



**KING IV™ APPLICATION
STATEMENT**
FOR THE YEAR ENDED 31 DECEMBER 2022

ONE AECI, 
FOR A BETTER WORLD

good chemistry





King IV™ application statement

		Responsibilities	Current state	Actions to close gaps
Principle 01 Leadership, ethics and corporate citizenship	The governing body (the board) should lead ethically and effectively	Members of the board should individually and collectively cultivate the following characteristics: <ul style="list-style-type: none"> Integrity Competence Responsibility Accountability Fairness Transparency 	<ul style="list-style-type: none"> The board is responsible for leading the company's strategy, performance objectives, ethics, and values The board recognises its responsibility to lead effectively in terms of the King IV Code, MOI, board charter and code of ethics and business conduct (AECI code) The overall leadership and performance of the group demonstrates the application and embedding of King IV™ principles throughout the organisation The board, collectively and individually, keeps itself informed on regulatory requirements pertaining to directors' duties 	No material improvement required
Principle 02 Organisational ethics	The board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	The board should: <ul style="list-style-type: none"> Set the direction for ethics in the organisation Approve the AECI code of conduct and ethics policy; this should include all stakeholders Ensure that the AECI code is familiar to all stakeholders Provide ongoing oversight on the implementation of the AECI code Disclose how ethics are managed and outcomes addressed 	<ul style="list-style-type: none"> The board is the custodian of the group's ethics, values and culture The AECI code embodies the group's standard of ethics and business conduct and is reviewed annually by the social, ethics and sustainability committee AECI has established a localisation policy to ensure that the AECI code is applied in a uniform and consistent manner across all geographies in which AECI has a presence An anti-bribery and corruption policy and a sanctions guideline and internal checklist were adopted and implemented in 2022 to strengthen an ethical culture throughout the group AECI's established whistleblowing hotline service provided by an independent third party continues to monitor and investigate ethical breaches Each director is required to disclose any conflicts of interest at every meeting. A register of these conflicts is published on the AECI website 	A formal group compliance management policy, aligned to ISO 37301, will be implemented in 2023



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<p>Principle 03 Responsible corporate citizenship</p>	<p>The board should ensure that the organisation is and is seen to be a responsible corporate citizen</p>	<p>The board should:</p> <ul style="list-style-type: none"> Set the direction of good corporate citizenship including compliance with laws, standards and policies as well as congruence with the organisation's strategy, conduct and purpose Oversee and monitor the organisation's status as a good corporate citizen in the areas of workplace, economic behaviours, societal and environmental impacts Disclose how corporate citizenship is managed, and current and future areas of focus, Monitor compliance with relevant emission related legislation, regulations and standards 	<ul style="list-style-type: none"> The board oversees and monitors all AECI corporate citizenship processes and activities with assistance from the social, ethics and sustainability committee and the group executive committee Communication with environmental authorities has been successful. Management programmes include expert audits and detailed, ongoing self-assessments AECI has signed the Responsible Care® global charter. In addition, the board has approved a group SHEQ policy promoting Zero Harm and sustainability AECI has made Zero Harm and sustainability integral parts of its growth strategy. These policy statements set clear direction for responsible operations and chemical management Compliance reports are provided monthly to the group executive committee and quarterly to the social, ethics and sustainability committee and board The group has a compliance management framework that is updated periodically to reflect the changing environment in all countries in which it has a presence 	<p>No material improvement required</p>



