

# GOVERNANCE AND SUSTAINABILITY

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# CORPORATE GOVERNANCE REPORT

## CREATING VALUE THROUGH SOUND CORPORATE GOVERNANCE

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

## OUR GOVERNANCE FRAMEWORK

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

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

## STATEMENT OF COMMITMENT

The Board is committed to the highest standards of business integrity and has adopted an integrated approach to managing the Group to ensure that the governance structure actively identifies, communicates on and responds to material issues that impact on the Group's capacity to create value. The Board believes that it has addressed all material issues appropriately and that it fairly represents the integrated performance of the Group. The Board continuously reviews the Group's governance structures and processes to incorporate and accommodate new corporate developments, to facilitate effective leadership, sustainable corporate citizenship in support of the Group's strategy and to reflect national and international corporate governance standards, developments and best practices.

The Board is satisfied that effective controls have been implemented and complied with throughout the Group

and that the Company fully complies with the spirit and form of the continuing obligations of the Listings Requirements of the JSE, King Code of Governance Principles for South Africa (King III Code) as well as the Companies Act.

## APPLICATION OF AND APPROACH TO KING III

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

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

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

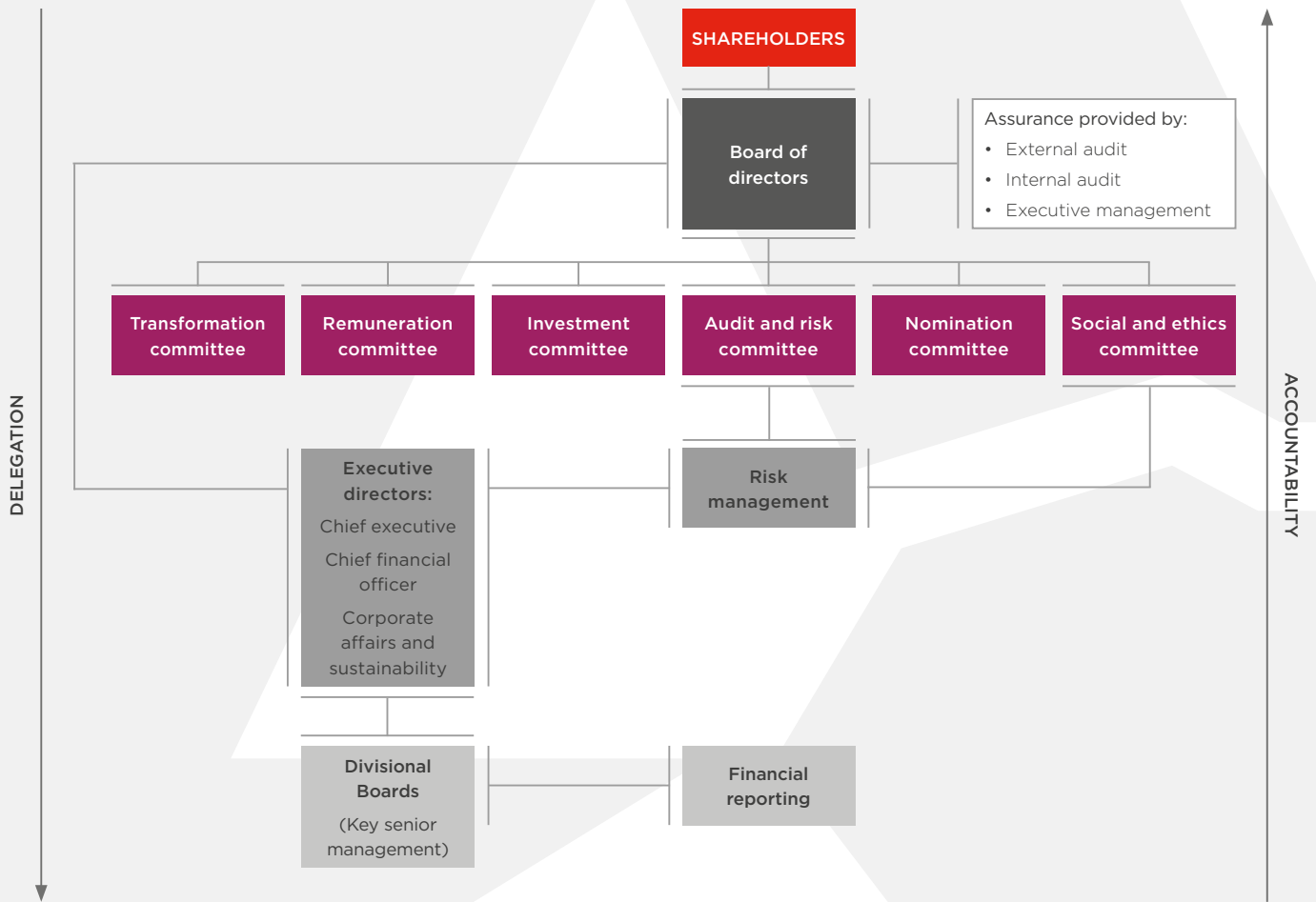
- **Principle 2.21** – An interim company secretary has been appointed after the resignation of Ms Carmelita Arendse. An external resource has been identified and will be appointed in December 2016.
- **Principle 9.3** – External assurance for the financial data for the year ended 31 August 2016 and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



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

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

# CORPORATE GOVERNANCE STRUCTURE



# OUR EFFECTIVE LEADERSHIP

## INTRODUCING OUR BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS



Chief executive officer

**Khalid Abdulla**  
(51)

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

**Appointed:** 29 August 2007

**Nationality:** South African

**Board subcommittee:**

Investment committee

**Expertise and experience:**

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

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

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

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

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



Chief financial officer

**Chantelle Ah Sing**  
(42)

BCom, CLTA (UKZN)

**Appointed:** 19 November 2009

**Nationality:** South African

**Expertise and experience:**

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

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



Corporate affairs and sustainability director

**Cherie Felicity Hendricks**  
(53)

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

**Appointed:** 18 March 2009

**Nationality:** South African

**Board subcommittee:**

Transformation committee  
Social and ethics committee

**Expertise and experience:**

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

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

## CORPORATE GOVERNANCE REPORT - continued

## NON-EXECUTIVE BOARD MEMBERS



Independent  
non-executive chairman

**Prof Vukile Charles  
Mehana (63)**

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

**Appointed:** 8 August 2007

**Nationality:** South African

**Board subcommittee:**

Chairman of the Investment committee

Chairman of the Nomination committee

Social and Ethics committee

Audit and Risk committee

Remuneration committee

**Expertise and experience:**

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

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



Non-executive  
deputy chairman  
and independent  
non-executive director

**Salim Young (59)**

BProc, LLB (UWC), LLM (Tulane University, USA)

