



Introduction

AECI Limited (“AECI” or “the Group”) is a diversified chemicals solutions company with global operations in more than 100 locations across 22 countries and is headquartered in South Africa. AECI offers a diverse range of products and services catering to customers in industries such as – mining, water treatment, agriculture, health, and chemicals.

AECI intends to issue Sustainability-linked Bonds (“SLBs”) and/or raise Sustainability-Linked Loans (“SLLs”) under its Sustainability-linked Financing Framework (“SLFF”) and has engaged the services of IBIS ESG Consulting Africa (Pty) Ltd (“IBIS”) to provide a Second Party Opinion (“SPO”) on the alignment of AECI’s SLFF with international best practices and guidance published by the International Capital Market Association (“ICMA”), the Loan Market Association’s (“LMA”), the Loan Syndications and Trading Association’s, the Asia Pacific Loan Market Association’s Sustainability-linked bond principles (“SLBP”) June 2023¹ and the Sustainability-linked loan principles (“SLLP”) February 2023².

This SPO replaces the previous pre-issuance SPO (dated 7 August 2023) following the Sustainability Adjustment Event called by AECI on 14 December 2023. The Sustainability Adjustment Event was called due to a manifest error relating to the total production volumes, a key input into the baselines for Key Performance Indicators (KPIs) 1 and 2. The baseline was used to calibrate the associated sustainability performance targets (SPTs). As such the baseline and associated SPTs have been corrected to account for the manifest error only. There have been no other changes to the methodology used to calibrate the updated SPTs and AECI will make available a memo that unpacks the methodology observed to provide existing and potential investors/lenders comfort with the integrity observed during the correction process.

IBIS Independence and Quality Control

IBIS is an independent provider of non-financial assurance services. This engagement was conducted by a multidisciplinary team of non-financial assurance specialists led by Petrus Gildenhuys, who has more than 25 years of experience in non-financial performance measurement involving both advisory and assurance work. Petrus was supported by assurance consultants Uchechukwu Nwachukwu, and Seko Mbatha. As a basis for the SPO, IBIS conducted a limited assurance engagement based on *the International Standard on Assurance Engagements (“ISAE”) 3000 (Revised)*³

¹ [Sustainability-Linked-Bond-Principles-June-2023-220623.pdf \(icmagroup.org\)](https://www.icmagroup.org/assuranceservices/standards-and-guidance/sustainability-linked-bond-principles-june-2023-220623.pdf)

² <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/#>

³ [International Standard on Assurance Engagements \(“ISAE”\) 3000 \(Revised\) - Assurance engagements other than audits or reviews of historical financial information issued by the International Auditing and Assurance Standards Board, which Standard inter alia requires that the assurance practitioner follows due process and complies with ethical requirements.](https://www.iaasb.org/assuranceservices/standards-and-guidance/international-standard-on-assurance-engagements-isae-3000-revised)

Scope and Objectives

The agreed scope of the engagement is confined to undertaking a review of AECI's SLFF alignment with the SLBP of June 2023 and SLLP of February 2023 to issue a SPO.

The core components of the SLFF which were considered during the assessment include:

- Selection of Key Performance Indicators ("KPIs"),
- Calibration of Sustainability Performance Targets ("SPTs"),
- Bond characteristics,
- Reporting, and
- Verification.

IBIS' responsibilities do not extend to any other disclosures or assertions.

AECI and IBIS Responsibilities

AECI was responsible for the SLFF development and is responsible for the implementation. In addition, AECI is responsible for providing accurate information to IBIS for this assessment. IBIS shall not be held liable if any of the information provided by AECI's management is not accurate or complete.

IBIS' responsibilities are to conduct a limited assurance engagement and to express an independent SPO in terms of the scope of work to AECI.

Inherent Limitations

The evidence-gathering procedures performed in a limited assurance engagement vary in nature, and form, and are less in extent, than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Restriction of Liability

Our work has been undertaken to enable us to conclude on the specified scope and objectives of the engagement to AECI in accordance with the terms of our engagement, which include the publication of this SPO, and for no other purpose. We do not accept or assume responsibility to any third parties i.e., other than to AECI, for our work or this report to the fullest extent permitted by law, save where such third parties have obtained our prior written consent.

Summary of Work Performed

AECI provided IBIS with its SLFF and supporting documents (referred to as the "Framework supporting documents") and other supplementary information to support the assessment process. IBIS' assurance procedures were based on our professional judgement and consisted of:

- Management enquiry, and
- Review and evaluation of the SLFF against the SLBP and SLLP requirements related to the selection of KPIs, calibration of SPTs, bond characteristics, reporting and verification.