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<p>Principle 04 Strategy and performance</p>	<p>The board should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process</p>	<p>The board should:</p> <ul style="list-style-type: none"> Steer and set the direction, strategy and purpose of the organisation Delegate to management the formulation of strategy and approve same with reference to timelines, resources, relationships, legitimate expectations of stakeholders etc. Approve management policies and plans, including key KPIs Delegate to, and oversee the implementation of strategy, by management Be alert to the organisation's viability, reliance and effects on capital, solvency and liquidity and its going-concern status 	<ul style="list-style-type: none"> After a series of workshops, the board approved the company's growth strategy in October 2021. The strategy was updated in May 2022 Management has established a strategy execution committee to deliver on and report on key strategic objectives. The execution of the strategy is discussed at every board meeting The remuneration and human capital committee approves executive KPIs and incentive plans that support the group's strategic goals The risk committee receives the company's top risks and opportunities register on a quarterly basis. This information is shared with all directors to ensure they are fully aware of risks and opportunities that may impact delivery of the strategy A joint sitting of the risk committee and audit committee was held in September 2022 as part of their annual work plans, reinforcing the board's integrated approach to risk and opportunity management 	<p>No material improvement required</p>
<p>Principle 05 Reporting</p>	<p>The board should ensure that reports issued by the organisation enable stakeholders to make an informed assessment of the organisation's performance and its long-, medium- and short-term prospects</p>	<p>The board should:</p> <ul style="list-style-type: none"> Consider and approve the organisation's reporting framework Ensure that all reports are compliant with legal reporting requirements Ensure that material and reasonable stakeholder expectations are met Ensure that the integrated report is issued, and approve the basis for determining materiality Ensure the integrity of external reports 	<ul style="list-style-type: none"> The group publishes an annual integrated report and a sustainability report that present material information on AECI and its businesses in an integrated manner The board is committed to ensuring that AECI is transparent, balanced and accurate in its reporting and disclosures so that stakeholders can make informed decisions about AECI's performance and prospects The board approves the reporting framework, including content, for information and/or reports that are disseminated to all AECI stakeholders Continuous engagements with key institutional shareholders are conducted The group stakeholder management framework for both local and international stakeholders has been approved 	<p>During 2023, a sustainability strategy and framework review will be conducted to formalise the group's approach on the development of a climate action plan aimed at supporting the pathway to net zero in 2050 commitment</p>



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<p>Principle 06 Primary roles and responsibilities of the board</p>	<p>The board should serve as the focal point and custodian of corporate governance in the organisation</p>	<p>The board should:</p> <ul style="list-style-type: none"> Exercise its leadership role by having a charter, setting up committees, agreeing on protocols to ensure that non-executive board members receive documentation and have access to management, Disclose the number of its meetings and attendance and express an opinion on whether it is satisfied in this regard 	<ul style="list-style-type: none"> The board operates within the ambit of the company MOI, board charter and annual work plan The group company secretary provides regular reports to keep the board and its committees informed on governance best practices and regulatory changes The board structure allows for a proper balance of power and authority The social, ethics and sustainability committee oversees the group's governance, ethical processes and procedures and reports to the board on ethical/compliance risks and/or breaches The group company secretary inducts new directors and the company's sponsor annually refreshes incumbent directors on governance A breakdown of meetings held and attendance in 2022 is included in this report 	<p>No material improvement required</p>
<p>Principle 07 Composition of the board</p>	<p>The board should comprise an appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively</p>	<p>The board should:</p> <ul style="list-style-type: none"> Discuss the composition of the board Discuss nominations, election and rotation of members of the board Discuss independence and manage members' conflicts of interests, Discuss the chairing role and succession of the board 	<ul style="list-style-type: none"> AECI's board comprises a majority of NED who are all independent The board has approved the AECI board nomination, composition and diversity policy which applies to its members. The nomination, governance and director's affairs committee considers diversity in its appointment and succession-planning processes At the end of 2022, 50% of board members were Black, in line with the approved voluntary target of 50%, and the board achieved female representation of 42% of whom 25% are Black female directors The board's composition ensures a balance of power, preventing any one director from making unilateral decisions The board believes it is the right size and has the right mix of skills, experience, diversity, independence and expertise to effectively perform its governance role The revision of the board charter, in 2022 and will be finalised in 2023. The committee structures were refreshed and terms of references were broadened to enhance board oversight The nomination, governance and director's affairs committee focuses on board succession planning and new directors participate in an extensive induction programme 	<p>No material improvement required</p>



