PRIMARY CONCERNS

Shareholders, analysts and providers of capital:

- Acceptable return on investment capital
- Sustainability of the business and operational performance
- Group strategy including risks and opportunities
- Growth of the businesses
- Capital management
- Shareholder returns
- Access to management

HOW WE ADDRESS THESE CONCERNS:

Management engages regularly with shareholders, investors and capital providers to maintain awareness of shareholder expectations and understand their needs. The Group reports against its Vision 2020 Vision and well-defined return targets. The delivery on our strategy to develop balance in the businesses across all areas supports the return and sustainability of the businesses.



SHAREHOLDERS, THE INVESTMENT COMMUNITY AND PROVIDERS OF CAPITAL (continued)

HOW WE ENGAGE 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 these channels include:

- Annual general meeting
- Annual and interim results presentations
- Pre-results and post-results feedback
- Integrated report
- Sustainability information
- Site visits
- SENS announcements
- Media – print, television, radio broadcasts and social media
- Investor analyst reports
- Road shows
- *Ad hoc* meetings (as requested)
- Investor conferences
- Our website – www.aeei.co.za

HOW WE DELIVERED VALUE TO THEM:

Consistent financial performance and organic growth: Profit increased to R680 891 from R287 740. Earnings per share increased to 97.10c from 44.09c in 2016. NAV per share increased from 186.52c to 260.00c.

Sustainable growth strategy: Delivery across all our strategic focus areas. Our performance and outlook of our strategic focus areas can be found on page 34.

Strong Board and experienced executive management team: Maintained the diversity on our Board and our executive management team as well as skills retention.

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 14 for information on our awards.

BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS – continued



INVESTING IN OUR EMPLOYEES

WHO ARE OUR EMPLOYEES?

Our employees are important to our business. We appreciate and understand the needs of our employees: without them we would not have a sustainable business.

Our staff complement is as follows:

MALE

62.59%

FEMALE

37.41%

BLACK

74.71%

Employment was created for **3 120 CONTRACTORS** during the year.

WHAT OUR EMPLOYEES
EXPECT FROM US:

Our employees 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. In some divisions, our employees expect formal recognition agreements with trade unions.

PRIMARY CONCERNS:

- Career development opportunities including skills training
- Market-related salaries, minimum wage and equal pay
- Health and safety
- Transformation and diversity
- Preferred procurement from BEE-accredited companies
- Involvement in secondary and tertiary education programmes
- Employee wellness programmes
- Corporate social investment in communities
- Employee engagement and communication – the importance of open and honest feedback

HOW WE ADDRESS
THESE CONCERNS:

The Group has an annual strategic session to discuss organisational direction and input for the business strategy. The Group has an ethical approach in doing business, including the fair treatment and market-related remuneration of employees. The Group embarked on updating role blue prints, benchmarking and evaluation measures and identifying further skills development plans. We focus on health and safety standards and procedures and ensure that working conditions are acceptable. The companies in the Group make a substantial investment in skills development and maintain a good working relationship with trade unions. The Group is committed to transformation and diversity. Corporate social investment (CSI) projects focus on Company-specific areas of support. Bursary programmes are in place to assist with secondary and tertiary education.



INVESTING IN OUR EMPLOYEES (continued)

HOW WE ENGAGED WITH OUR EMPLOYEES:

We engaged with all levels of employees through a variety of regular and ongoing initiatives for both collective and individual interfaces and we have an open-door policy. Work performance reviews are linked to individual development plans. Senior employees are included in our results presentations. Our employees participate at business unit functions and the Annual Group Awards Ceremony where top achievers in different categories are recognised. Feedback and input from our employees assist us in understanding and responding to their concerns and needs.

Communication channels include:

- Quarterly newsletters, emails and notice boards
- CEO's monthly communiqué, social media platforms, broadcasts and LinkedIn and direct communication between managers, teams and individuals
- Internal meetings with trade union representatives take place on a regular basis
- Operational performance reviews and feedback sessions
- Company website
- Induction programmes
- Role blueprints, including job grading and job specification requirements
- Training and development
- Union interaction
- Anonymous whistle-blowing hotline

HOW WE DELIVERED VALUE TO OUR EMPLOYEES:

A pension/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 are 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 and preference is provided for in terms of transformation and gender diversity. Continued progress is being made in delivering on our Transformation Plan and strategy, inclusive of persons with disabilities. A decline in the number of misconduct incidents and Commission for Conciliation, Mediation and Arbitration (CCMA) referrals demonstrates an improvement in employee relations. Employee well-being programmes continued throughout the year. Standardised job profiles and role blueprints were created in some business units to enhance consistency, fairness and assessing and developing employees.

Career development and succession plans were implemented in order for us to achieve our strategic objectives and to ensure 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 continued with its resource planning in the business units, as this will identify scarce skills and enable headcount planning, career advancement as well as training and development.

BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS – continued



CLIENTS

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; leveraging off our BEE credentials; adherence to regulatory requirements; good corporate governance; and ethics.

PRIMARY CONCERNS:

Customers: Quality ethical products, sustainability of our businesses, delivery and standards, cost competitiveness, brands, B-BBEE and transformation innovative products and solutions

Service providers: Fair treatment and sustainability and fair payment terms

Joint venture partners: Financial performance, transparency, growth and leadership

HOW WE ADDRESS THESE CONCERNS:

Customers: Focus on manufacturing excellence, long-term security of supply and cost efficiencies. Produce innovative products and solutions, including technical expertise

Service providers: Timeous and fair payment terms and sustainability

Joint venture partners: The Group is committed to ethical business practices and respects the interests of all our partners.

HOW WE ENGAGED WITH THEM:

In a competitive environment that is fast-changing we continue to foster relationships and to understand our clients' needs and expectations. We continuously work towards understanding our clients, customers, service providers and joint venture partners. We take an ethical approach to doing business and committed to open, clear and transparent business practices. Alignment on standards, requirements, service, objectives and customer satisfaction. B-BBEE scores meet key customers' requirements and *vice versa*.

We engage with them through various forums including:

- contract negotiations and ongoing interactions in the ordinary course of business;
- customer visits;
- quality and performance reviews;
- industry forums;
- supplier audits;
- service level agreements; and
- meetings, including site visits, one-on-one engagements, telephonic and electronic interaction.

HOW WE DELIVERED VALUE TO THEM:

We provided professional services, technical expertise, innovative business solutions, quality products and services and 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 for good corporate governance practices and ethical behaviour. Through our procurement from community-based service providers, employment was created. 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 having commenced during the year.



ENGAGING WITH OUR REGULATORS

WHO ARE OUR REGULATORS?

Our primary regulators are the JSE, South African Revenue Service and various governmental departments. We also comply with regulatory bodies outside 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 to ensure compliance with all legal and regulatory requirements and adhere to those institutions with standardised practices.

PRIMARY CONCERNS:

- Regulatory compliance
- Transformation and gender diversity
- Environmental responsibility
- Corporate social responsibility

HOW WE ADDRESS THESE CONCERNS:

- Regular regulatory submissions with policies and procedures in place to ensure compliance with all relevant regulations and authorities
- Representation on industry bodies
- Engagement on specific policy issues
- Sensitivity to employment levels in line with regulatory requirements and
- Investments in employee development
- The Group is committed to ethical business practices and supports social and environmental sustainability
- Our corporate social initiatives promote socio-economic development

HOW WE ENGAGED WITH OUR REGULATORS:

We maintained transparent communication, attention to detail, professionalism and prompt reactions 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 and interacted 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 ethics, governance and the impacts on society and 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.

BUILDING RELATIONSHIPS WITH OUR STAKEHOLDERS – 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 be a responsible corporate citizen and to partner with community initiatives, contribute to social and environmental issues and pioneer responsible corporate citizenship. They expect us to create awareness of social and environmental issues they are faced with and to assist them in obtaining the desired outcomes for their communities, their businesses and their families. We collaborate with them for the greater good regarding matters concerning society and the environment.

KEY ISSUES RAISED:

- Development of society through employment opportunities and internships
- Financial access for learnership programmes
- Social welfare
- Enterprise development
- Environment

HOW WE ADDRESS THESE CONCERNS:

- Creating employment opportunities
- Access to funding through defined programmes – bursary and learnership initiatives
- Back-to school programme – supply of learning material for school needs, thus ensuring students remain in school – over 450 school children benefited from this initiative in 2017
- Employee volunteerism – we encourage our employees to assist their communities by providing them with the time and resources needed to volunteer
- Employee participation in the Mandela Day Challenge – knitting of scarves and beanies for the underprivileged
- Quarterly programmes where we have financial and hands-on participation from employees
- Ensure that social welfare is aligned with national policies
- Contributing to the growth of small businesses through enterprise development initiatives
- Monthly payment of salaries to an NGO to employ Grade R teachers in one of our communities – this is the foundation for learning
- We are currently looking at exploring the opening of an environmental centre.

HOW WE DELIVERED VALUE TO THEM:

Our partnership with community-based entities resulted in the creation of new jobs and 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. Our support of local businesses resulted in the promotion of social and economic development. Our investment in education and training as well as development programmes will continue and will enhance further growth prospects. With the landscape changing in B-BBEE, we will continue to assist communities and businesses. Our socio-economic contribution is in compliance with requirements. We provided investment into research and educational bodies as well as academic partnerships. (*King IV™ – Principle 16*)

REPORT OF THE AUDIT AND RISK COMMITTEE

“What we think, or what we know, or what we believe is, in the end, of little consequence. The only consequence is what we do.”

John Ruskin

REPORT OF THE AUDIT AND RISK COMMITTEE

MR SALIM YOUNG – CHAIRMAN OF THE AUDIT AND RISK COMMITTEE

The audit and risk committee has a formal audit and risk charter with formal rules governing the services provided by the external auditors in terms of systems and processes. The charter was amended in terms of regulatory requirements and adopted during the year under review.

The volatile macroeconomic environment and increasing environmental and regulatory requirements continue to impact the Group.

In dealing with the challenges, the committee reviewed all significant risks and assessed the adequacy of control and the combined assurance delivered over the identified risks. It monitored the effectiveness of the control environment through reviewing reports from management, the external auditors and internal audit and ensured the quality of financial reporting by reviewing the 2017 interim financial results and the 2017 annual financial statements.

