

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

ONE AECI, 
FOR A BETTER WORLD

good chemistry



AECI is a diversified chemicals solutions company working to deliver sustainable solutions for a better world through innovation and excellence, founded on 'good chemistry'.

With a history dating back more than a century and from our headquarters in South Africa, we have grown internationally to more than **100 sites in 22 countries**. Wherever we operate, we are close to our customers.

Through our five distinct value-chain activities, we offer 12 different categories of products and services to six customer segments.

We organise ourselves into the following operating business segments – **AECI Mining, AECI Water, AECI Agri Health and AECI Chemicals**. In addition, we have a number of enabling functions, most notably, AECI Property Services portfolio office and manufacturing spaces.

We invest extensively in **research and development**, advanced laboratory and manufacturing plant and equipment and in the **skills** and knowledge of our expert people. We distribute our own and third-party products that minimise negative impact and instead create positive economic, social and environmental outcomes. We value **partnerships**.

Our purpose

To deliver sustainable solutions for a better world through innovation and excellence, founded on 'good chemistry'. This is the purpose of **One AECI, for a better world** and drives everything we do.

Our BIGGER values

- **BOLD**
- **INNOVATIVE**
- **GOING GREEN**
- Being **ENGAGED**
- Being **RESPONSIBLE**

Leveraging momentum for sustainable growth

This governance report reflects the work we did in 2022 and continue to pursue in 2023.

We consider all 17 United Nations Sustainable Development Goals (UN SDGs), however, we place particular emphasis on the following:



GOVERNANCE REPORT

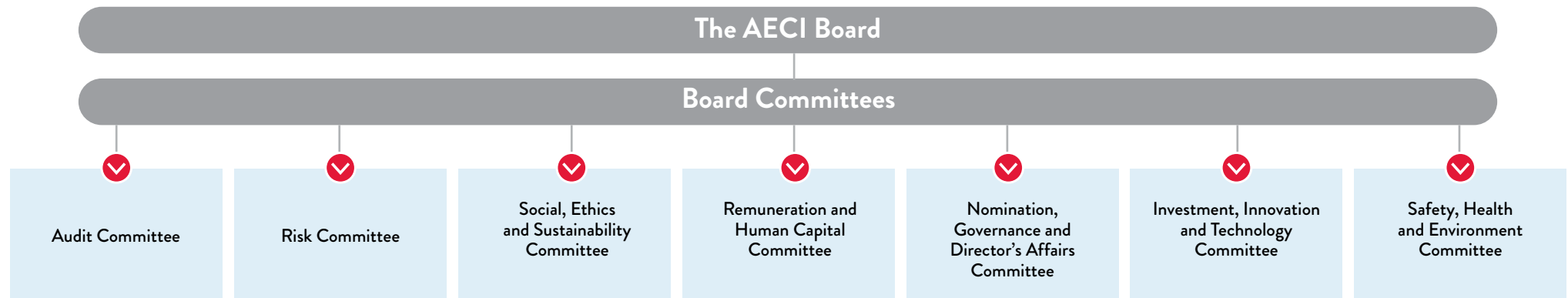
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Governance in support of growth

In 2022, the AECI board of directors undertook a comprehensive review and reorganisation to improve its ability to lead and support the group amidst unprecedented external challenges and change in financial, environmental, social, and governance areas. This reflects the board's need to proactively stay ahead of emerging trends and challenges, ensuring that the company is well-positioned to respond to them.



Its committee structures were amended and expanded. An additional committee was appointed and the scope of work of all committees was broadened, with more defined terms of reference as appropriate.