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<p>Principle</p> <p>08</p> <p>Committees of the board</p>	<p>The board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and effective discharge of its duties</p>	<p>The board should:</p> <ul style="list-style-type: none"> Set up adequate committees to reflect the organisational model and needs, capacitate these and nominate relevant members with skills and give them terms of reference Constitute the statutory committees (audit and social and ethics committees) Constitute a nomination committee, remuneration committee, risk committee with related objectives and terms of reference 	<ul style="list-style-type: none"> To foster objective decision-making, the board maintains a balance of power and ensures effective performance of duties The board delegates duties to its standing committees (audit, risk, social, ethics and sustainability, remuneration and human capital, investment, innovation and technology, nomination, governance and director's affairs, and safety, health and environment committee) The committees are properly constituted and members are appointed by the board, except for the audit committee whose members are nominated by the board and appointed by the company's shareholders in general meeting Each committee reports to the board. The audit, and social, ethics and sustainability statutory committees report annually to stakeholders 	<p>No material improvement required</p>



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<p>Principle 09 Evaluation of the performance of the board</p>	<p>The board should ensure that the evaluation of its own performance and that of its committees and individual members support continued improvement in its performance and effectiveness</p>	<p>The board should:</p> <ul style="list-style-type: none"> Assume responsibility for the assessment process Appoint a director to lead this process Ensure that every two years the assessment process is externally facilitated, Disclose the results of the assessment as well as remedial actions 	<ul style="list-style-type: none"> An independent third party evaluates the board’s effectiveness and performance every two years with the assistance of the group company secretary The next external evaluation will be conducted during the course of 2023 	<p>With an appropriate external service provider, the board will undertake the next full board effectiveness evaluation in 2023. Key evaluation criteria to be used in the assessment will be based on how each director has performed his or her duties in line with the requirements and expectations detailed in the board charter and in each committee’s terms of reference</p> <p>In accordance with evaluation practice, the nomination, governance and director’s affairs committee and the chairman of the board will discuss the outcome of the process and address areas of concern with the relevant committee chairmen and directors. This evaluation practice supports the board’s execution of its duties and the achievement of its objectives in continuing to add value to the company</p>
<p>Principle 10 Appointment and delegation to management</p>	<p>The board should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities</p>	<p>The board should:</p> <ul style="list-style-type: none"> Assume responsibility for the CEO appointment and define the role and responsibilities Delegate authority Have access to professional corporate-governance advisory, Appoint, remove and evaluate the company secretary 	<ul style="list-style-type: none"> While the board retains overall accountability and authority over board-reserved matters, it has delegated day-to-day management to the executive directors and senior executives Delegating responsibility and authority to management improves strategic execution and accountability The board appoints the group CE, group CFO and group company secretary and evaluates their performance on an annual basis 	<p>No material improvement required</p>



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<p>Principle 11 Risk governance</p> <p>The board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives</p>	<p>The board should:</p> <ul style="list-style-type: none"> Set the approach for the governance of risk with a focus on the upside and downside of risk Treat risk as integral to the decision-making process Oversee risk management, including business continuity management (BCM) and culture Consider receiving independent assurance on the effectiveness of risk management 	<ul style="list-style-type: none"> The board approved the growth strategy which is discussed annually, as is progress made in executing the strategy. The risk committee reports to the board on the group's top risks and opportunities and monitors that these are adequately addressed The board approved the revised enterprise risk management framework (ERM) in 2021. The ERM process is reviewed annually by an independent assurance provider and the board continues to assess risk and opportunity The group's BCM roll-out has continued and further operational resilience workshops have been conducted 	<p>No material improvement required</p>
<p>Principle 12 Technology and information governance</p> <p>The board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives</p>	<p>The board should:</p> <ul style="list-style-type: none"> Set the approach and approve policy for IT governance Delegate management of IT to management and oversee the results of implementation Oversee management of information, e.g. information architecture, protection of privacy and security Oversee management of technology Consider receiving independent assurance on the effectiveness of IT management 	<ul style="list-style-type: none"> AECI has adopted the IT Governance Institute's model and follows the Control Objectives for Information and Related Technologies library guidelines. These help to establish and maintain effective internal controls, continuity and risk management In 2022, further progress was made in terms of IT governance. See the governance report for 2022's key activities and focus The board is ultimately responsible for IT governance and monitors management's implementation of IT governance processes The group CFO chairs the IT steering committee, which includes other members of the group executive committee and the chief information officer The IT steering committee oversees IT-related activities, governance and compliance with applicable laws, rules and standards The group's IT steering committee has overseen the development and implementation of a business-driven IT strategy 	<ul style="list-style-type: none"> Standardise the majority of the businesses onto a single software platform Implement solutions to enhance the integrated supply chain processes Commission a cybersecurity operations centre Commence the process of integrating the commercial IT and industrial IT environments Implement a "follow the sun" IT operating model Continue to consolidate, standardise and simplify the application portfolio