The committee reviewed the impact of the Company's medium- to long-term strategy against pertinent factors and conducted reviews of technology and communication, including cybersecurity and compliance governance to ensure that risk management was applied appropriately.

The committee reviewed the following:

- The quality and integrity of the integrated report, including the financial statements and public announcements in respect of the financial results
- The appointment, remuneration, performance and independence of the external audit and the audit process, including the approval of non-audit services by the external auditor
- The effectiveness of risk management and controls
- The effectiveness of the internal audit function
- Internal financial controls and systems
- Sustainability issues

- Technology and information governance
- Compliance governance.

For the purposes of determining the effectiveness of management systems and internal controls during the year, the committee reviewed the internal and external audit scope, plans and findings, as well as management reports.

The committee closely monitored the Group's Vision 2020 Vision strategic goals against targets set, continued to monitor key risks identified and their mitigation and how subsidiaries are performing to achieve the Group's strategy.

The membership of the committee in terms of skills and experience is strong. The varied experience of the committee members provides insight and perspective in terms of decisions and considerations.

The committee has fulfilled its statutory duties in terms of section 94(7) of the Companies Act and King IV™ compliance. The committee has complied with its legal and regulatory responsibilities for the 2017 financial year. (*King IV™ – Principles 10, 11, 12, 13 and 15*)



Salim Young
Committee chairman

ROLE OF THE AUDIT AND RISK COMMITTEE

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

The main purpose of the audit and risk committee is to ensure the integrity of the financial statements and to oversee the effectiveness of the internal financial controls and the external and internal audit functions.

REPORT OF THE AUDIT AND RISK COMMITTEE – continued

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. 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 auditor 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. It can only provide reasonable and not absolute assurance against material misstatement or loss and to safeguard, verify and maintain accountability adequately for its assets. *(King IV™ – Principles 2, 4, 10, 11, 12, 13 and 15)*

The external and internal auditors had unrestricted access to the audit and risk committee and attended all the audit and risk committee meetings by invitation during the year ended 31 August 2017. Detailed reports were presented by the internal and external auditors. The chairman of the audit and risk committee reported on the findings at the Board meetings.

The external auditors can communicate with the chairman of the audit and risk committee and all 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.

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

FEEDBACK FROM THE AUDIT AND RISK COMMITTEE

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

- Oversaw 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 evaluated 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 2018 financial year
- The appointment of the external auditor 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
- Obtained assurance from the external auditors that adequate accounting records are being maintained
- Evaluated the independence, effectiveness and performance of the internal auditor and compliance with its charter
- Reviewed the annual financial statements, interim reports, results announcements, trading statements and similar documents
- Recommended to the Board the interim and preliminary announcements of results and reports to shareholders, the annual financial statements and integrated report having regarded all factors and risks that may impact on the integrity of the integrated report, including factors that may predispose management to present a misleading picture, significant judgments and reporting decisions made, monitoring of enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information
- Reviewed the disclosure of sustainability issues in the integrated report
- Considered concerns regarding accounting practices and internal audit matters
- The appropriateness of the expertise and experience of the financial management team was reviewed and reported to be adequate

(King IV™ – Principles 2, 4, 5, 10, 11, 12, 13, 15 and 16)

RISK MANAGEMENT PROCESS

A key component of the audit and risk committee was to review the top eight risks that the AEEI Group faces in order to respond to new and emerging risks and to ensure alignment with regulatory changes as well as best practice. In doing so, the committee took into account stakeholder needs, corporate governance principles, risk trends, global trends and external dynamics. Refer to page 97 for the full risk management report.

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. (*King IV™ – Principle 13*)

GROUP INTERNAL AUDIT

The Group internal auditor performs an independent assurance function. The Group internal auditor had unrestricted access to the Group CEO, the Group CFO and the chairman of the audit and risk committee.

The primary objective of the Group internal auditor during the year was 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 auditor 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 Group's governance and business processes for 2017.

The system of internal control is designed to ensure that 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 internal auditor undertook the following during the year under review:

- Performed reviews on the Company's governance processes and ethics
- Performed an objective evaluation of the 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
- Followed a risk-based approach

Internal audits were performed at most subsidiaries during the year under review and no significant breakdowns in internal controls were identified. The internal audit takes a risk-based approach to audit planning. 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 was taken to address areas of concern. The written internal audit assessment to the Board and audit and risk committee on the overall internal control environment confirmed that there were no material breakdowns in internal controls (*King IV™ – Principles 11 and 15*)

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 scope, independence and objectivity of the external auditors, Grant Thornton Cape Inc., were reviewed. The committee considered the annual audit plan and related scope of work, determined the terms of engagement and fees of the external auditors. 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 Companies Act, the JSE Listings Requirements and King IV™. Under company law, their responsibility is to the shareholders of the Group. In addition, they have professional responsibilities to report reportable irregularities, in terms of section 45(1) of the Auditing Profession Act, 2005.

REPORT OF THE AUDIT AND RISK COMMITTEE – continued

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

The auditors 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.

The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended 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 considered internal control relevant to the Company'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 Company's internal control. The audit included 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. (*King IV™ – Principles 15 and 16*)

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 four years, with Imtiaaz Hashim serving as audit partner for the second year.

The external auditors liaised with the Group internal auditor 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 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 CFO 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 has delegated the management of risk to the audit and risk committee. The Board is committed to effective risk management in pursuit of the Group's strategic objectives with the aim of growing shareholder value sustainably. The Board continued to enhance its capabilities to anticipate risks and manage them. 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 EXECUTIVE COMMITTEE



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 the business strategy;
- Measure and manage performance; and
- 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; and
- 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 of the effectiveness of corporate governance standards and business compliance

MANAGEMENT-BASED ASSURANCE

AUDIT AND RISK COMMITTEE ASSURANCE

INDEPENDENT-BASED ASSURANCE

RISK MANAGEMENT REPORT – continued

GOVERNANCE OF RISK MANAGEMENT

Overall, the Board is accountable and responsible for the governance of risk and is committed to effective risk management in pursuit of the Group's strategic objectives. The Board 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.

The Group complies with a risk management policy that was approved by the audit and risk committee to ensure that a best practice risk assessment approach is followed. The committee ensures 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 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 Group internal audit, who provided the audit and risk committee with assurance that significant business risks were systematically identified, assessed and reduced to acceptable levels in line with the Board's risk appetite.

OUR APPROACH TO RISK MANAGEMENT

During the year under review, the Group's risk management approach continued to evolve, was flexible and relevant to the business needs in an ever-changing environment. The audit and risk committee continued to assess, manage and report on all significant risks, their impact on the business and the mitigation of the risks.

The committee also assessed 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's strategy. It considered the impact of risks on the sustainability of the business and the external and internal environments, in order to identify key developments related to our risks, implications and responses. The responsibility for monitoring the management of each of these risks is assigned to the executive management of each business unit. The risks are then considered at a Group level through the monitoring process of the audit and risk committee.

In order to enhance the effectiveness of risk management in the Group, the committee engaged the services of Nexia SAB&T to perform an independent gap analysis to benchmark the current internal audit and risk management structures and practices against:

- the International Standards for the Professional Practice of Internal Auditing; and
- the risk management maturity and internal audit maturity models.

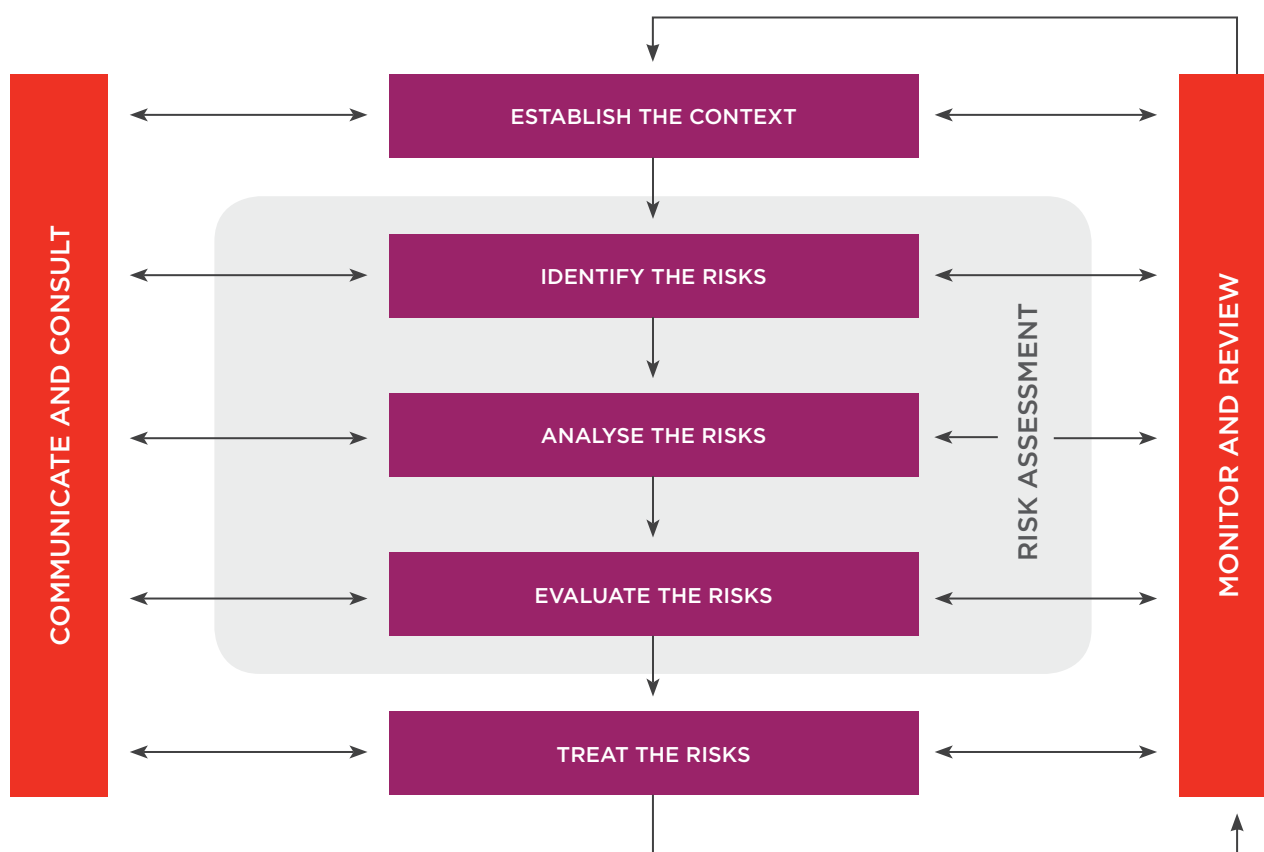
The results of the analysis revealed compliance with the said requirements. However, Nexia SAB&T identified a few areas for improvement. Management has already implemented some of the recommendations made and continues to work on the other areas that have been identified.