IBIS further relied on the following publicly available sources and provided documentation to evaluate the alignment and consistency with the existing sustainability strategy:

- AECI Limited Sustainability Linked Financing Framework 2023,
- Peer Analysis prepared by AECI,
- [AECI Limited Integrated Report 2022](#), and
- [AECI Limited Sustainability Report 2022](#).

AECI Approach to Sustainability

AECI, as a forward-thinking company, acknowledges the emergence of significant risks that pose potential threats to its business, customers, shareholders, and stakeholders, particularly in Africa where the effects of climate change are expected to be severe. Moreover, persisting poverty and inequality in developing countries are major obstacles to socio-economic progress, shaping market economies and limiting economic participation. On the other hand, more developed regions like the USA and Europe have diverse political drivers for environmental, social, and governance (“ESG”) initiatives, necessitating careful consideration of how the Group's strategic philosophy aligns with regional constraints.

In light of these challenges and opportunities, AECI has made an informed decision to focus on the following key areas:

1. **Materiality and Risk:** The Group recognizes the importance of identifying material risks and addressing them proactively to safeguard its long-term sustainability.
2. **Integration of United Nations Global Compact (UNGC) Principles:** AECI is committed to incorporating the principles of the UNGC across its entire value chain to promote responsible and ethical business practices.
3. **Alignment with select United Nations Sustainable Development Goals (SDGs):** AECI aims to synchronize its efforts with the SDGs to address global economic, social, and environmental priorities by 2025, with a further extension to 2030.
4. **Restructuring of Sustainability Strategy:** The Group commits to restructure its sustainability strategy in 2023, aligning it with the <IR> Framework⁴ concept of the six capitals, namely manufactured, natural, social and relationship, human, intellectual, and financial capitals.
5. **Development of a Net Zero Action Plan:** AECI commits to developing a robust transition pathway that supports its ambitious goal of achieving Net Zero emissions by 2050.

AECI states Sustainability is a core focus and commits to pursuing a responsible and environmentally conscious approach in all aspects of its operations. By committing to these challenges and aligning with global initiatives, AECI strives to create a positive impact on the environment, society, and its stakeholders.

⁴ [IFRS Integrated Reporting Framework](#)

IBIS' Assessment

AECI's SLFF includes 3 KPIs:

- Reduction in effluent discharge intensity;
- Reduction in Group carbon Intensity; and
- Improving gender equality.

IBIS' assessment and findings of the SLFF's core component's alignment to the SLBP and SLLP are presented below.

Selection of KPIs

IBIS assessed the Issuer's selection of KPIs based on the following characteristics:

- Clear Definition,
- Rationale,
- Relevance and Materiality,
- Measurability,
- External Verifiability, and
- Benchmark Ability.

An overview of the findings for each KPI in the AECI's SLFF has been presented in the tables below.

KPI 1: Reduction in effluent discharge intensity

Table 1: Selection of KPIs – KPI 1

KPI Characteristics	IBIS' Findings
Definition	<p>The formula is as follows: Effluent Discharge Intensity = (Total annual volume of effluent discharged) divided by (Total annual production volume), represented as a cubic meter per tonne of annual production volume</p> <p>KPI 1 is calculated by dividing the total annual volume of effluent discharged, including both treated and untreated liquid effluents, from AECI's operations into third-party systems such as sewers for the specific financial year, by the total annual production volume for the specific financial year. The total annual production volume represents the combined tonnage of all products produced or manufactured (excluding repackaged products) for both internal and external customers during the same financial year.</p> <p>The annual, review period, in this context refers to AECI's financial year, which runs from 1 January to 31 December.</p> <p>IBIS considers KPI 1 to be clearly defined.</p>
Relevance and Materiality	<p>The chemical industry plays a pivotal role in waste reduction and management, addressing vital environmental concerns, particularly in relation to water and wastewater management. These concerns are underscored by the Sustainability Accounting Standards Board ("SASB"), which highlights issues such as water and wastewater</p>