**Appointed:** 12 December 2005

**Nationality:** South African

**Board subcommittee:**

Chairman of the Audit and Risk committee

Chairman of the Remuneration committee

Nomination committee

Investment committee

**Expertise and experience:**

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

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

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

## NON-EXECUTIVE BOARD MEMBERS



Independent  
non-executive director

**Johannes Mihe Gaomab  
(53)**

**Appointed:** 13 September 2006

**Nationality:** Namibian

**Board subcommittee:**

Audit and Risk committee  
Social and Ethics committee

**Expertise and experience:**

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

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



Non-executive director

**Aziza Begum Amod (54)**

**Appointed:** 12 November 2012

**Nationality:** South African

**Board subcommittee:**

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

**Expertise and experience:**

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

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

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



Independent  
non-executive director

**Takudzwa Tanyaradzwa  
Hove (34)**

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

**Appointed:** 4 September 2013

**Nationality:** Zimbabwean

**Board subcommittee:**

Audit and Risk committee  
Investment committee

**Expertise and experience:**

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

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



Independent  
non-executive director

**Zenariah Barends (54)**

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

**Appointed:** 14 November 2014

**Nationality:** South African

**Board subcommittee:**

Chairman of the Transformation  
committee  
Social and Ethics committee

**Expertise and experience:**

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

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

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

## CORPORATE GOVERNANCE REPORT - continued

**BOARD POWERS AND PROCEDURES**

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

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

The independent non-executive directors are considered to have the necessary skill and experience to bring balanced and independent judgment to the Board. While all directors have equal responsibility for monitoring the Group's affairs, it is the role of the chief executive officer and the executive management team to run the business within the parameters prescribed by the Board and to produce clear, accurate and timely reports, thus enabling the Board to make informed decisions.

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

The Board has a policy that allows for the clear division of responsibilities to ensure a balance of power and authority. This means that no one individual has unlimited powers when it comes to decision-making.

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

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

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

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

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

## THE ROLE OF THE BOARD

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



## CORPORATE GOVERNANCE REPORT - continued

**COMPOSITION OF THE BOARD AND APPOINTMENT OF DIRECTORS**

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

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

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

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

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

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

**OVERVIEW OF THE BOARD**

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

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

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

## INDEPENDENT NON-EXECUTIVE CHAIRMAN

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

The independent non-executive chairman:

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

## OUR EXECUTIVE TEAM

### CHIEF EXECUTIVE OFFICER

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

The chief executive officer is:

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

### CHIEF FINANCIAL OFFICER

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

The chief financial officer is responsible for:

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

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

## CORPORATE AFFAIRS AND SUSTAINABILITY DIRECTOR

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

The corporate affairs and sustainability director is responsible for:

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

## PRESCRIBED OFFICER

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

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

The prescribed officer is not remunerated separately for this function.

## COMPANY SECRETARY

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

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

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

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

## CORPORATE GOVERNANCE REPORT - continued

## BOARD COMMITTEES

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

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

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

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

## DIRECTORS' DETAILS

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

## CONFLICT OF INTEREST

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

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

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

## COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

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

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

## CORPORATE GOVERNANCE REPORT - continued

**ANNUAL FINANCIAL STATEMENTS**

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

Financial statements are based on appropriate accounting policies as set out in the notes to the financial statements and are supported by reasonable and prudent significant judgments and estimates.

The external auditors are responsible for considering internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control systems.

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

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

**DEALING IN GROUP SHARES**

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

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

In accordance with the JSE Listings Requirements, the Board reinforces the Code of Conduct for insider trading. Directors are updated according to any changes in terms of the JSE Listings Requirements.

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

**COMMUNICATION**

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

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

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

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

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

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

The Code of Ethics addresses corruption, bribery, conflicts of interest and human rights and governs the Group's approach to ethical behaviour and fair business practice. All directors and employees are aware of the Code of Ethics and Code of Conduct, which is maintained throughout the Group. Through "The Way We Work" policy, the Group subscribes to a code of ethical and moral behaviour that requires total transparency for all stakeholders. AEEI prides itself on fairness and honesty and is intolerant of theft and dishonesty.

## REPORTING UNETHICAL BEHAVIOUR

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

## ENGAGING WITH OUR STAKEHOLDERS

AEEI appreciates the role of its stakeholders and is committed to nurturing impactful relationships that deliver mutual benefits and encourages transparent, objective and relevant communication. The Group recognises that its business is but one of the stakeholders in the socio-economic and environmental system. It is essential for the Group to compete successfully in an increasingly complex and ever-changing business environment and to systematically bring about change needed for sustainable development. Building and maintaining trust and respect with our various stakeholders and has a positive impact on our reputation, is essential in addressing risks and

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

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

The Group's stakeholder engagement is governed by the recommendations of King III. AEEI has a stakeholder engagement framework which includes communication guidelines and corporate identity. Engaging with stakeholders is decentralised and forms part of the operations of our various business units. Each business unit is required to report regularly on its stakeholder engagements.

The statement that follows shows the total value created and how it was distributed.

## 2016 VALUE DISTRIBUTION

### EMPLOYEES

**43.8%**

### COMMUNITIES

**1.3 %**

### RETAINED FOR GROWTH

**30.0%**

### DEBT PROVIDERS

**10.7%**

### GOVERNMENT

**8.3%**

### CAPITAL PROVIDERS

**5.9%**



# VALUE-ADDED STATEMENT

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

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

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

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

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

#### KEY STAKEHOLDERS THAT CONTRIBUTE TO OUR VALUE DRIVERS



SHAREHOLDERS, THE  
INVESTMENT COMMUNITY  
AND PROVIDERS OF  
CAPITALS



INVESTING  
IN OUR STAFF



CLIENTS



ENGAGING WITH  
OUR REGULATORS



COMMUNITIES

## VALUE-ADDED STATEMENT - continued

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



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

**WHO ARE OUR SHAREHOLDERS:**

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

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

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

**LOCAL:** 1 799 SHAREHOLDERS

**INTERNATIONAL:** 27 SHAREHOLDERS

**(97.66%)**

**(2.34%)**

**WHAT THEY EXPECT FROM US:**

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

**HOW WE ENGAGED WITH THEM:**

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

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

**HOW WE DELIVERED VALUE TO THEM:**

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

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

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

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



## INVESTING IN OUR STAFF

### WHO ARE OUR STAFF:

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

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

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

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

### WHAT OUR STAFF EXPECT FROM US:

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

### HOW WE ENGAGED WITH OUR STAFF:

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

### HOW WE DELIVERED VALUE TO OUR STAFF:

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

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

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

VALUE-ADDED STATEMENT - continued



**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 and leveraging off our BEE credentials. Adherence to regulatory requirements, good corporate governance and ethics.