Risk registers are tabled at each Company and subsidiary Board meeting under the categories of financial, operational, strategic, legal compliance, human resources, economic, information and technology and environmental 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 PROCESS

With the application of the risk management policy, potential risk exposures are identified, assessed on their likelihood of occurrence and impact of the outcomes and evaluated by using the risk tolerance as identified in the risk management policy.

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



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

RISK MANAGEMENT REPORT – continued

In fulfilling its mission, AEEI is exposed to a broad range of risks which arise as a consequence of its business operations and performing its duties. AEEI's risk management charter acknowledges that the success of AEEI is dependent on the effective management of those activities that support the key strategic objectives and value drivers as outlined in the Vision 2020 Vision strategic plan and that all activities have an associated element of inherent risk. It is imperative that all levels of the organisation assess risk in order to effectively identify and appropriately address them.

The risk management policy defines the critical processes for identifying risks and prioritising and proactively managing those risks. The resulting residual risk level is that measure of risk exposure remaining following the implementation of mitigation and management strategies.

RISK APPETITE AND TOLERANCE

In support of effective governance and risk-informed decision-making, the Board of AEEI has set out a risk appetite statement for those risks which, to a lesser or greater extent, are within its control to mitigate and manage. The risk appetite statement specifies the types of risks AEEI is willing to accept in fulfilling its mandate and informs policies on the allocation of accountabilities and resources to managing its risk exposures.

We define risk appetite as the amount and type of risk that we are willing to take in order to meet our strategic objectives.

We define risk tolerance as the amount of risk that we are willing to bear and cope with despite controls.

RISK MANAGEMENT RESPONSIBILITIES

In applying the Group's strategy, we implemented the risk management process based on the approved risk management policy. The policy document defines the objectives, methodology, process and responsibilities of the various role players. The policy is subject to annual review and any proposed amendments are submitted to the audit and risk committee for consideration and recommendation to the Board for approval.

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

- Assisted the directors in fulfilling their responsibilities to ensure the risk management process is effective and in place throughout the Group
- Evaluated reports from the internal auditor concerning the Group's risk management, compliance processes and controls in order to oversee the effectiveness thereof
- Assessed reports from divisional management concerning business, operational risk and compliance risk in order to oversee these risks and assess their impact on the Group
- Received reports from management concerning the resolution of significant risk exposure and risk events, in order to monitor and approve them in accordance with the Board's risk appetite
- Ensured that the Group complied with applicable external and regulatory obligations and significant internal policies relating to the operation of its business units
- Assessed whether IT risks are adequately addressed through the risk management and assurance processes of the Group
- Facilitated communication of risk issues to all management
- Approved the updated risk management charter and amended risk management policy

The Board is committed to a process of risk management that is aligned to the principles of King IV™.



The significant risks that currently impact the Group are:

RISK CATEGORY	RISK NAME OR IMPACT ON BUSINESS	MITIGATION
FINANCIAL	<ul style="list-style-type: none"> Limited access to funding may slow down the ability to capitalise on the various niche growth initiatives in the biotech companies Long sale cycles to obtain new business and new markets may result in financial loss 	<ul style="list-style-type: none"> 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. 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.
RANK 1	RESIDUAL RISK LEVEL Medium	MATERIAL ASPECT AFFECTED Financial
STRATEGIC	<ul style="list-style-type: none"> Exposure to significant large customers or product may make the Group dependent on the customers' financial viability or capacity in the technology, health and beauty and events and tourism sectors Re-allocation of the long-term fishing rights may impact the profitability of the fishing and brands division The ever-changing economic landscape creates a need for innovation to drive growth. This brings a risk appetite that may not be aligned to the Group strategy. 	<ul style="list-style-type: none"> Growth and diversification initiatives are being pursued to expand the operations to be less dependent on one source of income from customers or products. Close working relationships with principals and customers are maintained to retain viable products 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. 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.
RANK 2	RESIDUAL RISK LEVEL Medium	MATERIAL ASPECT AFFECTED Financial and macroeconomic

RISK MANAGEMENT REPORT – continued

RISK CATEGORY	RISK NAME OR IMPACT ON BUSINESS	MITIGATION
ECONOMIC	<ul style="list-style-type: none"> Exchange rate volatility may have both a negative and positive impact on business performance 	<ul style="list-style-type: none"> 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.
RANK 3	RESIDUAL RISK LEVEL Medium	MATERIAL ASPECT AFFECTED Business operations
HUMAN RESOURCES	<ul style="list-style-type: none"> Intellectual property 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 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 	<ul style="list-style-type: none"> A continuous review of employee training, development and succession planning occurs annually to ensure alignment with the Group strategy Constant improvements on training procedures and better recruitment policies have been implemented to recruit and retain high-calibre personnel
RANK 4	RESIDUAL RISK LEVEL Medium	MATERIAL ASPECT AFFECTED Human capital
INFORMATION TECHNOLOGY	<ul style="list-style-type: none"> Rapid advancement of technology increases competition and dependence on third parties for software platforms that remain relevant and current to customers 	<ul style="list-style-type: none"> Strategic objective to obtain software offerings to complement product portfolio in the technology sector Invest in redevelopment of owned software, mobile applications and business practice and development as well as provide cloud infrastructure and monitor online presence Successful intensive local trials and education have increased market acceptance and recognition received from regulatory bodies
RANK 5	RESIDUAL RISK LEVEL Medium	MATERIAL ASPECT AFFECTED Innovation and business operations

RISK CATEGORY	RISK NAME OR IMPACT ON BUSINESS	MITIGATION
LEGAL AND COMPLIANCE	<ul style="list-style-type: none"> Compliance with JSE Listings Requirements and all legislation and regulations requires the Group to constantly adapt to keep abreast of the latest changes Industry regulations can have an impact on business performance and reduce the sustainability of the operations in the fishing and health care sectors Lower B-BBEE rating due to amended codes may impact market positioning 	<ul style="list-style-type: none"> Training and awareness are continuously assessed and provided across the Group Policies and procedures are updated to adapt to all new regulations and legislative requirements 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 Strategic planning is underway to improve low scoring areas and tactical areas are being actively pursued
RANK 6	RESIDUAL RISK LEVEL Low	MATERIAL ASPECT AFFECTED Social and relationship capital
ENVIRONMENTAL	<ul style="list-style-type: none"> Environmental challenges include carbon emissions impact, waste management, climate change and marine coastal management which must be reviewed constantly Environmental conditions have an effect on the production of fish resources and impact the consumption of our products: <ul style="list-style-type: none"> adverse weather conditions affect landings of fish stocks water temperature variables and disease affect the location uncertainty in the distribution and availability of certain marine resources due to changes in sea variables 	<ul style="list-style-type: none"> Adherence to marine management policies from the Marine Coastal Management to ensure no over-fishing. Recycling and better waste removal techniques are being employed across the Group Mitigation of these risks comes from constant monitoring of these environmental variables to allow flexibility in our response to these external factors Increase acquisition of outside quota holders rights for certain fish species to reduce the impact of declining fish biomass and total allowable catch or effort
RANK 7	RESIDUAL RISK LEVEL Low	MATERIAL ASPECT AFFECTED Natural capital – the environment
OPERATIONAL	<ul style="list-style-type: none"> Labour strikes and salary demands can bring disruption to the business operations and delay the ability of the companies to produce The uncontrollable increasing cost of diesel and electricity increases the cost of doing business and reduces profitability 	<ul style="list-style-type: none"> Active engagement with key stakeholders to ensure the impact on the operations is reduced 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 project is in its third phase
RANK 8	RESIDUAL RISK LEVEL Low	MATERIAL ASPECT AFFECTED Social and relationship capital Natural capital – the environment <i>(King IV™ – Principles 4, 5, 11 and 15)</i>

TECHNOLOGY AND INFORMATION

The Board is responsible for technology and information governance in the Group and has delegated the management of technology and information governance to the audit and risk committee.

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

“The first rule of any technology used in a business is that automation applied to an efficient operation will magnify the efficiency. The second is that automation applied to an inefficient operation will magnify the inefficiency.”

Bill Gates

GROUP IT STRATEGY

The technology and information environment is fully covered through King IV™ 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 technology and information governance is tabled at the audit and risk committee meeting to address any significant technology and information investment, risks and matters to be considered to ensure compliance with the governance framework. The primary focus during the year was to review and approve the Group's technology and information strategy to ensure that there is good governance throughout the ecosystem by ensuring the effectiveness and efficiency of the Group's systems from a strategic alignment and risk perspective.

DIGITAL REVOLUTION

Business leaders are urgently trying to keep abreast of the surging pace of digital transformation globally. Information technology (IT) security can no longer be an afterthought, as the digital economy accelerates and consumers and organisations become increasingly interconnected. Security must be the foundation on which solutions are built.

IT security incidents, such as ransomware attacks this year, occasion a large but reactionary response from companies and industries. However, this typically happens after significant damage has been done.

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

- IT automation and analytics are two key trends accompanying artificial intelligence, which is starting to play a significant role in IT security.
- further personal data legislation has a significant global impact on how companies secure their data and protect their digital assets;
- mobile devices with pervasive connectivity to the internet, as broadband data reduces in price and increases in availability, results 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.

REPORT OF THE COMMITTEE

An integrated approach for technology and information governance in all the business units was implemented and all divisions in each subsidiary have followed the Group user policies and security practices within the technology and information environment.