KPI Characteristics	IBIS' Findings
	<p>management, toxic emissions and waste, and water stress. The MSCI Key Issues also emphasize managing toxic emissions, waste, and water stress, especially in sectors like Food & Agriculture and Utilities - Water, with mining also being deemed significant. This recognition extends to the ICMA sustainability-linked sustainability linked KPI registry, which identifies these aspects as core for clients in the chemical industry.</p> <p>AECI, as a participant in the chemical industry, is committed to enhancing its environmental impact management and striving for a sustainable business model. The Group's focus on water and waste management is evident from the details presented in AECI's 2022 Sustainability Report.</p> <p>Considering these factors, IBIS acknowledges the importance of the selected KPI related to "Reduction in effluent discharge intensity." KPI 1 holds a strategic role in the Group's present operations and future initiatives, aligning seamlessly with its commitment to environmental stewardship and sustainable practices.</p>
Rationale	<p>AECI is committed to improving environmental quality through a variety of initiatives, including water quality improvement. By reducing hazardous chemical releases and untreated wastewater, AECI minimises pollution incidents and enhances water quality in turn. These initiatives align with industry-wide efforts to promote waste reduction and sustainable resource management.</p> <p>AECI also recognizes the potential for positive environmental impacts, regulatory compliance, resource efficiency, and risk management. These factors contribute to the long-term sustainability of the Group.</p>
Measurability	<p>KPI 1 is well-defined accompanied by a clear calculation methodology for measurement thereby ensuring transparency and accuracy in its determination.</p>
Verifiability	<p>The SPTs related to KPI 1 will be subject to verification, likely limited assurance, by an independent third party. This verification will follow a consistent methodological approach as specified in the SLFF. AECI's annual performance against these SPTs will be accessible to lenders through the Sustainability Coordinator and Facility Agent. While for investors, the information will be made available via SENS.</p>
Benchmark Ability	<p>IBIS recognises that AECI has selected a relevant and suitable group of two peers for KPI 1's comparison. This set of peers has been consistently maintained across all KPIs, demonstrating careful consideration in the selection and benchmarking process. The assessment included evaluating the respective peers' operational segments and the significance thereof. Moreover, the availability of peer data for each specific KPI was also taken into consideration during the selection process. Overall, the chosen group of peers is well-aligned for conducting meaningful and informative KPI benchmarking analysis.</p>

KPI Characteristics	IBIS' Findings
KPI Boundary	KPI 1's boundary encompasses the entire Group, including all segments and sites across all geographical locations, with no exclusions applied.
IBIS' Opinion	<i>IBIS finds this selected KPI to be well-defined with a clear rationale. It is considered relevant, material, and aligned with AECI's business model and Sustainability Strategy. In addition, KPI 1 is benchmarkable to the Group's peers, measurable, quantifiable, and verifiable.</i>

KPI 2: Reduction in Group carbon Intensity

Table 2: Selection of KPIs – KPI 2

KPI Characteristics	IBIS' Findings
Definition	<p>The formula is as follows: Group carbon intensity = (Total annual tonnes of carbon emissions) divided by (Total annual production volume), represented as tonnes of CO₂ equivalent per tonne of annual production volume</p> <p>The total annual tonnes of carbon emissions encompass both direct and indirect greenhouse gas emissions resulting from AECI's activities and operations. This includes Scope 1 emissions, which are direct GHG emissions from sources owned and controlled by AECI, as well as Scope 2 emissions, which are indirect GHG emissions from purchased or acquired electricity, heating, cooling, and steam consumed by AECI. However, Scope 3 emissions are presently excluded from the carbon footprint calculation.</p> <p>Similarly to KPI 1, the total annual production volume signifies the combined tonnage of all products produced or manufactured (excluding repackaged products) for both internal and external customers during the applicable annual period.</p> <p>The annual, review period, in this context refers to AECI's financial year, which runs from 1 January to 31 December.</p> <p>IBIS considers KPI 2 to be clearly defined.</p>
Relevance and materiality	<p>The SASB has identified GHG Emissions as a relevant issue, indicating the significance of monitoring and managing greenhouse gas emissions for companies. Similarly, MSCI, a leading provider of investment decision support tools, considers Carbon Emissions a key issue, highlighting the importance of addressing carbon footprints and reducing emissions to mitigate climate change risks.</p> <p>In the ICMA KPI Registry, the issue of Carbon Emissions is deemed most material for companies operating in the Food & Agri, Mining, and Utilities - Water sectors. This implies that companies in these industries face higher scrutiny and stakeholder expectations regarding their carbon emissions performance and reduction efforts.</p>

KPI Characteristics	IBIS' Findings
	<p>Given the critical importance of addressing climate change and its impacts, businesses in these sectors are encouraged to track and disclose their greenhouse gas emissions and implement measures to reduce their carbon footprint. This approach aligns with global efforts to transition to a low-carbon economy and promotes sustainable practices that address climate-related risks and opportunities. By adhering to these relevant issues and adopting relevant KPIs, companies (such as AECI) can demonstrate their commitment to environmental responsibility, attract environmentally conscious investors, and enhance their long-term resilience in a carbon-constrained world.</p>
Rationale	<p>AECI is committed to reducing its carbon intensity as a crucial step towards sustainability. The Group has set a target of achieving net-zero status by 2050, an ambitious goal that will require significant changes to its operations.</p>
Measurability	<p>KPI 2 is well-defined accompanied by a clear calculation methodology for measurement thereby ensuring transparency and accuracy in its determination.</p>
Verifiability	<p>The SPT performance related to KPI 2 will be subject to verification by an independent third party. This verification will follow a consistent methodological approach as specified in the SLFF. AECI's annual performance against these SPTs will be accessible to lenders through the Sustainability Coordinator and Facility Agent. While for investors, the information will be made available via SENS.</p>
Benchmark Ability	<p>IBIS recognizes AECI's selection of a relevant and suitable group of two peers for KPI 2's comparison. This set of peers has been consistently maintained across all KPIs, demonstrating careful consideration in the selection and benchmarking process. The assessment included evaluating the respective peer's operational segments and the significance thereof. Moreover, the availability of peer data for each specific KPI was taken into consideration during the peer selection process. Overall, the chosen group of peers is well-aligned for conducting meaningful and informative KPI benchmarking analysis.</p>
KPI Boundary	<p>The KPI Boundary encompasses the entire Group, including all segments and sites across all geographical locations, with no exclusions applied.</p>
IBIS' Opinion	<p><i>IBIS finds this selected KPI to be well-defined with a clear rationale. It is considered relevant, material, and aligned with AECI's business model and Sustainability Strategy. In addition, KPI 2 is benchmarkable to the Group's peers, measurable, quantifiable, and verifiable.</i></p>