Changes to the committees are summarised as follows:

- The **social and ethics committee** was renamed the **social, ethics and sustainability committee (SES committee)**, in support of the **Zero Harm and sustainability** strategic element of the growth strategy
- The same strategic elements received further support through the constitution of the **new safety, health and environment committee (SHE committee)**
- The **remuneration committee** was renamed the **remuneration and human capital committee (RHC committee)** in recognition of the **passionate, purpose-led people** strategic growth imperative
- **Governance and director affairs** were added to the responsibilities of the, renamed, **nomination, governance and directors' affairs committee (NGDA committee)** to bolster formal oversight of these matters in pursuit of related **business excellence** considerations
- The **investment committee's** oversight was broadened and it is now called the **investment, innovation and technology committee (IIT committee)** to sharpen the focus on the **digital transformation** as well as the technology-related imperatives underpinning them

In addition to finalising the restructure and realignment of its committees, the board's key focus in the year included the following:

Further strengthening the board's composition in terms of international skills, expertise and experience

Driving, supporting and monitoring the execution of AECI's growth strategy and related growth plans

Ongoing work to enhance the risk management and control environment, especially in relation to combined assurance and IT

Support and monitoring of progress in environmental, social and governance (ESG) matters, including the establishment and deployment of a group-wide ESG dashboard system

Support for the successful transition of the new group CFO and the new AECI Mining CEO



Governance in support of growth continued

Looking ahead to 2023

The board's key focus in 2023 will include the following:

- Continued strengthening of the board processes and committees to deliver on AECI's growth strategy
- Continue to drive the execution of the growth strategy, including business growth plans
- Drive the value unlock strategy and develop implementation plans
- Finalisation of a detailed digital and innovation strategy
- Support the transition and induction of the new chief executive
- Continued focus on the company's ESG imperatives
- Support the transition and induction of the new group CE

Our board structure and composition

The AECI board maintains and oversees all corporate governance systems and processes to ensure that the group's business is conducted with integrity in line with the company's high standard of ethics. The board is responsible for **acting in AECI's best interests and enabling the group to reach its strategic objectives**

while maintaining overall responsibility for the group's success.

Our board is led by an independent non-executive chairman and currently comprises eight other non-executive directors, all of whom are independent (NEDs), and three executive directors. At the date of this report, Sam Coetzer was serving as the group's interim chief executive (CE). He took up these duties on 1 February 2023 after the early retirement of Mark Dytor from the role of CE and an AECI executive director, on 31 January 2023. Of Mark's 39 years of service with the group, he served 10 as group CE and the board thanks him for his commitment and positive input over many years.

Sam was appointed to the board in July 2022 as a NED and will resume this role on 1 May 2023, when the permanent incumbent takes up the

group CE role. Sam's appointment was in line with the board nominations, composition and diversity policy. He has strengthened the board's knowledge and experience of the mining industry at an international level. Sam became a member of the IIT committee and the SHE committee. Sam's appointment followed the retirement of Rams Ramshia at the AGM on 31 May 2022. The board thanks Rams for his contribution to the board during his tenure.

Through its NGDA committee, regular assessment of the board's composition is conducted to ensure early identification of any required skills gaps. The board ensures that its composition reflects the levels of experience and expertise required by the company to achieve its objectives, including successful execution of the growth strategy.

Other changes that were announced and took effect during the year, as well as those that will take effect in 2023, are as follows:

- Mark Kathan, who served as group CFO from 2008, took up his role as CEO of AECI Mining on 20 May 2022, accepting the position pursuant to the retirement of the preceding CEO. He remains an executive director of AECI
- Aarti Takoordeen joined the board on 20 May 2022 as the group CFO and executive director. As announced on SENS on 26 April 2023, the Board accepted the resignation of Ms A Takoordeen
- Holger Riemensperger will assume the position of group CE, and executive director of AECI, on 1 May 2023. Holger has held many executive and senior management positions in leading companies across Germany, the USA, Switzerland, the Netherlands, Sweden and Malaysia, which has contributed to his extensive expertise in the mining, chemicals, agricultural and manufacturing sectors. This expertise will boost the board's skills in industries that are key to AECI's growth aspirations. Holger's appointment was harmonious with the board nominations, composition and diversity policy
- Mr G Gomwe, who retires by rotation in terms of clause 14.3 of the MOI, will not stand for re-election and will retire from the Board immediately following the conclusion of the AGM

The current board composition is compliant with AECI's memorandum of incorporation (MOI) and the board charter (the charter). The charter creates a clear balance of power and authority between directors and ensures that no single director has unfettered decision-making powers. The charter also provides that an independent third party is to evaluate the board's effectiveness and performance every two years with the assistance of the group company secretary. During 2022, the board fulfilled its responsibilities under the evaluation policy, as contained in the charter.