**HOW WE ENGAGED WITH THEM**

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

**HOW WE DELIVERED VALUE TO THEM**

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



## ENGAGING WITH OUR REGULATORS

### WHO ARE OUR REGULATORS

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

### WHAT OUR REGULATORS EXPECT FROM US

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

### HOW WE ENGAGED WITH OUR REGULATORS

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

### HOW WE DELIVERED VALUE TO OUR REGULATORS

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

VALUE-ADDED STATEMENT - continued



**COMMUNITIES**

**WHO ARE THE COMMUNITIES WE SERVE**

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

**WHAT THEY EXPECT FROM US**

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

**HOW WE ENGAGED WITH THEM**

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

**HOW WE DELIVERED VALUE TO THEM**

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

## REGULATORY INSTITUTIONS

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

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

### ACCREDITATION:

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



# REPORT OF THE AUDIT AND RISK COMMITTEE

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

Roger VanScoy

## AUDIT AND RISK COMMITTEE

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

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

The main objectives of the committee include the following:

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

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

## REPORT OF THE AUDIT AND RISK COMMITTEE

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

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

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

The Group has internal controls and systems designed to provide assurance as to the reliability and integrity of the financial statements. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss and to safeguard, verify and maintain accountability adequately for its assets.

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

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

## STATUTORY DUTIES

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

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

## REPORT OF THE AUDIT AND RISK COMMITTEE - continued

**RISK MANAGEMENT PROCESS**

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

**COMPLIANCE**

The audit and risk committee is responsible for reviewing the compliance with legal, regulatory, codes and other standards and continually monitors the implementation of the legal compliance processes. The audit and risk committee is satisfied that it has complied with all its legal, regulatory and other responsibilities during the year under review.

**GROUP INTERNAL AUDIT**

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

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

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

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

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

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

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

A formal report on the key findings of these audits was submitted to the audit and risk committee summarising the results of the internal audit activity and management's progress in addressing the control measures. This enabled the audit and risk committee to ensure that action has been taken to address the areas of concern.

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

## EXTERNAL AUDIT

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

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

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

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

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

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

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

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

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

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

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

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

# RISK MANAGEMENT REPORT

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

## BOARD

### STRATEGY, RISK APPETITE AND POLICY

#### RISK OWNERSHIP

CEO AND EXCO

#### RISK CONTROL AND MONITORING

AUDIT AND RISK COMMITTEE

#### INDEPENDENT ASSURANCE AND VALIDATION

INTERNAL AND EXTERNAL ASSURANCE

#### DOING AND RECORDING

Delegated Board authority to:

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

#### INTERNAL VERIFICATION

Objective oversight of risks

Key activities include:

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

#### INDEPENDENT VERIFICATION

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

MANAGEMENT-BASED ASSURANCE

AUDIT AND RISK COMMITTEE ASSURANCE

INDEPENDENT-BASED ASSURANCE

## GOVERNANCE OF RISK MANAGEMENT

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

The Group complies with a risk management framework that was approved by the audit and risk committee to ensure that a best practice risk assessment approach is followed. The executive committee of the divisional subsidiaries and associate companies are accountable and responsible for managing risks within their business units and may delegate specific responsibilities appropriately. This process is evaluated by the internal auditors that provide the audit and risk committee with assurance that significant business risks are systematically identified, assessed and reduced to acceptable levels in line with the Board's risk appetite.

## OUR APPROACH TO RISK MANAGEMENT

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

effective in identifying and evaluating risks to determine whether the business operations have managed the risks in line with the Group strategy and to consider the impact on the sustainability of the business. The responsibility for monitoring the management of each of these risks is assigned to the executive committee of each business unit. The risks are then considered at a Group level through the monitoring process of the audit and risk committee

Risk registers are tabled at each Company and subsidiary Board meeting under the categories of financial, operational, strategic, legal, human resources and other risk. Action plans are monitored and discussed to reduce the risks to acceptable levels. From the risk evaluation in the risk register, significant risks are reported to the audit and risk committee, who in turn reports these risks to the Board. The Board is able to oversee the risk management process at Group level.

## RISK MANAGEMENT

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

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



## RISK MANAGEMENT REPORT - continued

The significant risks that currently impact the Group are:

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

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



# INFORMATION TECHNOLOGY

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

Abraham Lincoln

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

## GROUP IT STRATEGY

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

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

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

## DIGITAL REVOLUTION

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

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

## RISK MITIGATION

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

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

## TECHNOLOGY-ENABLED SOLUTIONS – CHANGING ROLE OF IT

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

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

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

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

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

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

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

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

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

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

# REMUNERATION COMMITTEE REPORT

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

Jeroen van der Veer

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

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

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

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

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

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

The committee reviewed the targets set in terms of performance-related remuneration for the CEO, executive management team and senior management in the Group which include individual performance factors and a combination of portfolio-specific targets. The CEO and executive management team's performance are assessed against a set of predetermined objectives that include, inter alia, strategic leadership, execution of the strategy through business results and stakeholder relations. The Board recognises that the successful delivery of the Group's objectives should constitute both financial and non-financial performance measures, with the key financial measures which include profits, cash flow and asset growth weighted to 70% and the remaining 30% weighted to non-financial measures for most of the executives in the Group.

The committee remains mindful to ensure overall remuneration was appropriate for the performance of the Group and in relation to its operational peers. In doing so, the committee considered the overall risk environment, its risk appetite and risk profile and the need to attract, retain and motivate key talent to enable the delivery of the Group's strategic objectives.

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

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

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

## REMUNERATION COMMITTEE

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

The remuneration committee's main purpose is to ensure that the Company's remuneration practices and policies are aligned with good corporate governance. The main aim of the committee is to assist the Board in fulfilling its responsibilities in establishing formal and transparent policies and guiding principles of a standardised approach in the application of remuneration practices within all the business units and functions.

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

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

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

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

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

## REMUNERATION COMMITTEE REPORT - continued

## REMUNERATION PHILOSOPHY AND POLICY

### PHILOSOPHY

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

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

To achieve this, AEEI integrates five key reward elements:

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

### REMUNERATION POLICY (ABBREVIATED)

#### Objective

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

#### Scope

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

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

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

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

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

determine the remuneration packages for senior executives of the Company;

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

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

approve the executive and senior management incentives adopted by the Company.

The remuneration of executives is determined on a cost-to-company basis and is subject to an annual review by the remuneration committee. Provident or pension fund and health care provision form part of the overall cost-to-company packages.

#### Compliance

The remuneration policy is reviewed each year to ensure that the remuneration framework remains effective in supporting the achievement of the Company's business objectives and remains in line with the best practice.