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<p>Principle 13 Compliance governance</p>	<p>The board should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation's ethical and good corporate citizenship imperatives</p>	<p>The board should:</p> <ul style="list-style-type: none"> Approve policy that directs the process of compliance management Delegate but oversee the process of compliance management Ensure that compliance is understood and is responsive to change Disclose an overview of compliance (fines, penalties, interaction with regulators, and so on) 	<ul style="list-style-type: none"> The board closely monitors compliance with both local and international legislation, in all jurisdictions where the group operates The board monitors the AECI ethics code, governance process, applicable legislation and international best practice codes and standards The board has approved the group compliance management framework which defines the approach to and responsibility for regulatory compliance assurance across all AECI jurisdictions Regulatory compliance workshops have been conducted in various businesses to automate and digitalise the compliance management process AECI has a dedicated compliance function to provide compliance assurance and drive a compliance culture throughout the group 	<p>A formal group compliance and ethics management policy aligned with the ISO 37301 compliance management system will be implemented in 2023</p>
<p>Principle 14 Remuneration governance</p>	<p>The board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of the organisation's strategic objectives and positive outcomes in the short, medium and long term</p>	<p>The board should:</p> <ul style="list-style-type: none"> Set direction on remuneration in the organisation Design remuneration policy and set out all pertinent elements Disclose remuneration in annual reports/integrated reports 	<ul style="list-style-type: none"> AECI's remuneration philosophy is designed to attract, motivate and retain top talent while increasing shareholder value The remuneration and human capital committee has reviewed and adopted the remuneration policy and implementation report for shareholder approval by way of a non-binding advisory vote at the forthcoming AGM of shareholders The committee's work plan includes critical human-capital projects relating to succession and talent, monitoring incentive schemes and strategic key performance indicators linked to remuneration, remuneration benchmarking and gender/wage pay disparities The board addresses legitimate concerns and objections raised by dissenting shareholders 	<p>No material improvement required</p>



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<p>Principle 15 Assurance</p>	<p>The board should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and the organisation's external reports</p>	<p>The board should satisfy itself regarding the effectiveness of the services provided by assurance providers as well as their expertise and independence</p>	<ul style="list-style-type: none"> ■ The board oversees and evaluates the group's internal control and risk management systems, and assesses their effectiveness ■ The board, through its committees and external assurance providers, defines the approach of external reporting in accordance with the JSE Listings Requirements and The Debt Listings Requirements, the Companies Act, King IV™ and the International Integrated Reporting Framework ■ With a focus on implementing a formal combined assurance model, the board has delegated assurance services oversight to the audit committee ■ The internal audit function reports directly to the audit committee chairman ■ An independent external auditor is appointed 	<p>No material improvement required</p>
<p>Principle 16 Stakeholders</p>	<p>The board adopts a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time</p>	<p>The board should:</p> <ul style="list-style-type: none"> ■ Have a stakeholder management approach and identify key stakeholders ■ Oversee shareholder relationships (proactive engagement, attendance at AGMs, equal treatment of all shareholders) ■ Ensure that company relationships within a group framework are clear and that roles and responsibilities, accountability, powers, authority, and so on, are articulated 	<ul style="list-style-type: none"> ■ AECI has developed its stakeholder engagement model ■ AECI communicates with stakeholders through face-to-face, telephonic and electronic communications, through circulars, announcements on the JSE Limited's Stock Exchange News Service and periodic reports 	<p>The group stakeholder management framework for both local and international stakeholders (given AECI's global footprint) was approved by the board</p>



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