During the 2022 financial year, AECI and the board complied with the MOI, the charter, the Companies Act, the JSE Listings Requirements, the Debt Listings Requirements, and all other relevant laws and regulations.

The board actively reviews its succession planning and skills composition on a regular basis through the NGDA committee and actions are implemented as and when required.



Governance in support of growth continued

Board nominations, composition and diversity

The charter and the board nomination, composition and diversity policy detail procedures and considerations for director appointments. As a result of its active adherence to the policy, **the board has achieved the necessary mix of knowledge, skills, experience, diversity of race and gender, and independence to carry out its governance role and responsibilities objectively and effectively.**

The following visuals detail the progress made on the high-level policy aims relating to diversifying the gender, race, age and fields of knowledge, skills and experience of the board.

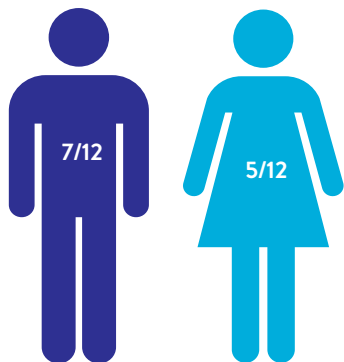
In 2022 the board exceeded the voluntary target stipulated in the diversity policy of 30% female director representation but the board remains committed to improving its gender diversity to 50% female representation.

Board diversity and experience

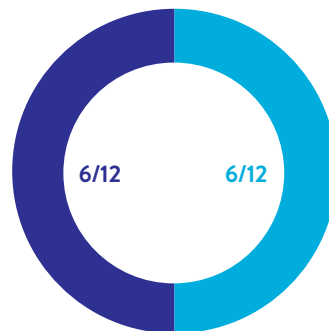
INDEPENDENCE ■ Independent Non-executive ■ Executive