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

### TOTAL GUARANTEED PACKAGE

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

## EXECUTIVE DIRECTORS' SERVICE CONTRACTS

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

## NON-EXECUTIVE REMUNERATION

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

## SUCCESSION PLANNING

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

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

### KEY STRATEGIC OBJECTIVES

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

### COMPENSATION-GUIDING PRINCIPLES

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

### COMPENSATION BENCHMARKING POLICY

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

## REMUNERATION COMMITTEE REPORT - continued

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

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

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

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

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

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

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

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

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

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

**REMUNERATION REPORT - KEY STATISTICS**

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

\* Executive directors do not have share options.



# SOCIAL AND ETHICS COMMITTEE REPORT

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

Kerry Stokes

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

## ROLE AND FUNCTION OF THE COMMITTEE

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

## REPORT OF THE SOCIAL AND ETHICS COMMITTEE

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

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

- Reviewed and amended the personnel manual and ensured that all policies are in line with the amended Basic Conditions of Employment Act, 1997 (No. 75 of 1997) (“Basic Conditions of Employment Act”), the Employment Equity Act, 1998 (No. 55 of 1998) (“Employment Equity Act”), as well as skills development;
- Reviewed the compliance against the UN Global Compact’s 10 principles in the areas of human rights, labour, the environment and anti-corruption;
- Reviewed the employment relationships and its contribution toward the educational development of its employees.
- Reviewed the standing in terms of social and economic development and made recommendations;
- Reviewed the standing in terms of the new regulations governing Broad-based Black Economic Empowerment to ensure compliance;
- Reviewed the corporate citizenship, including the promotion of equality and prevention of unfair discrimination;
- Reported that there was no corruption or fraud;
- Approved the contribution to the development of communities in which the Company and the Group’s activities are conducted, including sponsorship, donations and charitable giving;
- Reviewed the environmental impact in terms of health and public safety, including the impact of the Company’s activities and/or its products or services;
- Reviewed the consumer relationships, including advertising, public relations and compliance with consumer protection laws;
- Undertook an audit and review of annual leave;
- Ongoing staff awareness around the following policies:
  - The Way We Work Policy;
  - Anti-corruption and Bribery;
  - Code of Conduct; and
  - Code of Ethics; and
- Reviewed the draft internship policy.

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

# INVESTMENT COMMITTEE REPORT

“An investment in knowledge pays the best interest.”

Benjamin Franklin

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

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

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

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

### Strategic investments

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

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

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

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

Through its investment portfolio AEEI continues to:

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

- create sustainable wealth for all our stakeholders;
- maintain sound corporate governance, business and ethical practices;
- stimulate economic growth by assisting and adding value to SMMEs;
- promote an entrepreneurial culture; and
- be open and transparent in its reporting.

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

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

The following post-balance sheet investments were concluded:

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

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

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

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

# TRANSFORMATION COMMITTEE REPORT

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

Frances Hesselbein

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

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

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

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

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

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

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

## OUR TRANSFORMATION PHILOSOPHY

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

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

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

## REPORT OF THE TRANSFORMATION COMMITTEE

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

- Adopted a new Transformation Policy and Charter and rolled it out in the Group;
- Maintained our BBBEE Level 1 status since 2010;
- Reviewed the BBBEE status of the Group's subsidiaries;
- Implemented and tracked the long-term goals in terms of the Group's Vision 2020 Vision;
- Reviewed and made recommendations to the skills development plans as well as the placement of interns in the Group;
- Reviewed and made recommendations on the transformation plans;
- Reviewed the equity ownership of the Group;
- Reviewed and made recommendation on the employment equity plans;
- Contributed through our operations to our corporate social investment programmes;
- Tracked the investment in renewable energy; and
- Built on our solid empowerment credentials – empowerment partner of choice.

## BBBEE CODES

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

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

## TRANSFORMATION COMMITTEE REPORT - continued

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

## TRANSFORMATION CHARTER

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

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

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

- **Employer of Choice** - to create and nurture a working environment and a corporate culture that together attract and retain the best talent and skills; to redress residual inequalities with regard to race, gender and disability in accordance with our Employment Equity Plan, and to accelerate the development and retention of a diverse pool of skilled employees in order to achieve equitable representation in all occupational categories and levels of employment.
- **Diversity** - to value all people who make up the diverse population of South Africa, and to accelerate and cultivate an environment where diversity is valued and prospers.

- **Leadership and Management** - to ensure that employees who manage and lead broadly reflect the diverse profile of the South African and African populations and that they are appropriately empowered and skilled to manage the Company towards its strategic objectives.
- **Economic sustainability** - To create long-term economic value.
- **Environmental sustainability - Brands and practices** - further improved brand value for the Company.
- **Environmental sustainability - Resource stewardship** - drive resource management throughout our supply chain.
- **Social sustainability - stakeholders** - contribute to a society through our own practices and relationships with communities.
- **Internal communication** - overcome barriers to communication related to race, gender, culture and status and to encourage open, honest and effective communication between all people both individually and within the appropriate communication forums.
- **Transformation image and profile** - ensure that the Company’s image and profile is aligned with its transformation strategy and the changing South African and African environments.
- **Business partners and collaboration** - ensure communication and collaboration with the Company and the Group’s business partners and associates with regard to sector transformation.

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

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

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

# NOMINATION COMMITTEE REPORT

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

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

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

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

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

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

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

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



## NOMINATION COMMITTEE REPORT - continued

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

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

## INTERNAL POLICIES

As a leading JSE-listed black empowerment Company and through our brand's position, the organisation is dominant in a global context relating to a variety of issues, technology changes, globalisation, rapid change, dynamic markets, enterprise development and sustainability legislation.

These issues affect the overall business strategy of the Group while focusing on organic growth, acquisitions, geographic expansion, new categories, margin improvement and transformation.