KPI 3: Improving gender equality.

Table 3: Selection of KPIs – KPI 3

KPI Characteristics	IBIS' Findings
Definition	<p>The formula is as follows; Annual Percentage of Female Representation = (Number of Females in Middle Management and Above) divided by (Total Number of People in Middle Management and Above) multiplied by 100, represented as a percentage.</p> <p>The formula inputs noted above will be determined for the same applicable annual period under review. Furthermore, middle management, as defined by the Patterson Job Grading System is categorised from D-lower, involving interpretive decisions, to D-upper.</p> <p>The annual, review period in this context refers to AECI's financial year, which runs from 1 January to 31 December.</p> <p>IBIS considers KPI 3 to be clearly defined.</p>
Relevance and materiality	<p>Promoting greater female representation in leadership positions is stated as a critical endeavour to foster an inclusive and diverse culture at AECI. Research conducted by McKinsey in 2020 revealed that companies boasting more than 30% of women on their executive teams tend to outperform those with a female representation ranging from 10% to 30%. This underscores the significance of gender diversity in driving positive business outcomes.</p> <p>In the context of South Africa, as of 2021, women constituted only 15% of all executives in JSE-listed companies, according to a report by PwC. While this figure reflects some progress made by South African corporations, it also highlights the need for further advancements to achieve greater gender balance in leadership roles. The ICMA KPI Registry also recognizes this as a material key performance indicator for chemical manufacturing businesses.</p>
Rationale	<p>AECI maintains a strong commitment to fostering a culture of excellence and inclusivity. Recognizing the importance of gender mainstreaming, the Group believes that these principles are vital in attaining its objectives. AECI is devoted to attracting talented individuals, promoting gender equality, and creating avenues for continuous professional advancement.</p> <p>To ensure a more equitable workforce, AECI has set specific targets for female representation to be achieved by 2025.</p>
Measurability	<p>KPI 3 is a widely employed and supported metric which has been well-defined and accompanied by a clear calculation methodology thereby, ensuring transparency and accuracy in its determination</p>
Verifiability	<p>The SPTs related to KPI 3 will be subject to verification by an independent third party. This verification will follow a consistent</p>

KPI Characteristics	IBIS' Findings
	methodological approach as specified in the SLFF. AECI's annual performance against these SPTs will be accessible to lenders through the Sustainability Coordinator and Facility Agent. While, for investors, the information will be made available via SENS.
Benchmark Ability	<p>IBIS recognizes AECI's selection of a relevant and suitable group of two peers for KPI 3's comparison. This set of peers has been consistently maintained across all KPIs, demonstrating careful consideration in the selection and benchmarking process. The assessment included evaluating the respective peers' operational segments and the significance thereof. Moreover, the availability of peer data for each specific KPI was taken into consideration during the peer selection process.</p> <p>IBIS acknowledges AECI's choice of relevant and appropriate content for benchmarking KPI 3, with the exception that data is available for peer 1 but not for peer 2.</p> <p>As such, IBIS recognizes that the international 2X Challenge benchmark, which advocates for 30% of women in senior leadership positions, aligns well with AECI's objective of conducting a meaningful and informative KPI 3 benchmarking analysis.</p>
KPI Boundary	The KPI Boundary encompasses the entire Group, including all segments and sites across all geographical locations, with no exclusions applied.
IBIS' Opinion	<i>IBIS finds this selected KPI to be well-defined with a clear rationale. It is considered relevant, material, and aligned with AECI's business model and Sustainability Strategy. In addition, KPI 3 is benchmarkable to the Group's peers, measurable, quantifiable, and verifiable.</i>

Calibration of SPTs

The SPTs are a set of targets identified per KPI over a defined period. These SPTs indicate the ambition levels of the Issuer and consider whether the targets of each KPI are realistic ambitious, and consistent with the Group's sustainability strategy. The summary of the SPTs of each KPI and their corresponding aspirations are detailed below.