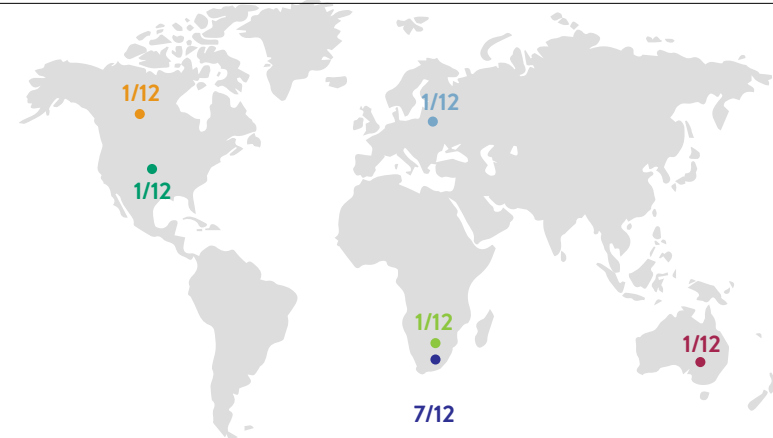
GENDER ■ Male ■ Female



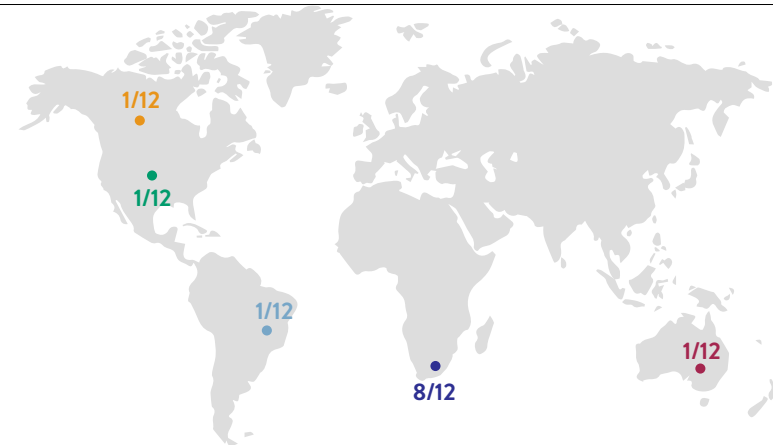
RACE ■ Black ■ White



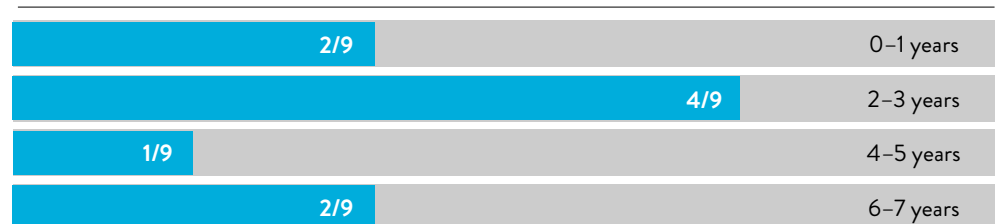
NATIONALITY ■ South African ■ Australian ■ German ■ Zimbabwean ■ Canadian ■ American



LOCATION ■ South African ■ Australian ■ Brazil ■ Zimbabwean ■ Canadian ■ American



TENURE OF NON-EXECUTIVE DIRECTORS





Governance in support of growth continued

Board meetings

The change process saw the board meeting no fewer than 14 occasions. Board meetings during the year included a two-day session to provide input into the continued development of the group's growth strategy. Special meetings were convened, and attended only by the NEDs, to focus on succession for the role of CE and other critical strategic revisions to the composition of the board at executive level. In addition, further special meetings were convened during the year with the attendance of the full board. Goals and targets to be achieved by 2026 have been set as the medium-term aspirations.

2022 BOARD MEETINGS

DIRECTOR	11 FEB ¹	1 MAR	30 MAY	31 MAY	1 JUNE ²	2 JUNE ³	3 JUNE ³	26 JULY	22 SEP ¹	27 SEP ⁴	18 OCT ⁴	27 OCT ⁴	22 NOV	8 DEC ⁴
KDK MOKHELE (CHAIR)	✓	✓	✓	✓	✓	✓	apologies	✓	✓	✓	✓	✓	✓	✓
SA DAWSON	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
FFT DE BUCK	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
WH DISSINGER	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
MA DYTOR	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-	✓	-
G GOMWE	✓	apologies	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
KM KATHAN	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-	✓	-
P O'BRIEN	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
R RAMASHIA [#]	✓	✓	✓	-	-	-	-	-	-	-	-	-	-	-
AM ROETS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
PG SIBIYA	✓	✓	✓	✓	✓	apologies	apologies	✓	✓	✓	✓	✓	✓	✓
A TAKOORDEEN [^]	-	-	✓	✓	✓	✓	✓	✓	✓	-	-	-	✓	-
ST COETZER [*]	-	-	-	-	-	-	-	✓	✓	✓	✓	✓	✓	✓

¹ Special meeting

² Strategy meeting

³ Site visit

⁴ Special meeting of NEDs

[#] Resigned with effect from 31 May 2022

[^] Appointed with effect from 20 May 2022

^{*} Appointed with effect from 1 July 2022

97.80%
2022 BOARD
MEETINGS
ATTENDANCE



Governance in support of growth continued

Board processes and leadership

The board is committed to the **highest standards of ethical leadership**.