## THE COMPANY HAS THE FOLLOWING POLICIES IN PLACE:

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



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

# SUSTAINABILITY REPORT

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

Ban Ki-moon

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

## MATERIAL AREAS OF SUSTAINABILITY

### ENSURING SOUND GOVERNANCE

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

### DEVELOPING PEOPLE

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

### RESPONSIBLE PRODUCTS AND SERVICES TO OUR CUSTOMERS

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

### INVESTING IN A PROSPEROUS SOCIETY

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

### PROMOTING ENVIRONMENTAL RESPONSIBILITY

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

## SUSTAINABILITY REPORT - continued

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

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

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

### SUSTAINABILITY GOVERNANCE FRAMEWORK

#### BOARD OF DIRECTORS

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

#### CHIEF EXECUTIVE OFFICER

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

#### AUDIT AND RISK COMMITTEE

Responsible for overseeing the integrated reporting process

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

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

#### REMUNERATION COMMITTEE

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

#### SOCIAL AND ETHICS COMMITTEE

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

DAILY RESPONSIBILITY IS DELEGATED TO DIVISIONAL EXECUTIVE MANAGEMENT

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

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

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

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

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

## SUSTAINABILITY REPORT - continued

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

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



#### FINANCIAL CAPITAL

#### MATERIAL ISSUE

#### RESPONSIBLE USE OF OUR CAPITAL GENERATED

#### KEY PERFORMANCE INDICATORS

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

#### 2016 PROGRESS

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

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

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

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

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



## HUMAN CAPITAL

### MATERIAL ISSUE

## EMPLOYEE RECRUITMENT AND RETENTION OF KEY SKILLS

### KEY PERFORMANCE INDICATORS

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

### 2016 PROGRESS

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

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

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

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

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

SUSTAINABILITY REPORT - continued



**KEY PERFORMANCE INDICATORS**

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

**2016 PROGRESS**

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

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

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

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

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



## INTELLECTUAL CAPITAL

### MATERIAL ISSUE

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

### KEY PERFORMANCE INDICATORS

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

### 2016 PROGRESS

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

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

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

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

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



## SUSTAINABILITY REPORT - continued


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

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

**2016 PROGRESS**

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

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

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

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

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



**NATURAL  
CAPITAL**

#### MATERIAL ISSUE

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

#### WATER CONSUMPTION

#### WASTE MANAGEMENT

#### KEY PERFORMANCE INDICATORS

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

#### 2016 PROGRESS

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

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

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

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

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

## ECONOMIC SUSTAINABILITY

### VALUE DISTRIBUTION

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



Refer to page 84 for the value-added statement.

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

## ENVIRONMENTAL SUSTAINABILITY

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

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

# HUMAN CAPITAL

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


## COMPANY PRODUCTIVITY

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

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

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

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

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

## PERFORMANCE REVIEW

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

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

## NURTURING FUTURE TALENT

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

## BURSARIES AND LEARNERSHIPS

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

## INTERNS AND GRADUATE INTERNS

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

## NOTICE PERIOD

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

## HUMAN RIGHTS

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

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

The Group rule is that:

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

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

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

## INDUSTRIAL RELATIONS

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

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

## PEOPLE WITH DISABILITIES

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

## EMPLOYEE DIVERSITY

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



Refer to page 130 for a detailed report.

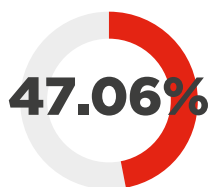
HUMAN CAPITAL - continued

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

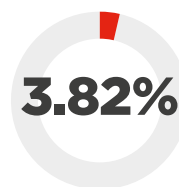
CATEGORY	MALE				FEMALE			
	African	Coloured	Indian	White	African	Coloured	Indian	White
AEEI Board members	3	1	1	-	1	3	-	-
Board executives (excl. AEEI Board members)	2	5	3	9	-	5	3	1
Senior management	3	9	5	8	-	3	-	2
Middle management	2	16	1	15	3	10	1	8
Skilled upper	21	38	5	31	17	33	3	6
Semi-skilled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



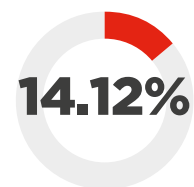
**African**  
2015: 31.23%



**Coloured**  
2015: 50.65%



**Indian**  
2015: 2.91%



**White**  
2015: 15.21%

**Male 2016: 466**  
2015: 424

**Female 2016: 214**  
2015: 194

**Total 2016: 680**  
2015: 618

## HEALTH AND SAFETY

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

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

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

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

## HEALTH AND SAFETY

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

## EMPLOYEE BENEFITS

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

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



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



# TRANSFORMATION

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

Jillian Michaels

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

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

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

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

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

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

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

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

## OUR TRANSFORMATION PHILOSOPHY

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



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

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

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

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

## OWNERSHIP

Ownership is now considered a priority element.

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

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

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

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

## TRANSFORMATION - continued

### MANAGEMENT CONTROL

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

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

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

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

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



Refer to page 130 on employee diversity.

Employee turnover statistics for 2016:

TERMINATIONS	PROMOTIONS	NEW ENGAGEMENTS	NEW HDSA
132	12	126	96

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

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

## SKILLS DEVELOPMENT

Under the new codes Skills Development is a priority element.

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

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

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

### EMPOWERING WOMEN

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

### DIVERSE WORKFORCE

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

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

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

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

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

## ENTERPRISE AND SUPPLIER DEVELOPMENT

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

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

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

## TRANSFORMATION - continued

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

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

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

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

## LOCALISATION

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

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

## SUPPLIER DEVELOPMENT

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

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

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

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

## GUIDING PRINCIPLES

The following principles apply to all our business units:

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

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

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

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

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

## SOCIO-ECONOMIC DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

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



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

# SOCIAL SUSTAINABILITY

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

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

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

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

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

## CORPORATE SOCIAL INVESTMENT (CSI)

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

The Sekunjalo Development Foundation's approach is to:

- encourage employee participation and volunteering in its CSI programmes;

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

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

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

 <p><b>ARTS AND CULTURE</b></p>	 <p><b>EDUCATION</b></p>	 <p><b>SPORTS DEVELOPMENT</b></p>
<ul style="list-style-type: none"> <li>• The Sekunjalo Edujazz Concert</li> <li>• Cape Town International Jazz Festival</li> <li>• Delft Big Band – Youth Music Programme</li> <li>• Steenberg High Jazz Band</li> <li>• African Musicians Trust</li> </ul>	<ul style="list-style-type: none"> <li>• The Dr Iqbal Survé Bursary Trust</li> <li>• Back to school programme</li> <li>• Premier Fishing Bursary Trust</li> <li>• Premier Fishing Learnership Programme</li> <li>• Where Rainbows Meet – Training and Development</li> <li>• AMF Delft Youth Ministry</li> </ul>	<ul style="list-style-type: none"> <li>• Saldanha Bay Rugby club</li> <li>• Gansbaai and Hawston Primary Schools</li> <li>• Western Province Boys Hockey</li> </ul>
 <p><b>ENTERPRISE DEVELOPMENT</b></p>	 <p><b>SOCIAL DEVELOPMENT</b></p>	 <p><b>OTHER</b></p>
<ul style="list-style-type: none"> <li>• The Business Place, eKapa</li> <li>• Inyathelo</li> <li>• Funding for SMME businesses</li> </ul>	<ul style="list-style-type: none"> <li>• AEEI/Health System Technologies annual golf day</li> <li>• Women in Praise</li> <li>• Things on Wheels</li> <li>• The Sunflower Fund</li> <li>• The Amy Biehl Foundation</li> <li>• Fire Victims</li> </ul>	<ul style="list-style-type: none"> <li>• Sekunjalo Development Foundation</li> <li>• Direct support for NGOs and community groupings</li> </ul>



For further information on the above initiatives refer to [www.aeei.co.za](http://www.aeei.co.za).