Table 4: – Summary of the SPTs

KPI	Aspiration	SPTs
Reduction in effluent discharge intensity	Reduction of the total annual volume of effluent discharged per total annual production volume (cubic meter per tonne of annual production volume)	Intensity is equal to or less than 0.2024m ³ /t by 2025 which is an approximate 22.6% reduction on the 2022 baseline.
Reduction in Group carbon intensity	Reduction in total annual tonnes of carbon emissions per total annual production volume (tonne of CO ₂ equivalent per tonne of annual	Intensity is equal to or less than 0.1320 tCO ₂ e/t by 2025 which is an approximate 23.2% reduction on the 2022 baseline.

KPI	Aspiration	SPTs
	production volume)	
Improving gender equality	Increase in the annual percentage of female representation in middle management and above	To reach 31% female representation by 2025

The SPTs of each KPI and their respective Target Observation Dates are defined within AECI's SLFF which will govern the issuance/raise of any SLBs and/or SLLs, as per Table 5 (below).

Table 5: – SPTs of each KPI

KPI	Base Year	Baseline	SPT
Reduction in effluent discharge intensity	FY 2022	0.2616 m ³ /t	Intensity is equal to or less than 0.2024m ³ /t by 2025 which is an approximate 22.6% reduction on the 2022 baseline.
Reduction in Group carbon intensity	FY2022	0.1718 tCO ₂ e/t	Intensity is equal to or less than 0.1320 tCO ₂ e/t by 2025 which is an approximate 23.2 % reduction on the 2022 baseline.
Improving gender equality	FY2022	27.68%	Female representation in Middle Management and above is equal to or greater than 31% by 2025

IBIS conducted a review of the calibrations of the set SPTs against the requirements of SLBP and SLLP (referenced above) based on the following considerations:

- Ambitiousness and baselines,
- Alignment with Issuers' sustainability strategy,
- Pre-defined timelines,
- Strategy to achieving targets,
- Risk to targets, and
- Structures to address risk.

An overview of the findings for each SPT in AECI's SLFF is presented in the tables below.

KPI 1: Reduction in effluent discharge intensity

Table 6: Calibration of SPTs – KPI 1

Calibration of SPTs	IBIS' Findings
Ambitiousness and Baselines	The historical patterns of effluent discharge have demonstrated fluctuations due to challenges arising from the COVID-19 pandemic. This has led to a notable decrease in effluent-intensive activities, particularly in mining and chemical operations, as

Calibration of SPTs	IBIS' Findings
	<p>evidenced by calculations submitted to IBIS. As a result, there has been an unusual drop in effluent discharge intensity.</p> <p>In response to this scenario, AECI has established an ambitious objective for consistent annual improvement, a departure from the historical trend where yearly improvement has been relatively flat since 2020. A comparison between the past five-year average intensity of 0.2977 and a targeted average of 0.2215 for the next three years, along with ongoing work on longer-term targets, demonstrates a commitment to achieving more substantial improvements.</p> <p>It's important to highlight that AECI's goals encompass more than just reducing effluent discharge intensity. The Group also aims to lower absolute effluent discharge even while planning for an increase in overall production. This dual dedication to reducing environmental impact alongside business expansion underscores AECI's strong commitment to sustainability and responsible resource management.</p> <p>Due to the absence of publicly available total production volume figures for the Group's peers, an alternative measure, namely tonnes tCO_{2e} per Rand million revenue, was adopted to facilitate a benchmarking analysis of the Group's performance within its peer group.</p> <p>When juxtaposed with Peer 1, AECI generally exhibits higher effluent discharge intensity in most years, except for 2020. This implies that AECI has released a greater amount of effluent (per million Rand) compared to Peer 1. In contrast to Peer 2, AECI has demonstrated better efficiency in handling effluent discharge during 2021 and 2022, as evidenced by lower intensity values. However, due to the absence of data for Peer 2 in 2018, 2019, and 2020, a comprehensive comparison spanning the entire five-year period is challenging.</p> <p>Overall, AECI has shown progress in reducing effluent discharge intensity. Nevertheless, it lags behind Peer 1 in most years, suggesting potential for further enhancement. IBIS has conducted a review of Effluent historical data from 2018 to 2022, which confirmed AECI's ambitious SPTs for KPI 1. As a result, IBIS concludes that the SPTs set by AECI are ambitious and go beyond standard business practices when compared to its historical performance.</p>
<p>Alignment with sustainability strategy</p>	<p>AECI's internal sustainability framework serves as a guiding compass for planning and executing sustainability-related initiatives and is an expression of AECI's material themes:</p> <ul style="list-style-type: none"> • Strong governance; • Consistent value creation;