Group synergies continue to be 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
 - Integration of technology and information risks
 - Proactive monitoring of intelligence to identify and respond to incidents, including cyberattacks and social media events
- People:
 - The integration of people, technologies and information across the Group
 - 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
 - Ethical and responsible use of technology and information
- Value:
 - Adoption of a compliance technology architecture towards establishing a robust system of record that proves a state of compliance and documents any change made, thus providing a complete audit trail
 - Key suppliers are sought to optimise procurement and service levels across the Group, with shared services where appropriate and new opportunities being investigated
 - Evaluation of projects throughout their life cycles and significant operation expenditure
 - The leveraging of information to sustain and enhance the Group's intellectual capital

During the year under review the committee undertook the following to ensure best practices:

- All changes to the IT systems followed an official change control process, where detailed testing of the changes was documented including the impact of the change, the associated risk and the back-up plan detailed.

- All systems were backed-up daily and stored off-site. Quarterly restore tests were done to ensure that the backups were working.
- All servers and workstations have the latest operating system patch level, all security updates are applied and compliance is monitored to ensure that the organisation is protected from security threats.
- All servers and workstations have the latest anti-virus patch levels applied to monitor compliance to ensure the organisation is protected from security threats.
- A disaster recovery/business continuity plan is being re-drafted with regular testing done to ensure that disaster does not impact the business.
- Firewalls, password management and remote access are in place to ensure that the organisation is not at risk of a security breach.
- Regular changing of passwords measures are in place.
- Restrictions to websites that pose a security threat are in place.
- Restrictions on who can access what, whether it is external or internal to the organisation have been applied.
- Strong password controls are in place and the network password policy was reinforced.
- A formal incident, fault call logging process is in place to ensure that issues are dealt with speedily.
- We instituted ransomware mitigation procedures and ESET antivirus software is updated regularly on all workstations and the server.

(King IV™ – Principle 12)

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 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 and network reliability. It 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

TECHNOLOGY AND INFORMATION – continued

high priority. One aspect driving risks and security is our governance and internal audit to ensure that the organisations information assets are secure.

We constantly address best practices, threats from phishing, ransomware and other cyberthreats which could have an impact on business operations, financial statements, legal exposure and the Company's reputation. *(King IV™ – Principle 11)*

TECHNOLOGY-ENABLED SOLUTIONS – CHANGING ROLE OF IT

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 was 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 and data being generated in a variety of options, thus reducing the risk of errors, audit trails, document managers, improved workflows, multiple reviewers and consolidation of information and maintenance costs. The new technology will be implemented through a phased approach, with phase 1 commencing November 2017.

The Group's current focus is on 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.

The Group is currently looking into an effective integrated framework and compliance technology architecture to support compliance risk management with various capabilities.

Our technology division continues to provide technology-enabled solutions which add value to our customers by:

- enhancing current services;
- providing productivity solutions to optimise business activities;
- providing integrated business solutions;
- providing consultative advice based on business needs;
- offering an integrated range of services;
- being specialists in its field; and
- providing client-centric security strategy and management services.

The digitised cloud-enabled world has many IT products and services readily available for business consumption, necessitating additional requirements from the technology division for its clients.

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

The Board oversees:

- The adoption of a governance framework and review IT policies that will detail the strategic direction on the use of technology and information;
- The new report from management will contain the following objectives in terms of compliance:
 - Activities and functions of the IT strategy are aligned to the business strategy
 - The optimal investment made in IT – costs are managed and the return on investment measured
 - IT risks are identified and adequately addressed and assurance is obtained to ensure that the IT control framework is in place to address IT risks
 - IT resources are sourced within subsidiary companies or externally
 - Information, IT assets and intellectual property contained in the IT systems are protected and effectively managed and used
 - IT has adequate business resilience arrangements in place for disaster recovery
 - Information management is a joint IT and business responsibility
 - IT governance conforms to laws and related rules, codes and standards are considered
 - The use of IT is sustainable with respect to the environment and security
 - Synergies between IT initiatives and the benefits to the organisation as a whole and individual business units

(King IV™ – Principle 12)

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

REMUNERATION COMMITTEE REPORT

“Society as a whole benefits immeasurably from a climate in which all persons, regardless of race or gender, may have the opportunity to earn respect, responsibility, advancement and remuneration based on ability.”

Sandra Day O'Connor

REMUNERATION REPORT

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

I am pleased to present AEEI's 2017 summarised remuneration report on behalf of the remuneration committee.

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. 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 drivers of executive remuneration.

In South Africa, good governance, ethics and leadership regarding remuneration is primarily informed by King IV™. This report highlights the key components of our policy and how these align to our performance and strategic objectives for the 2017 financial year.

The committee was tasked by the Board to approve and oversee the implementation of the remuneration policy enabling it to achieve the Group's strategic objectives, translating into market-related yet affordable performance-linked rewards and to ensure balanced and transparent outcomes that align with shareholder interests over the short and long-term. Ultimately our policy enables the attraction and retention of valuable talent.

Remuneration and reward systems remain sensitive matters, especially in the socio-political environment. Our approach to remuneration aligns to our ethics, corporate governance philosophy and shared values – respect and trust, people, integrity, accountability,

stakeholders, commitment and investment. During the past year, we introduced a few non-material changes to the remuneration policy, strategy and associated practices in alignment with best practices, but have kept our core remuneration policy and principles consistent. We will continue to review and adapt to changes in market conditions to ensure that our policy and principles remain appropriately aligned with our overall business strategy.

Executive remuneration and the governance of remuneration continues to remain a feature of the corporate governance landscape 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 monitoring and addressing this critical issue.

The alignment of our executives' 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 and senior management of 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 against the appropriate strategic objectives, performance and market benchmarks.

REMUNERATION COMMITTEE REPORT – continued

The committee had an independent third party perform a market comparison against our peers in other businesses. The comparison was used to determine where we should remunerate. The committee reviewed the targets set in terms of performance-related remuneration for the CEO, the executive management team and senior management in the Group 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.

During the financial year, the remuneration committee received guidance from the following independent advisors:

- An external advisor
- PE Corporate Services – executive salary benchmarking and job grading

The committee conducted a detailed review of each of the three senior executive's performance for the 2017 financial year and recommended to the Board that a bonus be paid using the Matrix guidelines based on

financial and qualitative performance. The committee agreed to recommend to the Board the approval of a general salary increase based on the current price index of 7% for all employees in the Group.

We remain committed to closing the wage gap and pay particular attention to those at the lower end of the earnings spectrum and consistently applied the principle that our remuneration should be fair and competitive and should reflect the performance of the business and the business units.

Our ethos is one of appreciation for commitment, diligence, care and attention to detail. 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 accordingly.

This report is part of the remuneration report and will be put to a non-binding advisory vote by shareholders at the upcoming AGM. It summarises the Company's remuneration policy for non-executive directors, executive directors and prescribed officers. The information provided in this report has been approved by the Board on the recommendation of the remuneration committee.

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



S Young

Chairman of the remuneration committee

(King IV™ – Principles 13 and 14)

ROLE OF THE REMUNERATION COMMITTEE

The remuneration committee's main purpose is to implement the guiding principles in the application of remuneration governance, practices and policies and to ensure that the Group remunerates fairly, responsibly and transparently so as to promote the achievement of the strategic objectives and positive outcomes in the short, medium and long-term.

REMUNERATION POLICY

INTRODUCTION

The AEEI Group's remuneration committee is primarily responsible for overseeing the remuneration and incentives of the Group's executive directors and key management, as well as providing strategic guidance.

To assist in the achievement of AEEI's long-term strategic goals, the remuneration committee has put a formal remuneration policy in place. Each major subsidiary has its own remuneration committee and a policy specific to its business unit, including the industry in which it operates taking into account AEEI's long-term strategic goals.

The main aim of the committee is to assist the Board in fulfilling its responsibilities in establishing formal and transparent policies and guiding principles of a standardised approach in the application of remuneration practices within all the business units and functions.

The remuneration committee's main purpose is to implement the guiding principles in the application of remuneration governance, practices and policies and to ensure that the Group remunerates fairly, responsibly and transparently so as to promote the achievement of the strategic objectives and positive outcomes in the short, medium and long-term.

OVERVIEW OF THE MAIN PROVISIONS OF THE REMUNERATION POLICY

The remuneration policy is aimed at aligning remuneration practices that will enable the committee to achieve the Group's strategic objectives, translating into market-related yet affordable performance-linked rewards and to ensure balanced and transparent outcomes that align with shareholder interests over the short and long-term and ultimately enable the attraction and retention of valuable talent. Our approach to remuneration aligns to our ethics, corporate governance philosophy, shared values and best practices.

The remuneration policy is designed to achieve the following strategic objectives:

- Support the attainment of AEEI's strategic business objectives and strategies
- To attract, retain and motivate key and talented individuals
- Compete in the market place to be an employer of choice
- Reward individual, team and business performance and encourage superior performance
- Support the key values of AEEI
- To promote the achievement of the Group's strategic objectives within the organisation's risk appetite
- To promote positive outcomes
- To promote an ethical culture and responsible corporate citizenship

The remuneration policy addresses the organisation's remuneration and includes provision for the following:

- Arrangements towards ensuring that the remuneration of executive management is fair and responsible in the context of overall employee remuneration in the organisation.
- The use of performance measures that support positive outcomes across the economic, social and environmental context in which the organisation operates and all the capitals that the organisation uses or affects.
- Enable the Company to attract, engage and retain talent to drive performance and to meet the strategic objectives of the Company.

EXECUTIVES AND EMPLOYEES

The remuneration of the executives is reviewed annually by the remuneration committee, which seeks to ensure that balance is maintained between the fixed (base salary) and variable (discretionary bonus) elements of remuneration, as well as between short-term (base salary and discretionary bonus) and the long-term financial performance objectives of the Group.

REMUNERATION COMMITTEE REPORT – continued

Cost-to-company remuneration incorporates the following elements:

BASE SALARY

Base salary is guaranteed annual pay on a cost-to-company basis. It is subject to annual review and adjustments are effective 1 September of each year, coinciding with the commencement of the Group's financial year. Benchmarking is performed with reference to companies comparable in size, industry, business complexity and the level of responsibility that the individual assumes.