## SOCIAL SUSTAINABILITY - continued


**ARTS  
AND CULTURE**
**THE SEKUNJALO EDUJAZZ CONCERT**

The Sekunjalo Edujazz Concert is an accolade to South Africa's musical calendar and celebrated its 16th anniversary this year, which brought together a culmination of school jazz bands mentored under some of the Western Cape's most talented educators. Pop star Jimmy Nevis raised the roof at the Artscape when he featured as the headline act at the sold out Sekunjalo Edujazz Concert. The Edujazz Concert celebrated 16 years of growing successful home-grown talent. The atmosphere was electric and performing before Jimmy Nevis, was The Edujazz Big Band under the direction of renowned jazz educator, Terrence Scar followed by the Belhar Music Collective under the guidance of Keith Tabisher. Jimmy Nevis performed his well-known hits including "Blue Collar" off his new album, "Masses". The Belhar Music Collective took to the stage and had an amazing jamming session with Jimmy Nevis.

The Sekunjalo Edujazz Concert's mission is to support, promote and develop young, talented musicians by assisting them in their musical careers by affording them the opportunity to perform on stage with some of South Africa's musical legends. They are also given the opportunity to learn and be mentored by a host of legends in local music.

The objectives of the Sekunjalo Edujazz Concert is to raise funds for educational bursaries for impoverished students in the Western Cape as well as promote the rich culture of jazz music in Cape Town by staging a well-known group or artist alongside up-and-coming young artists from either primary or high school. More than 75 schools in the Western Cape benefited from the concert during the year under review.

Over the years, our investment in the students has played an integral part in making musical dreams come true... and it still continues. Many of our students have advanced by backing those legends that they initially shared a stage with and many have become musicians in their own right - Kyle Shepherd, Don Vito Prins, Leanne Fortuin, Lana Crowster, Darren English, Jamie Faull, Delft Big Band, Adelia Douw, Shaun Bratz, Lorenzo Blignaut and Kim van der Westhuizen are just a few of our students. Lana Crowster won the espYoung Legends Competition in 2016 and was featured at the 2016 Cape Town International Jazz Festival. She also participated in "The Voice South Africa" alongside Kimberleigh van der Ventel.

We would like to acknowledge The Artscape Theatre and espAfrika for their tremendous support throughout the year.



*You can also follow the Sekunjalo Edujazz Concert on Facebook.  
To follow The Sekunjalo Edujazz Journey from inception visit [www.aeei.co.za](http://www.aeei.co.za).*



## ARTS AND CULTURE

### CAPE TOWN INTERNATIONAL JAZZ FESTIVAL

The Cape Town International Jazz Festival is world renowned as Africa's Grandest Gathering. The 17th annual festival attracted in excess of 35 000 visitors, and more than 40 international and local artists participated in the event held over two days on five stages.

In 2016 The Cape Town International Jazz Festival was voted one of the World's Best Festivals by FEST 300 and voted the Best Festival in Cape Town in the OFLOCAL 2015 poll.

Preceding the festival, espAfrika held a series of workshops targeted at previously disadvantaged individuals, which included school workshops, arts journalism, music business, master classes and gigs for kids and the pre-festival free community concert. espAfrika also has mentoring programmes and internships across all departments, including media and marketing, project management, talent, production, logistics and public relations. Our children from Where Rainbows Meet are active participants in these workshops.



## ARTS AND CULTURE

### DELFT BIG BAND - YOUTH MUSIC DEVELOPMENT PROGRAMME

The Sekunjalo Development continues to support The Delft Big Band, under the directorship of Mr Ian Smith.

This development programme is targeted at vulnerable youth from high schools in Leiden, Rosendal and Voorbrug in the Western Cape. Through this programme, which has early intervention as a core element, music is used as a vehicle to equip the youth with valuable life skills. Currently more than 100 learners from these areas participate in the programme of which more advanced musicians make up the Delft Big Band. When the programme started, none of the students had picked up, or even played a musical instrument.

The band has already performed to accolades at a number of high-profile and NGO events, including the Sekunjalo Edujazz Concert, The Cape Town Big Band Festival, The Cape Town International Jazz Festival and the Community Jazz Festival in Gugulethu for the Amy Biehl Foundation, and recently collaborated with SA Army Band where they received standing ovations. The vocalist, Adelia Douw, won a scholarship to the prestigious Berkley College of Music in the United States. This young group continually delights audiences with their performances, making many international and local friends.

## SOCIAL SUSTAINABILITY - continued


**ARTS  
AND CULTURE**
**STEENBERG HIGH JAZZ BAND**

Steenberg High has been a recipient of the Edujazz bursaries since 2003. Since the band was formed in 2011 under the leadership of ex-learner, Sammy Webber, the band and the young musicians have blossomed. Their first public performance was at the Edujazz concert in 2012 where they blew the crowd away. The Sekunjalo Development Foundation assisted the school jazz band by sponsoring a sound system for their band and continues through the services of Sammy Webber.

They were also featured at the 2013 Cape Town International Jazz Festival. A number of students attending Steenberg High School are residents in the Vrygrond community and also benefit from our back-to-school drive initiative.


**ARTS  
AND CULTURE**
**AFRICAN MUSICIANS TRUST**

Support for The African Musicians Trust whose objective is to engage, equip, support, guide and educate South African musicians and offer services to them to empower and grow their careers by providing a platform for marketing, public relations, events management, training and networking. They are also looking to provide a medical aid and a provident fund for musicians to enable them, in their latter years, to live with dignity.


**EDUCATION**
**THE DR IQBAL SURVÉ BURSARY TRUST**

The bursary, initiated by the former chairman, Dr Survé, provides learners with the opportunity to further their studies at universities, technikons and specialised academies. Many of these young South African men and women aspire to become qualified professionals within various sectors and are afforded this opportunity through the bursary trust.

The bursary is directed at the poorest students who, without the support of the bursary, would lack the funds and resources to fulfil their dreams. The bursary fulfils the country's dire need for more professionals and to improve the accessibility to better education for a broader base of South Africans. The bursary includes the promotion of high school and tertiary education in the country. To date, more than 40 students benefited from the bursary.



## EDUCATION

### BACK TO SCHOOL PROGRAMME

In 2013, the Group initiated the “Back to School Programme”. For the year under review, more than 320 students from the community of Vrygrond were assisted with the payment of their school fees, school clothing and school stationery in order to keep them in school for the year. Some of these students have gone back to school with the financial assistance of the Company. Some of these students have also benefited from the Company’s bursary programme. This programme has recently been rolled out in the fishing communities of Hermanus and Gansbaai.



## EDUCATION

### PREMIER FISHING BURSARY TRUST

This bursary trust assists employees to further educate their dependants who want to study at a tertiary institution. The bursary also includes dependants in grades 11 and 12 wanting to qualify for future higher education by assisting them with additional lessons. To date, the bursary trust has assisted more than 50 dependants.