Calibration of SPTs	IBIS' Findings
	<ul style="list-style-type: none"> • Climate action; • Responsible operations; and • Passionate purpose-led people. <p>A key priority in AECI's internal sustainability framework is the reduction of the Group's waste footprint which will be enabled by AECI's Better Water initiative which strives to achieve lower effluent discharges (as one key outcome). This key priority is further aligned with two of AECI's material themes Climate action and Responsible operations.</p> <p>While AECI is committed to enhancing environmental quality through a multifaceted approach, one significant area of focus is the improvement of water quality, as evidenced by various initiatives highlighted in the latest sustainability report.</p> <p>By adopting measures to minimize pollution incidents and enhance water quality, AECI, along with other chemical businesses, strives to curb hazardous chemical releases and untreated wastewater. These initiatives align with broader industry efforts aimed at waste reduction and sustainable resource management.</p> <p>Moreover, AECI recognizes the potential positive environmental impacts, as well as the importance of regulatory compliance, resource efficiency, and risk management. Meeting stakeholder expectations is also crucial, as it contributes to the long-term sustainability of the Group. Demonstrating a strong commitment to environmental responsibility, AECI realizes cost savings through reduced waste disposal expenses.</p> <p>By integrating these environmentally responsible practices, AECI sets a commendable example of environmental stewardship, actively advancing the pursuit of a more sustainable future.</p>
<p>Pre-defined Timelines</p>	<p>IBIS confirms that AECI has set a pre-defined timeline relating to the SPT achievement prior to issuance/raised at FY 2025, which are supported by annual SPTs which will be measured on the 31 Dec 2023 and 2024 respectively.</p>
<p>Strategy for Achieving SPT</p>	<p>AECI has undertaken various projects to achieve its SPTs for KPI 1 which involve transitioning from traditional end-of-pipe effluent treatment to using satellite plants that treat effluent at its source.</p> <p>Other specific initiatives include utilizing processed sewage effluent and cooling tower blowdown as alternative water sources at the Modderfontein site. A Reverse Osmosis plant has also been implemented there, with ongoing feasibility studies exploring additional treatment options. Whereas, at the Umbogintwini Industrial Complex, AECI manages effluent for tenants while complying with coastal waters discharge regulations. The site's</p>

Calibration of SPTs	IBIS' Findings
	<p>phased project aims to reduce specific elements in process effluent, facilitating its reuse and freeing up potable water for the community. By the end of 2023, a 75% reduction in effluent discharge is expected, amounting to 32 million litres annually. Further detail on these strategies and projects are outlined in the SLFF.</p> <p>These initiatives underscore AECI's commitment to sustainable water management and responsible environmental practices, benefiting both the environment and the surrounding community.</p>
Risk to Targets	The main risk identified by AECI in achieving the set SPTs is the possibility of delays in the commissioning and installation of projects. Further detail on such risks is outlined in the SLFF.
Structure to Address Risk	The Group has dedicated teams responsible for managing the respective projects.
IBIS' Conclusion	<i>IBIS finds the SPT calibrated by AECI to be ambitious against industry peers and its own performance.</i>

KPI 2: Reduction in Group carbon intensity

Table 7: Calibration of SPTs – KPI 2

SPT checks	IBIS' Findings
Ambitiousness and Baselines	<p>Assessing the Group's historical performance involves evaluating its 4-year Compound Annual Growth Rate (CAGR), which stands at -0.9%. In contrast, the more ambitious forward-looking target 3-year CAGR is set at -8.4%, surpassing the historical CAGR. Furthermore, the historical average for the Group is calculated to be 0.1988, while the targeted average is anticipated to be 0.1440. Once again, the targeted average reflects a higher level of ambition compared to the historical average.</p> <p>Due to the absence of publicly available total production volume figures for the Group's peers for KPI 1 and 2, an alternative measure, namely tonnes tCO_{2e} per million Rand revenue, was adopted to facilitate a benchmarking analysis of the Group's performance within its peer group. Analysis over the historical review period reveals that the Group appeared to lag its peers in the years 2018, 2019, and 2021. However, a notable reversal occurred in 2022, showcasing the Group's advancement and superior performance relative to its peers.</p> <p>It's important to note that the Group's objective is to reduce CO₂ emissions even as it prepares for growth in overall production.</p> <p>AECI's SPTs are strategically designed to augment the Group's already commendable performance in carbon emission management. Consequently, these SPTs epitomize a truly ambitious</p>