BENEFITS

Benefits form part of the total cost-to-company and include:

- membership to the pension/provident fund (providing death, disability and dread disease benefits);
- medical aid;
- unemployment insurance fund; and
- funeral cover.

COMPLIANCE

The remuneration policy is reviewed each year to ensure that the remuneration framework remains effective in supporting the achievement of the Company's business objectives and remains in line with the best practice. AEEI complied with the remuneration policy, relevant remuneration governance codes and statutes. The recommended practice as stated under Principle 14 of King IV™ has been applied and is explained throughout this report through the outcomes achieved.

During the year, the committee engaged the services of an independent external advisor in support of our endeavours to act independently and provide specialist input.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Executive directors do not have fixed-term contracts but have permanent employment agreements with the Company. The remuneration of executives is determined

on a cost-to-company basis and is subject to an annual review by the remuneration committee. Provident or pension fund and health care provision form part of the overall cost-to-company packages. Executive directors are members of the Group's provident fund and are required to retire from the Group as a director of the Board at the age of 65, unless requested by the Board to extend their term. There are no other special benefits for executive directors.

PUBLIC OFFICER

The public officer, Mr Khalid Abdulla is not remunerated for his role as the public officer of the Company.

PERFORMANCE APPRAISALS

Performance appraisals of the executive management team are done by the committee on an annual basis. Line managers and divisional managers also conducted performance appraisals on staff in the Group. The CEO conducted the performance appraisals of the divisional heads in the Group and provided feedback to the committee.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The non-executive directors receive fees for serving on the Board and Board committees. The fees for non-executive directors are reviewed annually by AEEI's executive committee and thereafter to the remuneration committee, which seeks to ensure that fees are market-related and presented to shareholders for approval. The Board recommends the fees to shareholders for approval at the annual general meeting of the Company. Consideration is given to the relative contribution of each non-executive director and their participation in the activities of the Board and its committees. Changes to the fee structure are effective 1 September, subject to the approval by shareholders at AEEI's annual general meeting held in February of each year. The annual fees payable to non-executive directors are, as in the past, fixed and not subject to the attendance of meetings. In the event of non-attendance on a regular basis, same may be reviewed.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS' REMUNERATION

The 2017 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	2 373	1 152	801	4 326
Bonus	1 250	180	205	1 635
Provident fund	324	157	180	661
Expense allowance	38	15	15	68
TOTAL	3 985	1 504	1 201	6 690

The 2017 remuneration of the non-executive directors 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	397	340	198	198	1 133

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

AEEI covers all reasonable travelling and accommodation expenses incurred to attend Board and committee meetings.

Non-executive directors do not have any employment contracts, nor do they receive any benefits associated with permanent employment.

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

In the event that less than 75% support for the above-mentioned reports are achieved at the annual general meeting, the Board will invite dissenting shareholders to send reasons for such votes in writing, whereafter further engagements may be scheduled to appropriately address legitimate and reasonable objections and concerns raised.

IMPLEMENTATION REPORT

This part of the report focuses on the performance outcomes against the targets set for 2017.

SALARY INCREMENT

The committee reviewed the targets set in terms of performance-related remuneration for the CEO, executive management team and senior management in the Group which includes individual performance factors and a combination of portfolio-specific targets.

For the year ended 31 August 2017, a general salary increase was approved based on the yearly average current price index of 7% for all employees in the Group.

DISCRETIONARY BONUS

For the year ended 31 August 2017, the discretionary bonus was calculated as a percentage of the qualifying executive/senior management/employee's base salary according to seniority and the level of responsibility assumed. Qualifying executives and senior management received a discretionary cash bonus dependent on meeting both financial and qualitative strategic performance objectives. Employees received a discretionary cash bonus dependent on meeting both personal and the Company's strategic objectives. Financial, qualitative, personal and Company strategic performance are aimed at ensuring sustainable

REMUNERATION COMMITTEE REPORT – continued

long-term value creation to the benefit of all stakeholders. The total base salary and bonus paid were considered to be fair to the Company and the executive/senior manager/employee.

For the year ended 31 August 2017, the CEO and executive management team's performance was assessed against a set of predetermined objectives that include, *inter alia*, strategic leadership, execution of the strategy through business results and stakeholder relations. The successful delivery of the Group's objectives constitute both financial and non-financial performance measures, with the key financial measures which include profits, cash flow and asset growth weighted to 70% and the remaining 30% weighted to non-financial measures for most of the executives in the Group.

The committee remains mindful of ensuring that overall remuneration 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. (*King IV™ – Principle 14*)

A copy of the full remuneration policy is available on www.aeei.co.za.



COMPENSATION – GUIDING PRINCIPLES

- Differentiated total reward distinguishing six categories of employees: wage earners, salaried employees, general managers, senior managers and executive and non-executive directors
- Transparent communication of reward in general while respecting confidentiality of individual personal reward information
- No unfair pay discrimination
- Affordability
- Conservative approach towards employee taxation
- 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 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.

SUCCESSION PLANNING

The Board recognises its responsibility to make provisions for competent leadership for the Group. In fulfilling this responsibility, the Board also acknowledges that situations may arise which require a need for interim leadership and that future leadership transitions are inevitable.

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. Succession planning is reviewed periodically and provides for both succession in emergency situations and succession over the longer term.

The succession plan is designed to address each of the following situations:

- Provision for leadership during anticipated or unanticipated short-term absences of the CEO
- Planned resignation – in the event of a permanent leadership change, the process for conducting a CEO search
- Provision for leadership during anticipated or unanticipated short-term absences of the chair
- Planned resignation – in the event of a permanent leadership change, the process for conducting a chair search.

REMUNERATION REPORT – KEY STATISTICS

	2017 R'000	2016 R'000
Total rand value of compensation paid to executive directors – executive directors do not have share options	6 690	5 819
Average compensation per executive director (rand) – executive directors do not have share options	2 230	1 939
Total compensation paid to prescribed officers – the prescribed officer is not remunerated separately	0	0

SOCIAL AND ETHICS COMMITTEE REPORT

“Ethics is knowing the difference between what you have the right to do and what is the right thing to do.”

Unknown

ROLE OF THE SOCIAL AND ETHICS COMMITTEE

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

The commitment to sustainable development involves ensuring that the Group conducts 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, social and ethics-related matters and ensure that the Group is and is seen to be a responsible corporate citizen.

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. It performed the statutory functions required in terms of the Companies Act and King IV™. The committee's commitment to sustainable development involved ensuring that the Group conducted its operations in a manner that meets existing needs without compromising the ability of future generations to meet their needs. The committee provided support, advice and guidance on the effectiveness, or otherwise of management's efforts, in respect of sustainable development and social and ethics-related matters. The committee updated the Code of Ethics and Code of Conduct during the year. The Company is reviewing the development of a compliance framework and dashboard.

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

- Governed the ethics of the Group in a way that supports the establishment of an ethical culture and monitored the Group's activities, having regard to all relevant legislation, legal requirements, codes of best practice through ongoing staff awareness around the following policies:
 - The Way We Work Policy
 - Anti-corruption and Bribery
 - Code of Conduct
 - Code of Ethics
- Ensured that employees and stakeholders familiarised themselves with the organisation's ethical standards
- Exercised ongoing oversight of the management of ethics and in particular that it resulted in the application of the organisation's ethical standards to the processes for the recruitment and evaluation of employees, as well as the sourcing of suppliers
- Monitored, reviewed and made recommendations regarding the Group's:
 - personnel manuals and ensured that all policies are in line with the amended Basic Conditions of Employment Act, 1997 (No. 75 of 1997) (Basic Conditions of Employment Act), the Employment Equity Act, 1998 (No. 55 of 1998) (Employment Equity Act) as well as skills development;
 - ensured compliance against the UN's Global Compact's 10 principles in the areas of human rights, labour, the environment and anti-corruption;
 - ensured ongoing human resources, employment relationships and skills development through the contribution of educational development of employees by conducting a skills audit and training analysis which identified training needs; and
 - ensured the Group's promotion of equality and prevention of unfair discrimination.

- Monitored, reviewed and ensured compliance to the Group's standing in terms of social and economic development and ensured that the business units contribute and give back to the communities in which they operate and made recommendations
- Monitored, reviewed and ensured that the businesses in the Group recognise that they have a responsibility to apply good environmental practices and to improve on their environmental performance as part of the Group's strategy and commitment to sustainability; to meet and where possible exceed environmental legislative and regulatory requirements; as well as to promote sustainability by monitoring their environmental impact in terms of health and public safety, including the impact of their activities and/or products or services
- Ensured compliance and standing in terms of the regulations governing B-BBEE
- Monitored and ensured that the Group is seen to be and is a responsible corporate citizen through societal and environmental initiatives and the Group's contribution to the development of communities in which the Group's activities are conducted, including sponsorship, donations and charitable giving
- Monitored the Group's consumer relationships, including advertising, public relations and compliance with consumer protection laws
- Monitored the anonymous tip-off line and dedicated email address and confirmed that there was no corruption or fraud reported
- Having sanctions and remedies in place for when the organisation's ethical standards are breached
- Monitor the use of protected disclosure and whistle-blowing mechanisms to detect breaches of ethical standards and dealing with such disclosures appropriately
- The monitoring of adherence to the organisation's ethical standards by employees and other stakeholders through, among other, periodic independent assessments
- Monitor, review and ensure compliance to the Group's standing in terms of social and economic development
- Monitor and review to ensure that the businesses in the Group recognise that they have a responsibility to apply good environmental practices and to improve on their environmental performance
- Ensure compliance and standing in terms of the regulations governing B-BBEE
- Monitor and ensure that the Group is seen to be a responsible corporate citizen through societal and environmental initiatives and the Group's contribution to the development of communities in which the Group's activities are conducted
- Monitor the Group's consumer relationships, including advertising, public relations and compliance with consumer protection law

(King IV™ – Principles 2, 3, 4, 13 and 16)

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.

Taking into account the various inputs, including the outcomes, the Board combined the social and ethics and the transformation committee's going forward.