In its processes, the board balances efficiency in decision-making against allowing for robust and comprehensive discussions between directors in the face of complex decisions. The diversity in board membership allows for varied perspectives to be investigated in reviewing past decisions and in establishing the most appropriate way forward.

Board meetings are scheduled well in advance, and the agenda for each board meeting is compiled by the chairman, assisted by the CE and the group company secretary, before being sent to all members of the board for comment and suggestions. The group company secretary ensures that all directors are provided with the information required for them to prepare for meetings and formulate their unfettered views on matters timeously.

Based on the last board assessments it was confirmed that the culture of the board is one of collegiality and commitment. The chairman was acknowledged for his strong leadership, experience, knowledge and focus. He is inclusive and ensures that meetings are well managed and that the desired governance outcomes are achieved. In accordance with the board charter the board assessment takes place every third year.

Relationships between the board and management are healthy and appropriate, with adequate levels of trust. Management is duly empowered to execute board-agreed strategy and policies. Management is strongly focused this growth strategy, which has sustainability at its core, and this is supported by the board in all respects.

The board is of the view that its committees are effective, particularly pursuant to the restructuring. With a diverse board and a substantial number of committees, there is a significant workload on each NED. Notwithstanding this, the delegation of work to NEDs allows for role clarity and allows for efficient and targeted focus, which delegated roles are fulfilled responsibly by each committee. Committee chairmen recognise the significance of the work delegated to their committees and are accountable both to their committees and the board for results achieved.

Board effectiveness and interaction with management

The directors consider AECI to be well led by a competent executive team. They believe that management is open, sharing both good and bad news, and is openly receptive of criticism and guidance from the board.

The board is cohesive, supportive and comprises professional and skilled members. Although some members have limited tenure, contributions are balanced. There is a good level of diversity (race, gender, personality, geography, and age) and members prepare and contribute diligently. Directors report that board meetings have a positive atmosphere, with members displaying 'good chemistry' and showing respect for one another and the work of the board. Deliberations are rigorous and no subject is off limits.

The size of the board is appropriate in terms of the King IV™ and its work is relevant, focused and professional. Board meetings are managed efficiently and the agenda is formulated to allow discussion to focus on the most material issues facing AECI.

Tenure and rotation

In terms of the charter, board members over the age of 70 will be submitted for retirement at the AGM for shareholder approval, taking into account the company's needs and the agreement with the respective directors.

NEDs may serve for up to nine years subject to retirement and re-election by rotation as set out in the MOI. Extensions of this period may be granted if the NGDA committee remains satisfied that the director's independence has not been compromised. The group conducts independence assessments annually. Through the conflict of interest declarations done annually, all NEDs have confirmed their independence.

Terms of employment and remuneration of directors

Executive directors are employees of the company. As such, their letters of appointment contain standard terms and conditions, including a notice period of six months. They do not receive any special remuneration or other benefits for their additional duties as board members. Although the board is generally satisfied that any potential risk associated with the continuity of leadership at executive level remains monitored, heightened focus was placed on succession planning for executive director positions during 2021 and 2022.

On the recommendation of the RHC committee and NGDA committee, the board determines the remuneration of executive directors, executives and other senior personnel in line with AECI's remuneration philosophy. No NED is a company employee. The remuneration of NEDs is determined after an annual benchmarking exercise performed by the executive directors and the approval by shareholders of the proposed fees, on the board's recommendation.



Governance in support of growth continued

Sustainability governance

The board is responsible for governing our environmental, social, human and climate-change policies and impact. Sustainability governance is based on the following four themes:



Responsible leadership



Ethical behaviour



Compliance and risk management



Tax transparency

Giving effect to the company's growth strategy and the importance of placing ESG at the strategy's core, the social and ethics committee was renamed the social, ethics and sustainability committee in 2022. The committee met three times in the year to oversee and review management's decisions and performance in social and environmental matters, as well as the implementation of related policies.