SPT checks	IBIS' Findings
	<p>agenda.</p> <p>Based on the analysis, IBIS affirms that the established targets for KPI 2 manifest a high level of ambition that transcends standard business practices when compared to its own historical performance and peer benchmarking analysis.</p>
<p>Alignment with Sustainability Strategy</p>	<p>Embedded within the Group's internal sustainability framework (outlined in AECI's latest sustainability report), AECI has prioritized the reduction of CO₂ emissions intensity. This key priority is also aligned to two of AECI's material themes Climate action and Responsible operations.</p> <p>To actualize this commitment, AECI has set an ambitious target of attaining Net Zero status by the year 2050. This audacious aspiration necessitates the deployment of a spectrum of interconnected measures across the entirety of the Group's global operations.</p> <p>However, the path toward a just transition is not devoid of challenges. AECI presently contends with carbon-intensive production processes that present notable barriers to attaining their sustainability objectives. The prevailing electricity crisis in South Africa compounds these difficulties, erecting additional impediments in their pursuit of carbon emissions reduction. Moreover, global markets' uncertain natural gas resources introduce complexities, impacting AECI's ability to shift away from carbon-intensive practices. Concurrently, pre-existing carbon trade barriers further intricate the landscape of their sustainability initiatives.</p> <p>Notwithstanding these formidable challenges, AECI's committed to sustainability remains unswerving. Through a proactive approach to addressing these intricacies and the astute implementation of strategic measures, AECI is solidifying its stance as a conscientious corporate entity.</p>
<p>Timeline</p>	<p>IBIS confirms that AECI has set a pre-defined timeline relating to the SPT achievement prior to issuance/raised at FY 2025, which are supported by annual SPTs which will be measured on 31 Dec 2023 and 2024 respectively.</p>
<p>Strategy to Achieving SPTs</p>	<p>AECI has undertaken various comprehensive plans and projects across its business units to achieve its targets. At the Modderfontein site, AECI Mining Explosives is enhancing nitric acid production process compliance, while working to address compliance issues at the ammonium nitrate porous prill manufacturing facility. Additionally, the Group aims to reduce emissions and improve its carbon footprint by replacing outdated boilers with more efficient equipment, with the project scheduled</p>

SPT checks	IBIS' Findings
	<p>for completion in 2024.</p> <p>Other specific initiatives include expediting the installation of abatement technologies at its Lilianton site to 2023 and the commitment to renewable energy is evidenced by plans to commission several solar projects starting in 2023 at Chempark, Sasolburg, and Modderfontein.</p> <p>Further detail on these strategies and projects are outlined in the SLFF.</p> <p>These initiatives exemplify AECI's commitment and proactive approach to sustainability, as the Group strives to adopt cleaner and more efficient technologies to reduce its environmental impact and meet its targets.</p>
Risk to Targets	The Issuer has recognized that one potential challenge in achieving its SPTs is the possibility of delays in the commissioning and installation of projects. Further details on such risks are outlined in the SLFF.
Structure to Address Risks	The Group has dedicated teams responsible for managing the respective projects.
IBIS Conclusion	<i>IBIS finds the SPT calibrated by AECI to be ambitious against industry peers and its performance.</i>

KPI 3: Improving gender equality.

Table 8: Calibration of SPTs – KPI 3

SPT checks	IBIS' Findings
Ambitiousness and Baselines	<p>When assessing AECI's historical performance, a regression in performance can be seen from 2020 (27.91%) to 2021 (27.55%). A slight improvement can be seen in 2022 demonstrating AECI's commitment to improved gender diversity.</p> <p>AECI has lagged Peer 1 in 2021 and 2022 and the external global benchmark, which indicates the potential for further improvement. The committed SPTs are designed to not only catch up to but surpass external global benchmarks, ultimately leading AECI towards a performance level closer to that of its peers. The Group is driven to achieve and exceed gender diversity goals, ensuring progress in creating a more inclusive and balanced leadership environment.</p> <p>Furthermore, AECI is determined to maintain a balanced distribution of improvement across its Board, top senior, and middle management levels. This will ensure gender diversity is promoted equally throughout the organisation.</p>