PLANNED AREAS OF FUTURE FOCUS

- Continue to govern ethics in the Group in a way that continues to support the establishment of an ethical culture
- Monitor labour, employment relationships, training and skills development, employment equity, promotion of equality and the prevention of unfair discrimination
- Exercise ongoing oversight of the management of ethics and in particular oversee that it results in the following:
 - Application of the organisations ethical standards to the processes for the recruitment, evaluation of employees, as well as the sourcing of suppliers

INVESTMENT COMMITTEE REPORT

“The underlying principles of sound investment should not alter from decade to decade, but the application of these principles must be adapted to significant changes in the financial mechanisms and climate”

Benjamin Graham

ROLE OF THE INVESTMENT COMMITTEE

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

The role of the committee is to assist the Board:

- in considering and recommending investment opportunities in respect of acquisitions, listed securities and other corporate action in terms of the organisations risk appetite in a transparent manner and that sufficient evaluation has been afforded to such opportunities; and
- to approve acquisitions and disposals in line with the limits of authority delegated to it and in line with the strategy determined by the Board.

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

- Review the investment strategy of the organisation
- Set criteria and targets for investment in terms of the organisations risk appetite
- Approve proposals for acquisition and sale of companies
- Periodically review due diligence processes for acquisitions
- Approve equity and other strategic investments
- Regularly review the performance of the organisations investment portfolio
- Report regularly and make recommendations to the Board for approval

- Monitor and evaluate investment service providers
- Perform other responsibilities regarding the organisations investment activities as the Board may from time to time assign to it

REPORT OF THE INVESTMENT COMMITTEE

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, acquisitions, organic growth projects or investment funding 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 have been developed within a five-year plan (Vision 2020 Vision) and each investment is adjudicated in line with its contribution to the growth plan mandated by the Board.

STRATEGIC INVESTMENTS

AEEI has become the partner of choice for multinationals seeking a B-BBEE partner who brings value through active participation in its businesses. Through AEEI's non-controlling strategic investments, the Company was 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
- 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 year under review, the committee concluded the following investments:

- The acquisition of additional shares in Sygnia Ltd
- 51% of Kalula Communications (Pty) Ltd
- 57% of Puleng Technologies (Pty) Ltd
- 90% of Orleans Cosmetics (Pty) Ltd

(King IV™ – Principles 4, 11, 12 and 16)

The following post-balance sheet investments were concluded:

- The Group through its subsidiary Premier Fishing SA (Pty) Ltd entered into a binding Heads of Agreement with Talhado Fishing Enterprises (Pty) Ltd (Talhado) to acquire a 50.01% stake in their business. The effective date of the transaction is 30 November 2017 subject to certain conditions precedent. Talhado is the largest squid player in the South African market and this acquisition fits in line with the Group's strategy to diversify through expanding organically and through acquisitions.
- The Board of AEEI approved the proposed listing of its technology division on the main board of the JSE subject to various regulatory approvals in the short-term and subject to market conditions.
- On 3 November 2017, AEEI acquired an additional 24.5% shares in espAfrika (Pty) Ltd from an existing shareholder by exercising its pre-emptive rights.

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 are evaluated;
- a formal due diligence is conducted in terms of legal, technical and financial aspects;
- agreements are reviewed by the legal team; and
- the Board is apprised of any developments prior to conclusion.

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 investment committee reports to the Board on the activities of the committee at Board meetings.

TRANSFORMATION COMMITTEE **REPORT**

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

Jillian Michaels

ROLE OF THE TRANSFORMATION 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.

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 broader participation by all South Africans.

One of the main purposes of the committee is to ensure compliance with the amended Codes of Good Practice for B-BBEE as revised from time to time and to measure the Company in terms of compliance under the elements in terms of the Department of Trade and Industry’s Codes of Good Practice.

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 B-BBEE and includes the transformation of the culture, ethics and values of the Group.

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, trust and investment. Refer to page 38 for more details.

The B-BBEE 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.

REPORT OF THE TRANSFORMATION COMMITTEE

As a responsible employer, we adhered to all labour legislation and laws. The Group’s employment equity policy affirms the commitment to equal opportunities relating to affirmative action and the achievement of employment equity.

During the year under review, the committee adopted a new transformation charter.

The transformation committee assisted the Board in ensuring 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
- Adopted a three-year Transformation Plan from 2018 onwards
- Maintained our B-BBEE Level 1 status since 2010
- Reviewed the B-BBEE status of the Group’s subsidiaries
- Implemented and tracked the long-term goals in terms of the Group’s Vision 2020 Vision
- Reviewed and made recommendations to the skills development plans and the placement of interns in the Group
- Reviewed and made recommendations 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
- Built on our solid empowerment credentials – empowerment partner of choice
- Ensured that all regulatory obligations were met, including the submission of employment equity plans to the Department of Labour

(King IV™ – Principles 2, 13 and 16)

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

- *B-BBEE* – Codes of Good Practice – to retain Level 1 accreditation in terms of B-BBEE per the Codes of Good Practice as set out by the Department of Trade and Industry
- *Employer of Choice* – to create and nurture a working environment and a corporate culture that 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 – to further improved brand value for the Company
- *Environmental sustainability* – resource stewardship – to drive resource management throughout our supply chain
- *Social sustainability* – stakeholders – to contribute to a society through our own practices and relationships with communities
- *Internal communication* – to 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* – to ensure that the Group's image and profile are aligned with its transformation strategy and the changing South African and African environments

- *Business partners and collaboration* – to ensure communication and collaboration with the Company and the Group's business partners and associates with regard to sector transformation.

Management is responsible for the preparation, presentation and integrity of information and all matters about which the committee should be informed.

B-BBEE CODES

The committee has been proactive within the Group to ensure understanding and compliance of the revised Codes.

The Company lodged its BEE Certificate with the Commissioner during the year.

Since the changes in the rankings of listed companies on the JSE five years ago, qualifying small enterprises were disqualified from being rated. This is the second year that AEEI will qualify to be in the main rankings of the JSE Top 100 listed companies as a generic enterprise. Refer to page 19 of the Sustainability Report for further details.



TRANSFORMATION PLAN

The execution of the new Transformation Plan will be a high-priority responsibility of management in the various business units. The business units will ensure the plan's execution through senior and other levels of management. The transformation committee developed detailed short-, medium- and long-term action plans to ensure the implementation of its transformation goals and objectives. These action plans address all the stated goals and objectives and take into account the suggested action plans put forward by various forums, while aligning with their applicable objectives.

The transformation committee will on a regular basis, monitor, review and make recommendations. The various business units will communicate their status of performance against goals.

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 transformation committee reports to the Board on the activities of the committee at Board meetings.

Taking into account the various inputs, including the outcomes, the Board combined the social and ethics and the transformation committee's going forward.

NOMINATION COMMITTEE REPORT

ROLE OF THE NOMINATION COMMITTEE

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

The role of the committee is to assist the Board in assessing the composition of the Board and recommends the appointment of directors. The committee is the main body responsible for evaluating, promoting and ensuring gender diversity. In reviewing the Board composition, the committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to enable it to discharge its duties and responsibilities effectively. In identifying suitable candidates for appointment to the Board, the committee will consider candidates on merit against objective criteria and with due regard to the benefits of gender diversity on the Board.

For the annual performance evaluation of the effectiveness of the Board, the nomination committee will consider the balance, skills, experience and the diversity representation of the Board and other factors relevant to its effectiveness. It will also ensure that the Board has the appropriate composition in terms of structure, size; composition and independence for it to execute its duties effectively and that directors are appointed through a formal and transparent process. The committee will ensure that induction and ongoing training and development of directors take place and that formal succession plans for the Board, CEO and senior management appointments are in place.

REPORT OF THE NOMINATION COMMITTEE

During the year under review, the nomination committee performed all the functions necessary to fulfil its role as stated above, including the following:

- Adopted and approved a gender diversity policy which includes identifying suitable candidates for appointment to the Board. The committee will consider candidates on merit against objective criteria and with due regard to the potential benefits of gender diversity at Board level. The committee will continue to discuss and annually agree all measurable targets in terms of gender diversity on the Board
- Assessed the current composition of the Board in terms of gender diversity and confirmed that they were pleased with the current composition of the Board
- Ensured that the establishment of a formal process for the appointment of new directors is in place including:
 - identification of suitable members in terms of gender diversity;
 - performing reference and background checks of candidates, which should be independently investigated and their qualifications should be independently verified prior to nomination;
 - formalising the appointment of directors through an agreement between the Company and the director; and
 - a formal induction programme for new directors
- Ensured that inexperienced directors are developed through a mentorship programme

- Ensured the development and implementation of continuing professional development programmes for directors
- Ensured that directors receive regular briefings on changes in regulatory compliance, risks, laws and the environment in which the Company operates
- Ensured that formal succession plans for the Board, chairman, CEO and executive management were developed
- Evaluated the performance of the chairperson and the Board as whole and confirmed their performance in terms of independence, balance of power, fiduciary duties, ethical leadership, corporate governance and the effective discharge of their duties
- Reviewed the re-appointment of directors with regard to retirements due to rotation on the basis of that member's performance, including attendance at meetings of the Board and committees
- Ensured that a brief professional profile of each candidate standing for election at the annual general meeting (AGM), including details of professional commitments, accompany the notice of the AGM, together with a statement from the Board confirming whether it supports the candidate's election or re-election

- Ensured that a programme of professional development and regular briefings on legal and corporate governance developments and risk and changes in the external environment of the organisation, should be provided for members of the Board
- Recorded that Reverend Dr Mehana resigned as a member of the audit and risk committee, due to best practice governance that the chairman of the Board cannot be a member of the audit and risk committee. The Board reviewed the current membership composition and decided that there would be no requirement for the replacement of this member.

(King IV™ – Principle 1, 7, 8 and 9)

The committee is satisfied with Board's current composition in terms of gender diversity.

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

SUSTAINABILITY REPORT

“Sustainability is the key to our survival on this planet and will also determine success on all levels.”