## EDUCATION

### PREMIER FISHING LEARNERSHIP PROGRAMME

The learnership programme covers all employees in the advancement of skills and training in society and the contribution to the socio-economic conditions of society. To date, the learnership programme has assisted more than 90 employees.

## SOCIAL SUSTAINABILITY - continued



## EDUCATION

WHERE RAINBOWS MEET -  
TRAINING AND DEVELOPMENT FOUNDATION

## SELWYN EARLY CHILDHOOD DEVELOPMENT (ECD) PROGRAMME

**WHERE RAINBOWS MEET - TRAINING AND DEVELOPMENT FOUNDATION** is based in the community of Vrygrond, the oldest informal settlement in the Western Cape. The foundation is based within the community, providing services for that community and is managed and facilitated by members from the same community and surrounding areas.

The programme was started in 2010 with four children and now hosts over 300 children. The need arose as the children were left unsupervised and alone on the streets during the day, as their parents were involved in alcohol and drug abuse. A safe, supervised environment was created for these young children during the day and they are encouraged to attend other programmes on offer.

As part of government's early childhood development programme, the Group has ensured that these young learners are provided with the best foundation phase education and in doing so provided financial support for qualified ECD teachers' salaries for the year under review.

The employees in the Group are active participants in the quest to give back to the communities within which the Group operates and became involved in this community project with a hands-on approach. Ongoing employee support took place during the year under review and, together with the contribution from the Company, they were able to assist in the basic day-to-day needs of the children in the foundation phase of the programme.



## EDUCATION

## AMF DELFT YOUTH MINISTRY

This youth ministry is based in the suburb of Delft and faces many social and economic challenges where they have been serving their community for the past 25 years. AEEI assisted with sponsorship for the youth to attend the AFM National Youth Conference as this would empower them on achieving their key focus areas to:

**REACH** - young people on their level and to assist them to realise their full potential;

**TEACH** - young people ways to apply themselves to be successful and contribute positively to society;

**EMPOWER** - young people with information and opportunities that will allow them to grow and develop beyond their circumstances and allow them to prosper; and

**RELEASE** - encourage young people to make an impact and difference in their respective families and community by being agents of influence and change and reinstall what they have learned back into the lives of those they encounter.



**SPORTS  
DEVELOPMENT**

**SALDANHA BAY RUGBY CLUB**

The Saldanha Bay Rugby Club, situated in the heart of the West Coast, is open to all members of the community. The club has a strong focus on sport development for the youth. The Sekunjalo Development Foundation continues with sponsorship of their rugby teams. We previously assisted with their gymnasium for their clubhouse as it allows players to condition themselves to be more competitive.



**SPORTS  
DEVELOPMENT**

**GANSBAAI AND HAWSTON PRIMARY SCHOOLS**

Gansbaai and Hawston Primary Schools, situated in the Overberg region, were assisted with sponsorship of their sports teams. This resulted in the students being able to actively participate in sports development at a competitive level.



**SPORTS  
DEVELOPMENT**

**WESTERN PROVINCE BOYS' HOCKEY**

Western Province U16A hockey team received sponsorship, which enabled them to participate at national level. They are the current titleholders of the tournament and have been for the past seven years. Over the last nine years, they won the tournament eight times and were the runners up in the other instance. During July 2016, they retained their championship status, with some of the young champions being selected to play for the South African junior hockey team.

SOCIAL SUSTAINABILITY - continued



**ENTERPRISE  
DEVELOPMENT**

**THE BUSINESS PLACE, EKAPA**

The Business Place (TBP), eKapa is a network of services, networking organisations and community-based organisations clustered under one roof. TBP eKapa provides a range of relevant services to aspirant and existing SMMEs and creates an inspirational enabling environment that stimulates creativity, innovation and opportunity in order to unleash individual potential. TBP eKapa has a strong focus on the youth, developing entrepreneurship by fostering and creating an enabling environment for enhanced collaboration among both public and private sector stakeholders operating within the entrepreneurship arena.



**ENTERPRISE  
DEVELOPMENT**

**INYATHELO**

The Sekunjalo Development Foundation supports Inyathelo - Inyathelo is a vibrant democracy in South Africa with a robust and sustainable civil society and higher education sector, supported by a strong local philanthropic movement, and rooted in the African cultural heritage of sharing.

Their mission is to help build a strong, stable, civil society in South Africa by contributing to the development of sustainable organisations and institutions. They do this through the development of effective grant-seeking and grant-making practices, and through capacity development in the higher education and non-profit sectors in South Africa, and on the African continent. They also work to increase corporate and individual social giving through promoting dialogue, sharing information and providing support services to facilitate sustainable philanthropic ventures that have a lasting impact.



**ENTERPRISE  
DEVELOPMENT**

**FUNDING FOR BUSINESS**

We continue to assist with start-up costs to various female black empowerment companies in South Africa, in varied industries. Ongoing financial assistance and infrastructure is provided on a monthly basis to assist with the operational costs, including mentoring and business skills.



## SOCIAL DEVELOPMENT

## AEEI/HEALTH SYSTEM TECHNOLOGIES (HST) ANNUAL GOLF DAY

HST launched this event in 2004, and to date raised more than R1m. Previous recipients for the public sector hospitals and clinics in the Western Cape, include Groote Schuur (paediatric ward), GF Jooste, Brooklyn Chest Hospital, Mowbray Maternity, Somerset Hospital, Victoria Hospital, DP Marais SANTA Hospital, Westfleur Hospital, Helderberg Hospital, Prince Albert Hospital, Clanwilliam Hospital and Caledon Hospital have all been recipients of the generous proceeds raised at this golf day, which is now a firmly established annual event.

Victoria Hospital used their funds to build and sustain a palliative care unit. Palliative care concentrates on the improvement of quality of life for those unfortunate people with debilitation or terminal illnesses. With more pressing priorities in the public health care system, patients are typically left with little or no palliative care.

The DP Marais SANTA Hospital, one of the few facilities that cater for TB patients in the Western Cape, has also been a beneficiary. Caledon Hospital utilised their funds to extend the capacity of one of their units.

The proceeds of this year's Golf Day went to Lentegeur Hospital for the "Lentegeur Spring Project". Lentegeur Hospital is one of three major psychiatric hospitals in the Western Cape, serving as a referral centre for one third of the Province's population. It also serves as a teaching hospital with strong academic links to UCT, Stellenbosch University, UWC and CPUT. The "Lentegeur Spring Project" is an attempt to re-establish the hospital as a "Green" hospital, and, even more importantly, as a symbol of hope and regeneration. This highly visible project will not only transform the way that the hospital and mental illness are seen by the communities it serves, but also provide a stimulus for the regeneration of these communities with the restoration of hope and identity through a sense of attachment to land, community and the environment. The project has been adopted as a flagship of the Provincial Health Department of the Western Cape and of the Premier's 110% Green Campaign.