Assisted by the AECI executive committee and guided by the SES committee, the CE is responsible for reviewing AECI's sustainability strategy and framework. A centralised sustainability steering committee meets quarterly and oversees the implementation of strategy. The steering committee currently comprises 24 business representatives and is headed by Dean Mulqueeny, a member of the AECI executive committee.

In 2022 the SES committee considered the sustainability policy developed by the steering committee and recommended it to the board for approval. Approval was confirmed in November.

The 2022 AECI sustainability report provides more details on our governance of sustainability and our performance in the year. Also refer to the other reports in our reporting suite, including those on remuneration and tax transparency.

Board committees

Standing committees assist the board in executing its duties. Each has a formal annual work plan and all executed their plans and mandates in the year.

Committees report on their work to the full board. Other than the executive committee, membership comprises mainly independent NEDs as shown in the table that follows:

Audit committee

DIRECTOR	22 FEB ¹	25 FEB	25 APRIL ¹	20 MAY	22 JULY	18 NOV
PG SIBIYA (CHAIR)	✓	✓	✓	✓	✓	✓
FFT DE BUCK	✓	✓	✓	✓	apologies	✓
G GOMWE	✓	✓	✓	✓	✓	✓
AM ROETS	✓	✓	✓	✓	✓	✓
MA DYTOR*	✓	✓	–	✓	✓	✓
KM KATHAN* [^]	✓	✓	✓	✓	–	–
A TAKOORDEEN* [^]	–	–	–	✓	✓	✓

¹ Special meeting

* By invitation

[^] Appointed with effect from 20 May 2022

95.83%
AUDIT COMMITTEE MEETINGS ATTENDANCE

Mandate and 2022 focus areas

Progress made

Enhance the committee's policies and procedures on internal controls and governance	➤	Particular progress was made in respect of IT policies and standard operating procedures. Recommendations for improvement were noted and a roll-out of mitigating procedures by management was monitored
Oversee IT governance which impacts financial reporting	➤	Noted recommendations made by internal audit to improve IT governance and monitored mitigating actions taken by management
Continued focus on the combined assurance model	➤	Monitored ongoing implementation of the combined assurance model and was satisfied with progress made
Review the committee terms of reference	➤	The committee terms of reference were reviewed and approved by the Board



Governance in support of growth continued

Mandate and 2022 focus areas	Progress made
Ensure that plans are in place and properly executed to remedy identified weaknesses in internal financial controls	<p>➤ Monitored processes to ensure that the group’s internal financial controls remain effective and that remedial plans are implemented, where required</p>
Oversee the successful induction of the newly-appointed group CFO	<p>➤ The committee was satisfied that this process was executed successfully</p> <p>The committee considered the suitability of the experience and expertise of the CFO and the finance team and concluded that these were appropriate</p>
Monitor the progress of the SAP OneWorld project, including the monitoring of action plans to address remaining control weaknesses	<p>➤ The committee monitored the project as a whole and was satisfied with its progress. It also monitored progress on action plans to address weaknesses in IT controls and agreed that further improvements are required in this area</p>
Focus on continuing to improve IT controls, particularly in AECI Mining, to enable full audit reliance to be placed on IT controls	<p>➤ Improvements are still in progress. Partial audit reliance was placed on IT controls in AECI Mining</p>
Monitor the implementation of financial and risk stewardship initiatives	<p>➤ Received a status update on the implementation of related initiatives, in line with the business excellence imperative of AECI’s growth strategy</p>
Ensure that a joint meeting between the audit and risk committees is convened to undertake complete coverage on enterprise risk management (ERM)	<p>➤ This joint meeting was held in September 2022 and addressed the following areas:</p> <ul style="list-style-type: none"> ▪ Considered the ERM maturity roadmap and the risk universe and made recommendations for improvement in this regard ▪ Reviewed the progress report regarding the implementation of a formal combined assurance model in the group and was satisfied with the progress made to date ▪ Considered the status update report with regard to cyber security controls and made recommendations for improvement



2023 focus areas

- Monitor the progress and delivery of the Schirm turnaround
- Ensuring that the Group’s internal financial controls are effective and that remedial plans are properly monitored and executed
- Continue to monitor the progress and successful implementation of the SAP One World project
- Monitor progress on actions plans to address control weaknesses with regard to IT general controls and cyber security controls
- Support the effectiveness of the investor relations function
- Continue to advocate for appropriate disclosure and guidance to the market in particular regarding key shareholder issues
- Continue to focus on and enhance the robustness of various governance processes and controls related to the functioning of the committee as well as the Group’s whistleblowing line.