Shari Arison

AEEI is aware and appreciates the evolution of governance and that the Group's core purpose, business model, performance, risks, opportunities and sustainable development are inseparable elements of the value-creation process. The Group is aware that the responsibility and accountability, in addition to producing solid financial results, of business leaders include managing the Company's environmental and social impact, as well as addressing the expectations of stakeholders, including regulators, investors, customers and employees.

The Group continually strives to meet and exceed the benchmarks set by the B-BBEE 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.

MATERIAL AREAS OF SUSTAINABILITY

ENSURING SOUND GOVERNANCE

122,	Our sustainability governance practices
85, 86	Building relationships with our stakeholders
83	Fostering ethical behaviour and good governance

DEVELOPING PEOPLE

88, 89,	Workplace transformation and diversity
89, 126	Success
129,	Skills development
129,	Attracting and retaining talent

RESPONSIBLE PRODUCTS AND SERVICES TO OUR CUSTOMERS

86	Financing and empowerment infrastructure
90	Treating our clients fairly
	Promoting responsible investment

INVESTING IN A PROSPEROUS SOCIETY

129,	Transformation and empowerment
90,	Responsible procurement and enterprise
92, 129, 134,	Corporate social investment

PROMOTING ENVIRONMENTAL RESPONSIBILITY

131	Managing our direct environmental impact
	Climate change and energy
	Promoting sustainable water usage
	Materials and waste management

SUSTAINABILITY GOVERNANCE FRAMEWORK

AEEI's business is built on a strong foundation, including its business model, core values and principles. Our products and services are the tangible outputs of our business activities and our social and ethical

responsibilities guide our day-to-day activities. All forms of sustainability are extremely important in our strategy and operational activities. AEEI's goal has always been to provide innovative solutions to every subsidiary and client while remaining committed to social responsibility. The full report can be found on www.aeei.co.za.



BOARD OF DIRECTORS

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

CHIEF EXECUTIVE OFFICER

The CEO is 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 and reviewing the integrated reporting process
- Reviews the annual financial statements, interim reports and preliminary results announcement
- Ensures integration in terms of integrated reporting and the application of our business model
- Ensures that the combined assurance model is applied
- Oversees the internal audit function
- Responsible for risk management, considers the top risks and monitors the progress of mitigating risks. Findings and recommendations are reported on at Board level
- Responsible for the governance of technology and information
- Recommending the services of the external auditor

REMUNERATION COMMITTEE

- Reviews and approves the remuneration and benefits policy and the reward philosophy and strategy adopted by the Company
- Ensures that the organisation remunerates responsibly, fairly and transparently
- Reviews and approves the reward philosophy and strategy
- Determines the remuneration packages of the executive directors and senior managers
- Recommends to the Board the fees to be paid to non-executive directors for their services

SOCIAL AND ETHICS COMMITTEE

- Ensures that the Group is and remains a committed socially responsible corporate citizen
- Reports on organisational ethics, sustainable development and stakeholder relationships, including organisational ethics
- Ensures compliance with statutory duties and encourages leading practice by having the social and ethics committee progress beyond mere compliance to contribute to value creation
- Monitors the Group's social impact, oversees compliance and ensures sound ethical and governance practices.

DAILY RESPONSIBILITY IS DELEGATED TO DIVISIONAL MANAGEMENT

SUSTAINABILITY REPORT – continued

The ultimate responsibility of sustainability rests with the Board and the social and ethics committee has been tasked by the Board to manage and monitor sustainability.

The Board remains firmly committed to the development of intellectual and human capital and in line with this, the performance assessment of senior managers includes an assessment of how they have developed the human capital of the organisation, especially the development of historically disadvantaged individuals. The Board has affirmed its practice with regard to procurement by its subsidiaries from black economic empowerment companies, enterprise and supplier development as well as socioeconomic development. The Group has policies in place to ensure that the subsidiaries act in an environmentally friendly manner that takes into account the existence of the communities in which the subsidiary operations are located.

Besides the careful stewardship of natural resources, the Group continually works towards sustainable development by working towards the eradication of poverty and income inequalities, with the goals being employment, accessing quality and affordable basic services and fostering a stable and just society.

AEEI and its various business units are not considered to make a particularly heavy demand on the natural environment. However, businesses in the AEEI Group are committed to being industry leaders and adding value to the services they provide by implementing sustainable business practices that minimise the impact that their operations have on the environment. Environmental commitments are an integral part of their day-to-day activities. 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 environment stewardship. We acknowledge that a stable economy and a sustainable business require a sustainable environment. Our fishing and brands division works closely with the relevant authorities to safeguard the various fish species and pays careful attention to the environmental impact of its operations.

The Group's material matters, the stakeholders affected and how we manage them can be found on page 43 to 48 and 85 to 92.

(King IV™ – Principles 3, 4, 10, 11, 13, 14, 15 and 16)

MATERIAL MATTERS AND KEY PERFORMANCE INDICATORS – 2017 PROGRESS ON THE SIX CAPITALS:

The following report details the material matters, key performance indicators, our 2017 progress, the risks related to the material issue and the opportunities created by the material matters on the six capitals:



FINANCIAL CAPITAL

MATERIAL MATTER

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

2017 PROGRESS

- Retained sound capital levels and liquidity in the Group
- Focused on optimal capital allocation
- Procured alternative funding for our capital growth investments
- Continued with our Vision 2020 Vision implantation to invest in growth while containing costs and driving efficiencies
- Maintained a well-diversified portfolio of investments and risk framework
- Continued with the streamlining and standardisation of procurement spend for future cost savings
- Listed our fishing and brands division
- Effectively allocated capital for growth projects
- Executed selective growth projects:
 - Further acquisition of shares in Sygnia
 - 57% stake in Puleg Technologies
 - 51% stake in Kalula Communications
 - 90% stake in Orleans Cosmetics
- Paid dividends and interim dividends to shareholders
- Maintained Group debt and gearing

WHAT ARE THE RISKS RELATED TO OUR MATERIAL MATTERS

- 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 MATTERS

- 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 technology division
- Work towards listing the biotechnology division

SUSTAINABILITY REPORT – continued


**HUMAN
CAPITAL**
MATERIAL MATTER

Employee recruitment and retention of key skills

KEY PERFORMANCE INDICATORS

- Retention of critical skills
- 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 fatalities in the Group
- Drive diversity and cultural transformation
- Drive Vision 2020 Vision goals
- Drive a high-performance culture to ensure delivery of our strategic objectives
- Develop critical skills to drive business performance

2017 PROGRESS

- Emphasised our employee value proposition
- Offered competitive remuneration – increase in remuneration and bonus paid
- Training analysis completed
- Role blueprints updated
- Spent R2 570 000 on training and development
- Promoted a working environment that allows employees to deliver high performance
- Embedded our Vision 2020 Vision
- Developed critical skills to drive business performance
- Continue to transform our businesses
- Continued with the personal development of middle and senior executives
- Continued building leadership capability to enable productivity, high performance and sustainable growth
- Reviewed succession plans and identified talent development
- New transformation and equity employment plans to be rolled out in 2018

WHAT ARE THE RISKS RELATED TO OUR MATERIAL MATTERS

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

WHAT ARE THE OPPORTUNITIES CREATED BY THE MATERIAL MATTERS

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



MANUFACTURED CAPITAL

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, look at returns but also focused on risk and capital requirements

MATERIAL MATTER

- Business operations
- Capital investment in our businesses
- Access to reliable infrastructures
- Investment into plant and equipment

2017 PROGRESS

- Launched new products and services to meet our clients' needs
- Increased our focus on cross-selling
- Manufactured own products
- Offered innovative products and services to clients
- Strengthened our strategic alliance with our international partners
- Stimulated growth and partnerships with SMMEs
- Enterprise development
- Maintained infrastructures and assets through regular maintenance
- Invested in plant and equipment
- Reduced our environmental footprint through the manufacture of organic products

WHAT ARE THE RISKS RELATED TO OUR MATERIAL MATTERS

- 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 MATTERS

- 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
- Further 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

SUSTAINABILITY REPORT – continued


**INTELLECTUAL
CAPITAL**
KEY PERFORMANCE INDICATORS

- Provide shareholder satisfaction and return on investment
- Review the risk of alternative technologies from competitors
- Patented technologies
- Skilled, experience and technically qualified employees and leaders

MATERIAL MATTER

- Macroeconomic considerations
- Accreditation including patents, trademarks, intellectual property and the JSE

2017 PROGRESS

- Diversified portfolio of investments and strategic investments
- Payment of dividends to shareholders
- Built own intellectual property to reduce the risk of alternative technologies
- Prioritised focus on research and development activities
- Partnered with academic institutions, research bodies and industry peers to develop and implement new technologies
- Listed the fishing and brands division

WHAT ARE THE RISKS RELATED TO OUR MATERIAL MATTERS

- 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
- Failure in our business processes and management systems

WHAT ARE THE OPPORTUNITIES CREATED BY THE MATERIAL MATTERS

- Work towards listing the technology division
- Organic and acquisitive growth
- Increase business in the private sector
- Further expansion into Africa and abroad
- Work towards listing the biotechnology division
- Opportunities to invest in other areas of our strategic growth path
- Building of own intellectual property
- Payment of dividends



SOCIAL AND RELATIONSHIP CAPITAL

MATERIAL MATTER

- Compliance with laws, codes, standards and regulations
- Corporate social investment development
- Collaborative stakeholder engagement
- Sustained confidence of investors in our business
- Support independent SMMEs
- Social community and economic development
- Ethical and transparent leadership

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 B-BBEE targets in the Group
- Drive diversity and 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

2017 PROGRESS

- Ensured closer working relationships with regulators
- Fostered positive employee and union relationships
- Continued to prioritise our social investment projects in skills development, community development and the environment through our strategy across the Group and created value through social investment
- Focused on managing risk in terms of the Group's risk appetite and tolerance
- Continued to drive diversity and transformation in our businesses
- Focused on improving educational outcomes in the Western Cape and Overberg regions through training and development and investment into our youth
- Supported local businesses and promoted social and economic development
- Provided employment opportunities and skills development
- Created awareness of revised Code of Ethics and Code of Conduct, including the whistle-blowing facility
- No breach of ethical standards or corruption reported
- Effectively monitored risk management and compliance
- Paid our taxes and royalties to government
- Ensured consistent and effective engagement with investors and stakeholders with the objective of aligning shareholder expectations with our strategy and targets
- Maintained constructive relationships with our partners, business peers and sector organisations