## SOCIAL DEVELOPMENT

## WOMEN IN PRAISE

The Sekunjalo Development Foundation supports the Kraaifontein Centre for Abused Women and Children through the Women's Month calendar where a concert was scheduled with a major artist, as well as up-and-coming and semi-established artists. All proceeds from the concert went to the Kraaifontein Centre for Abused Women and Children.



SOCIAL SUSTAINABILITY - continued



**SOCIAL  
DEVELOPMENT**

**THINGS ON WHEELS**

Things on Wheels supports the schools in the communities in the Western Cape through their mobile feeding scheme by providing children in impoverished areas access to a meal or sandwich on a daily basis. The Sekunjalo Development Foundation assisted with funding for this project.



**SOCIAL  
DEVELOPMENT**

**THE SUNFLOWER FUND**

The Sunflower Fund was formed in 1999 in support of the South African Bone Marrow Register and was inspired by Chris Corlett and Darren Serebro's heroic struggle against leukaemia. It was formed by parents whose children had contracted leukaemia and in some cases had lost their battle against it.

The Sunflower Fund aims to educate and recruit a viable source of well-informed potential bone marrow stem cell donors who are ethnically diverse, in an effort to save the lives of those needing a transplant when suffering from life-threatening blood disorders. It strives to maintain the associated donor records of the South African Bone Marrow Registry.



**SOCIAL  
DEVELOPMENT**

**THE AMY BIEHL FOUNDATION**

The Amy Biehl Foundation is a non-profit organisation that offers programmes to develop and empower youth living in the challenged and vulnerable communities within the Western Cape. The programmes place a focus on the creative side of the child's brain, and supplement the shortcomings of the educational system in the townships of South Africa.

Reaching over 2 000 youth every day, the programmes are having a very positive effect on the youth as well as the communities in which they live. They provide educational and cultural activities that offer students healthy alternatives to all the negative influences within their society by unlocking their creative talent and create future emotionally well-rounded individuals, leaders and entrepreneurs for South Africa.

The Foundation currently operates five after-school care centres including Nyanga, Gugulethu, Manenberg and Crossroads, each hosting over 300 students per day.



## SOCIAL DEVELOPMENT

## FIRE VICTIMS

The community of Overcome Heights in Vrygrond had fire devastation where more than 425 families lost everything. Through our community initiative – Where Rainbows Meet Training and Development, The Sekunjalo Development Foundation rallied to assist these fire victims.

The Sekunjalo Development Foundation provided much needed provisions and sustenance and the staff of Where Rainbows Meet Training and Development worked tirelessly by providing cooked meals for a week while these families rebuilt their homes. Donations through our suppliers as well as staff in the Group also assisted this community.



## OTHER

## SEKUNJALO DEVELOPMENT FOUNDATION

The Sekunjalo Development Foundation has also made a significant number of ad hoc donations to various organisations and causes. We believe that these groups are doing very necessary work in their respective communities and we gladly support them.



## OTHER

## DIRECT SUPPORT FOR NGOs AND COMMUNITY GROUPINGS

The Group acknowledges its responsibility to the social upliftment of the communities within which it operates. Through the continuation and expansion of its social responsibility programmes, The Sekunjalo Development Foundation provides donations or other support to various individuals, NGOs, community projects and education causes.

The Group has committed itself to contributing to the alleviation of hunger, poverty, illiteracy, unemployment, crime and all those ills that negatively affect the moral fibre of South African society.

SOCIAL SUSTAINABILITY - continued

RETURN ON CORPORATE SOCIAL INITIATIVES

7.1% SPEND VS. PROFIT

	IMPACT	ROI
 <b>ARTS AND CULTURE</b>	<b>SOCIETY</b>	<ul style="list-style-type: none"> <li>• Shared value with communities and organisations</li> <li>• Education of arts and culture, especially in the music arena</li> <li>• Education and mentorship</li> <li>• Self-sufficient – many of our students have become musicians in their own right and have become self-sufficient, and some are the only breadwinners in their respective families</li> <li>• Benefits to the communities</li> </ul>
 <b>EDUCATION</b>	<b>COMMUNITIES</b>	<p>Education is a global equaliser. With education, people and communities around the world can become self-sufficient and prosper. By investing in education in the communities, we have:</p> <ul style="list-style-type: none"> <li>• Improved education outcomes</li> <li>• Increased literacy rates</li> <li>• Increased student engagement and performance</li> <li>• Training</li> <li>• Skills development</li> <li>• Early childhood development – live, learn and play</li> </ul>
 <b>SPORTS DEVELOPMENT</b>	<b>COMMUNITIES</b>	<p>Promotion of sports development in impoverished communities</p>
 <b>ENTERPRISE DEVELOPMENT</b>	<b>COMMUNITIES</b>	<ul style="list-style-type: none"> <li>• Promotion of entrepreneurship</li> <li>• Ensured stability, growth and profitability of young entrepreneurs</li> <li>• Promoted businesses owned and businesses run by women to become sustainable</li> <li>• Workforce development</li> </ul>
 <b>SPECIAL PROJECTS</b>	<b>ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>• Created awareness around sustainability, pollution, water, air and other</li> </ul>
 <b>SOCIAL DEVELOPMENT</b>	<b>SOCIETY</b>	<ul style="list-style-type: none"> <li>• Ensured a better quality of life</li> <li>• Promoted education</li> <li>• Improved access to childcare and families</li> <li>• Supported NGOs to build capacity and improve efficiency of resources to the communities they support</li> <li>• Ensured a better quality of life for people with disabilities</li> </ul>

## CSI/SED EXPENDITURE

	2016	2015	2014
Rand value of corporate social investments/socio-economic development	<b>R14 754 652</b>	R12 430 356	R9 565 310
Percentage of CSI/SED spend invested in South Africa	<b>100%</b>	100%	100%
Education	<b>R552 146</b>	R333 027	R390 252
Skills development	<b>R1 124 530</b>	R696 035	R1 230 897
Health and HIV/Aids	<b>R0</b>	R0	R0
Basic needs/social	<b>R636 012</b>	R426 104	R423 753
Enterprise development	<b>R1 486 513</b>	R1 243 882	R815 000
Arts and culture	<b>R7 651 871</b>	R6 653 199	R6 184 327
Infrastructure development	<b>R1 435 299</b>	R1 059 000	R1 072 081
Rand value spend on environmental management projects	<b>R341 309</b>	R0	R0
Rand value spend on small business development	<b>R745 624</b>	R0	R0
Discretionary spend	<b>R2 267 861</b>	R2 019 109	R250 000
Spend as a % of net profit after tax	<b>7.1%</b>	8.33%	9.3%