Governance in support of growth continued

Risk committee

MEMBER	24 FEB	21 JULY	17 NOV
WH DISSINGER (CHAIR)	✓	✓	✓
R RAMASHIA [#]	✓	–	–
SA DAWSON	✓	✓	✓
P O'BRIEN [^]	–	✓	✓
PG SIBIYA [†]	✓	apologies	✓
MA DYTOR	✓	✓	✓
KM KATHAN	✓	✓	✓
A TAKOORDEEN [^]	–	✓	✓
DJ MULQUEENY [^]	✓	✓	✓
DK MURRAY [^]	✓	✓	✓

^{*} By invitation

[#] Resigned with effect from 31 May 2022

[^] Appointed with effect from 20 May 2022

[>] New appointment to the committee, with effect from 31 May 2022

[†] The chairman of the audit committee may attend as an *ex officio* member

95.83%
RISK COMMITTEE
MEETINGS
ATTENDANCE

Mandate and 2022 focus areas

Progress made

Enhance policies and procedures on internal controls and governance

➤ Reviewed the committee's terms of reference
The committee continued to consider and recommend amendments to key risk policies
IT controls and internal audit reports were a standard item at all meetings as the committee continues to track cybersecurity risks

Monitor embedding of the risk and opportunities register

➤ Reviewed the strategic risks and associated opportunities deemed to be of most significance to AECI at group level and at individual business level, and held detailed discussions on selected risk topics. The ERM framework was amended to include an opportunity management and operational resilience strategy

Exercise oversight of key compliance projects

➤ Provided oversight and received reports on the tender for, and implementation of, a software solution for regulatory compliance management and roll-out of that software for South Africa and selected other Southern African jurisdictions
Monitored training and training completion rates for high-risk individuals on anti-trust legal and process requirements

Risk appetite framework

➤ The draft framework was amended and the revised framework will be finalised in 2023

Risks and opportunities emanating from the group's ESG context

➤ Received regular reports from management on ESG opportunities and risks relating to climate-change, green raw materials, energy self-generation, capital allocation and the availability of skills in key jurisdictions

Litigation

➤ Considered regular reports on progress on material litigation matters and oversaw the satisfactory close-out of a number of longstanding matters



Governance in support of growth continued

Mandate and 2022 focus areas	Progress made
Compliance and regulation	<p>Received reports regarding continued roll-out of the compliance plan, the update of the South African compliance universe and progress on regulatory risk assessment workshops conducted</p> <p>Amendments to the group’s dawn raid policy were approved and the committee also considered updates to the localisation dashboard highlighting risks and opportunities relating to citizen empowerment and local shareholding requirements in certain countries in Africa</p>
Environmental regulatory compliance	<p>Considered reports highlighting environmental regulatory risks and mitigating controls across the business</p>
Strategic sourcing risk management	<p>Considered reports on inflation, single-supplier risks, supply constraints related to the after-effects of the COVID-19 pandemic, raw material supply constraints associated with the Russia-Ukraine war and energy and other constraints associated with exposure to South African state-owned enterprises</p> <p>Advised on, and monitored, the execution of mitigation strategies to mitigate supply-chain risks (including global trends in localisation and near-shoring)</p>
Combined assurance (in cooperation with the audit committee)	<p>The risk committee monitored progress on implementation of the combined assurance model and was satisfied with this progress</p>

Social, ethics and sustainability committee (previously the social and ethics committee)