SPT checks	IBIS' Findings
<p>Alignment with Sustainability Strategy</p>	<p>A material theme for AECI is Passionate purpose-led people. This material theme has been embedded in the Group's internal sustainability framework through two key priorities nurture our passionate purpose-led people and thrive in a high-performance and inclusive culture.</p> <p>AECI places a strong emphasis on gender mainstreaming as the Group firmly believes that cultivating a culture of high performance and inclusion is vital to fulfilling its purpose. This involves attracting the right talent, promoting gender equality, and providing opportunities for professional growth.</p> <p>In addition, the Group remains committed to Employment Equity, striving for fair gender representation across the Group and ensuring that women are not subjected to unfair discrimination. Attracting, advancing, and retaining female representation are key priorities, supported by Employment Equity Committees and Human Capital business partners in each division.</p> <p>To achieve this strategic imperative of a more balanced gender mix in the workforce, AECI has set clear targets for female representation by 2025, as outlined in the 2022 Sustainability Report. Furthermore, AECI recognizes that attracting, developing, deploying, and recognizing diverse talent on a global scale is crucial in realizing its vision of "One AECI, for a better world."</p> <p>By integrating these socially responsible practices, AECI sets a commendable example of actively advancing the pursuit of a more diverse workforce.</p>
<p>Timeline</p>	<p>IBIS confirms that AECI has set a pre-defined timeline relating to the SPT achievement before issuance/raised at FY 2025, which are supported by annual SPTs which will be measured on 31 Dec 2023 and 2024 respectively.</p>
<p>Strategy to Achieving SPTs</p>	<p>AECI has undertaken various initiatives and programs to achieve its SPTs such as diversity equity and inclusion training which focuses on educating Group senior and top management with the aim of ensuring the benefits of diversity are well understood while identifying the building blocks for equitable engagement. Other initiatives include leadership development programmes for women aimed at nurturing aspiring female leaders and virtual leaders' walks in which the C-band and above employees foster the development of emerging leaders. Lastly, the Group has begun a pilot development program at AECI Specialty Chemicals for emerging leaders and junior to middle management, with a specific focus on upskilling women in leadership positions.</p> <p>Further detail on these strategies and projects are outlined in the SLFF.</p>

SPT checks	IBIS' Findings
	These initiatives reflect AECI's commitment to fostering a diverse and inclusive workplace, with targeted programs to empower and develop women leaders throughout the organization. By investing in the development and support of its employees, AECI aims to create a leadership culture that values diversity and unlocks the full potential of its workforce.
Risk to Targets	<p>AECI has identified several risks that could hinder the achievement of the respective SPTs including:</p> <ul style="list-style-type: none"> • Vulnerability to macroeconomic conditions, leading to a rise in skilled individuals leaving South Africa; • Unforeseen and uncontrollable incidents, like unexpected deaths or resignations for personal reasons; • Challenges in maintaining leadership commitment due to competing organizational priorities and needs; • Anticipated changes to the leadership structure in the future; and • Difficulties in attracting, appointing, and onboarding suitably qualified candidates for various positions.
Structure to Address Risks	The Issuer maintains dedicated teams that handle recruitment, leadership development, and technical skills support.
IBIS Conclusion	<i>IBIS finds the SPT calibrated by AECI to be ambitious against industry peers, global benchmarks and its own performance.</i>

Bond/Loan Characteristics

SLBs and SLLs issued/raised by AECI, governed by this SLFF, are anticipated to have financial characteristics aligned to the SLBP and SLLPs (referenced above). As such, AECI is committed to issuing/raising instruments which will include a step-up/step-down coupon/margin variation structure, termed “*sustainability margin adjustment*,” commensurate with the number of SPTs achieved per KPI. The SPTs and sustainability margin adjustment will be outlined in further suitable detail in the instrument-specific financial document and is subject to prospective lender and investor engagement and agreement.

Reporting

AECI commits to publishing an annual report on its website as an SLB/SLL update. In addition to these disclosures, AECI will provide specific information on its website until the last target observation period which includes:

- a sustainability certificate;
- an external verification report; and
- a SENS announcement regarding the AECI's performance against the relevant SPTs for each KPI.

Furthermore, AECI pledges to make an annual JSE declaration, ensuring that the SLBs issued programmatically under this SLFF will remain compliant with both the SLFF itself and the JSE's sustainability segments' debt listing requirements, applicable at the time of issuance. If possible, AECI may also provide a qualitative and quantitative explanation of the main factors/drivers behind the performance with respect to a KPI on an annual basis, along with an illustration of the positive environmental and social impacts resulting from performance improvement. In cases where applicable, any reassessments of KPIs and restatements of the SPTs and pro-forma adjustments of baselines or KPI scope will also be published.

IBIS considers the reporting commitment of the AECI to be aligned with the requirements of the ICMA SLBP and LMA SLLP.

Verification

AECI commits to seeking annual limited assurance from a qualified and licensed assurance practitioner in South Africa on its performance against the SPTs for the applicable target observation period.

Assurance Conclusion

We believe that the information provided by AECI, and the assessment performed by IBIS is sufficient and appropriate to form a basis for our SPO.

In our opinion, and based on our limited pre-issuance assurance procedures conducted, nothing has come to our attention that causes us to believe that AECI's SLFF does not conform in all material respects to the ICMA SLBP (June 2023) and LMA SLLP (Feb 2023) regarding:

- Reporting, and Verification.
- Calibration of SPTs (including the engagement of an independent external reviewer),
- Bond characteristics,
- Reporting, and
- Verification.



Petrus Gildenhuis

Director

IBIS ESG Consulting Africa (Pty) Ltd
4 Sandown Valley Crescent, 3rd Floor
Sandown,
Johannesburg, 2031

31 May 2024