SUSTAINABILITY REPORT – continued



SOCIAL AND RELATIONSHIP CAPITAL (continued)

KEY PERFORMANCE INDICATORS

- Effective partnerships with business peers, sector organisations and research bodies
- Collaborative relationships with customers and suppliers
- Open channels of communication

WHAT ARE THE RISKS RELATED TO OUR MATERIAL MATTERS

- Compliance with regulatory and legislative requirements requires the Group to keep abreast of changes, failing which could have a reputational impact and result in a fine
- Industry regulations can impact the business performance
- Investor and stakeholder confidence in our businesses
- Negative reputation

WHAT ARE THE OPPORTUNITIES CREATED BY THE MATERIAL MATTERS

- 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 diversity and transformation
- Deliver on our B-BBEE 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
- The organisation is seen to be a responsible corporate citizen
- New investors
- Ongoing proactive and transparent relationships with our regulators
- Assisting to steer the economy towards a stable environment
- Fostering synergistic relationships between private and public sectors
- Fostering an entrepreneurship culture



MATERIAL MATTER

- Review energy efficiency and the use of alternative energy in our operations
- Water consumption
- Waste management

KEY PERFORMANCE INDICATORS

- Effective environmental management system (fishing)
- Waste and electricity management (fishing)
- Allocation of capital to address long-term goals
- Waste management
- Environmentally friendly products
- Investment in research and development and partnering with others to find innovative solutions related to our processes and by-products

2017 PROGRESS

- Continued with the implementation of renewable energy
- Reviewed and implemented further additions to the environmental management system
- Reduced 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 MATTERS

- The uncontrollable cost of electricity and possible load shedding
- The uncontrollable costs of diesel
- Environmental footprint

WHAT ARE THE OPPORTUNITIES CREATED BY THE MATERIAL MATTERS

- Further implementation of renewable energy through a phased approach
- Implementation of innovating procedures in the reduction of electricity and water consumption
- Leveraging industry expertise on waste management
- Convert natural capital into financial and societal value by deploying technology and other resources

(King IV™ – Principles 4, 5, 11, 13 and 16)

SUSTAINABILITY REPORT – continued

ECONOMIC SUSTAINABILITY



Refer to page 84 for the value-added statement.

VALUE DISTRIBUTION



Employees

58.2%

43.8%

52.7%



Retained for growth

10.4%

30.0%

20.2%



Debt providers

9%

10.7%

10.8%



Government

13.1%

8.3%

8.0%



Communities

1.0%

1.3%

1.6%



Capital providers

8.3%

5.9%

6.6%

	2017 R'000	2016 R'000	2015 R'000
Total revenue	1 052 196	735 569	672 185
Total profits (before tax)	680 890	287 740	185 747
Total assets	2 822 153	1 691 219	1 345 471
Total liabilities	783 603	690 184	540 922
Total ratio	%	%	%
Percentage of revenue generated in South Africa	72%	64.1%	63%
Percentage of net profit after tax generated in South Africa	90%	32%	25%
Total compensation paid to executive directors (AEEI Board)	6 690	5 819	4 744
Total compensation paid to employees and contractors (including wages and benefits)	198 012	191 709	95 876
Total compensation paid to prescribed officers	0	0	0
Rand value of HDSA procurement	444 620	325 023	210 394
Rand value of Group procurement	716 328	495 643	467 543
Rand value of Company procurement (AEEI)	15 657	9 071	12 097
Rand value of all payments to governments (VAT, income tax, rates and taxes, royalties and all other payments)	86 279	80 538	57 775
Percentage of total taxes paid in South Africa	100%	100%	100%
Total rand value of research and development spend	13 700	10 151	2 217
Total rand value of dividends to be paid/payable to AEEI shareholders	25 804	16 203	12 283
Total rand value of dividends paid by subsidiary companies to shareholders	58 983	31 600	15 000
Total rand value of earnings retained	866 280	505 241	300 895

The AEEI Group is not a member of the Carbon Disclosure Project – Driving Sustainable Economies, Water Disclosure Project or a signatory to the UN Global Compact.

ADDITIONAL INFORMATION

Integrated Reporting & Assurance Services (IRAS) confirms that AEEI has been independently assessed according to 96 environmental, social and governance (ESG) quantitative comparable data indicators within the Sustainability Data Transparency Index (SDTI) and consistently achieves a data transparency score within the Top 10% of the roughly 300 JSE-listed companies reviewed (1st in the 'Financial Services – Other' Sector). Created by IRAS, the SDTI measures listed companies' commitment to ESG data transparency, allowing stakeholders the opportunity to contrast and compare ESG performance between peer companies, against prior year performance, or against stated commitments and/or targets. For more information contact: sdti@iras.co.za.



 The full sustainability report can be found on: www.aeei.co.za.

SOCIAL SUSTAINABILITY

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. 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.

The AEEI Group continues to subscribe 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.

Our strategic focus on being an exemplary custodian assists us to manage our impact on the communities around us and actively contribute to their socioeconomic development through various initiatives.

Many of the subsidiaries in the Group support their own initiatives in line with the Group policy and their areas of operation.

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 B-BBEE 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;
- ensuring effective risk management and compliance;
- promoting social and economic development;
- promoting partnerships with business peers, sector organisations and research bodies;
- having open channels of communications; and
- ensuring that the Group is seen to be and is a responsible corporate citizen.

CORPORATE SOCIAL INVESTMENT (CSI)

The Group's CSI programmes are managed through the Sekunjalo Development Foundation (SDF), whose 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 SDF's approach is to:

- encourage employee participation and volunteering in its CSI programmes;
- prioritise CSI across the Group, focusing on set initiatives that support societal challenges; and
- ensure the integration of community needs.

The SDF continues 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.

For the year ahead, the SDF will continue with its CSI programmes in the focused areas below with more emphasis in the areas of social and enterprise development.

The Group participated in the following during the year under review:

 <p>ARTS AND CULTURE</p>	 <p>EDUCATION</p>	 <p>SPORTS DEVELOPMENT</p>
<ul style="list-style-type: none"> • The Sekunjalo Edujazz Concert • Cape Town International Jazz Festival • Delft Big Band – Youth Music Programme • Steenberg High Jazz Band • African Musicians Trust • Menngos – Jazz on the Vlei 	<ul style="list-style-type: none"> • Back-to-school programme • Premier Fishing Bursary Trust • Premier Fishing Learnership Programme • Where Rainbows Meet – Training and Development 	<ul style="list-style-type: none"> • Saldanha Bay Rugby club • Gansbaai and Hawston Primary Schools • Western Province Boys Hockey
 <p>ENTERPRISE DEVELOPMENT</p>	 <p>SOCIAL DEVELOPMENT</p>	 <p>SPECIAL PROJECTS</p>
<ul style="list-style-type: none"> • Funding for business 	<ul style="list-style-type: none"> • AEEI/Health System Technologies annual golf day • Women in Praise • Things on Wheels • The Sunflower Fund • The Amy Biehl Foundation • Fire Victims • Working on Fire • Durbanville Children's Home • Mandela Day initiative 	<ul style="list-style-type: none"> • Sekunjalo Development Foundation • Direct support for NGOs and community groupings





For further information on the above initiatives refer to www.aeei.co.za.

SOCIAL SUSTAINABILITY – continued

RETURN ON CORPORATE SOCIAL INITIATIVES

2.3% SPEND VS PROFIT

	IMPACT	RETURN ON INVESTMENT
 ARTS AND CULTURE	SOCIETY	<ul style="list-style-type: none"> • Shared value with communities and organisations • Education of arts and culture, especially in the music arena • Education and mentorship • 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 • Benefits to the communities
 EDUCATION	COMMUNITIES	<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"> • Improved education outcomes • Increased literacy rates • Increased student engagement and performance • Training • Skills development • Early childhood development – live, learn and play • Nurtured growth and entrepreneurship • Provided employment opportunities
 SPORTS DEVELOPMENT	COMMUNITIES	<ul style="list-style-type: none"> • Promotion of sports development in impoverished communities
 ENTERPRISE DEVELOPMENT	COMMUNITIES	<ul style="list-style-type: none"> • Promotion of an entrepreneurship culture • Ensured stability, growth and profitability of young entrepreneurs • Promoted businesses owned and businesses run by women to become sustainable • Workforce development • Assisting to steer the economy towards a stable environment

	IMPACT	RETURN ON INVESTMENT
 SOCIAL DEVELOPMENT	SOCIETY	<ul style="list-style-type: none"> • Ensured a better quality of life • Promoted education • Improved access to childcare and families • Supported NGOs to build capacity and improve efficiency of resources to the communities they support • Ensured a better quality of life for people with disabilities • Provided skills development through our various initiatives • Provided internship
 SPECIAL PROJECTS	ENVIRONMENT	<ul style="list-style-type: none"> • Created awareness around sustainability, pollution, water, air, electricity and other

CSI/SED EXPENDITURE	2017	2016	2015
Rand value of corporate social investments/socio-economic development	R15 851 542	R14 754 652	R12 430 356
Percentage of CSI/SED spend invested in South Africa	100%	100%	100%
Education	R562 543	R552 146	R333 027
Skills development	R2 570 000	R1 124 530	R696 035
Health and HIV/Aids	R0	R0	R0
Basic needs/social	R641 256	R636 012	R426 104
Enterprise development	R1 587 536	R1 486 513	R1 243 882
Arts and culture	R7 721 354	R7 651 871	R6 653 199
Infrastructure development	R1 562 445	R1 435 299	R1 059 000
Rand value spend on environmental management projects	R345 256	R341 309	R0
Rand value spend on small business development	R859 562	R745 624	R0
Rand value of CSI other	R2 923 485	R2 267 861	R2 019 109
Spend as a % of net profit after tax	2.3%	7.1%	8.33%
Discretionary spend	R81 840 184	R240 549 000	R205 543 181

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.

In the line with Groups' governance, the Group has all the relevant policies in place as approved by the Board of directors.