

GEN – General – African Equity Empowerment Investments Limited

Censure imposed by the JSE on African Equity Empowerment Investments Limited (“**AEEI**” or “**Company**”)

The JSE Limited (“**JSE**”) wishes to inform stakeholders of the following findings in respect of AEEI:

1. On 19 May 2015, AEEI published a SENS announcement informing shareholders that AEEI, through a subsidiary company, known as Bowwood and Main 180 Proprietary Limited (“**Bowwood**”), would acquire 25% plus one share of the issued share capital of SAAB Grintek Defence Proprietary Limited from SAAB South Arica Proprietary Limited (“**SAAB**”) for R120 million (“**Acquisition**”). The Acquisition was categorised as a Category 2 transaction in terms of the JSE Listings Requirements necessitating only a SENS announcement.
2. However, in addition to the Acquisition, the SENS announcement and relevant shareholder agreements entered into between the parties in 2015 further included reference to a call option granted by Bowwood to SAAB which entitled SAAB, at its sole discretion, to acquire all of Bowwood’s shareholding in SAAB Grintek Defence Proprietary Limited at any time after 60 months from the effective date for a purchase price payable at the market value as agreed or failing agreement, a value determined by an independent valuer (“**Call Option**”). The grant of the Call Option to SAAB triggered additional Listings Requirements for AEEI which was not adhered to at the time.
3. In accordance with the provisions of paragraph 9.1(b) of the Listings Requirements, the grant of a call option to dispose of assets by the Company or its subsidiary, at the sole discretion of the option holder is regarded as a transaction and must be categorised at the date of issue of the call option. In addition, paragraph 9.8(c) of the Listings Requirements states that where the total consideration of a transaction is not subject to any maximum, the transaction will be treated as a Category 1 transaction. The grant of the Call Option by Bowwood to SAAB—exercisable at SAAB’s sole discretion—was also not subject to any maximum consideration and therefore should have been treated as a Category 1 transaction requiring the approval of AEEI shareholders when the Call Option was granted to SAAB in 2015.
4. The Call Option was not put to AEEI’s shareholders for approval in May 2015 in accordance with the Listings Requirements for a Category 1 transaction.

5. On 7 December 2020, the Company announced on SENS that SAAB had exercised the Call Option and Bowwood disposed of the subject shares at an agreed price of R150 million cash in terms of an agreement signed by the parties. The Company further informed shareholders of its intention to issue a circular with the aim of obtaining retrospective shareholder approval for the Call Option however, the Call Option and subsequent acquisition by SAAB had already been implemented and could not be reversed.
6. Accordingly and by virtue of the Call Option being classified as a Category 1 transaction in May 2015, the JSE found AEEI to be in breach of paragraph 9.20 of the Listings Requirements for failing to advise shareholders in May 2015 that the Call Option was subject to shareholders' approval and for failing to dispatch a circular to shareholders in 2015 to obtain their approval of the Call Option when the Call Option was initially granted to SAAB in May 2015.
7. Companies have a duty to comply with the Listings Requirements at all times. Compliance with the Listings Requirements is aimed at investor protection and investor confidence and ensures that investors and potential investors receive relevant and important information timeously to allow them to make informed decisions especially on matters which require investors to exercise important voting rights. A Category 1 transaction is a major transaction that materially impacts shareholders' long-term interest in the Company and due to its far-reaching effects, should be referred to shareholders for approval prior to its implementation. AEEI unconditionally bound the Company to the Call Option which resulted in a material disposal of shares without first obtaining the approval of its shareholders.
8. For these reasons and with reference to the JSE's findings of breach, the JSE has decided to impose this public censure against AEEI.

27 January 2022