MEMBER	24 FEB	18 MAY	17 NOV
FFT DE BUCK (CHAIR)	✓	✓	✓
KDK MOKHELE ^{>}	-	-	✓
AM ROETS ^{>}	-	-	✓
P O'BRIEN	✓	✓	✓
MA DYTOR	✓	✓	✓
A TAKOORDEEN* [^]	-	-	✓
R RAMASHIA [#]	✓	✓	-

- * By invitation
- # Resigned 31 May 2022
- [^] Appointed 20 May 2022
- [>] New appointment to committee 31 May 2022

100%
SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE MEETINGS ATTENDANCE

2023 focus areas

- Monitor execution of the ERM maturity roadmap
- Review progress on the ERM work plan
- Monitor the formalisation and implementation of the risk appetite framework
- Approve the compliance policy in line with recommendations of an ISO 37301 gap analysis
- Monitor roll-out of the group’s legal and regulatory compliance management programme
- Oversee the company’s insurance risk exposure and cover



Governance in support of growth continued

Mandate and 2022 focus areas

Progress made

Roll-out of new B-BBEE and localisation strategies	Monitored progress on returning the group to Level-2 B-BBEE contributor status. The likely loss of continued recognition from the AECI Employees Share Trust post 2023, and emerging share equity arrangements in various jurisdictions, were considered and proposals to address B-BBEE and localisation imperatives are in development
Monitor ESG strategy implementation and achievement of ESG targets	Reviewed a detailed report on progress against the ESG strategy and related KPIs. A review of 2021 data and progress against targets was completed ahead of compilation of the sustainability report ESG programme objectives for 2022 were approved by the committee and progress against these was monitored. The sustainability policy was reviewed before being approved by the board
Ethical business practices across geographies	Considered and recommended a new anti-bribery and corruption policy to the board for approval, and monitored the development and roll-out of a digital automated procedure for declaring outside interests and conflicts Received progress updates on personal information protection plans and approved a revision of the privacy policy
Formalise a global stakeholder management framework	The global stakeholder management framework was approved by the Board in 2023.
Ongoing responses to COVID-19 including workplace safety	Monitored reports on AECI's COVID-19 vaccination drive as well as the 'better you' campaign which focused on the holistic well-being of employees
Employment equity progress	Continued focus on monitoring the Company's progress on achieving its employment equity targets with particular attention placed on attracting people with disabilities
Review the committee terms of reference	The committee terms of reference were reviewed and approved by the Board

2023 focus areas

- Review the ESG dashboard to incorporate new indicators related to waste and Scope 3 emissions
- Review the implementation of the ESG strategy and progress made towards the achievement of defined goals. Review current performance targets and set additional targets, if deemed necessary
- Review work undertaken in 2022 and early in 2023 on climate action, including the status of Scope 3 emissions and relevant (additional) disclosures
- Continued review and oversight of critical safety, process safety and associated incidents and leading indicators in close collaboration with the SHEC committee
- Review the implementation of the sustainability framework and strategy, taking alignment with the six capitals and priority SDG review into account
- Clear definition of our 2050 net zero goal and the formulation of a transition pathway and action plan to support achievement of this goal
- Strengthen sustainability governance to build more robust and resilient structures geared towards responding to the constantly evolving ESG landscape
- Explore a new B-BBEE ownership transaction in South Africa
- Continue to track the Company's progress on the Compliant Levels and B-BBEE audit
- Continue to monitor group performance and improvement plans in the areas of Employment Equity in South Africa, and employee relations
- Awareness roadshows and training on the anti-bribery and corruption policy
- Approval of the group's sustainability report



Governance in support of growth continued

Nomination, governance and director's affairs committee (previously the nomination committee)

DIRECTOR	25 FEB	8 APRIL ¹	20 MAY	25 JULY	14 SEP ¹	16 SEP ¹	23 SEP ¹	21 NOV
KDK MOKHELE (CHAIR)	✓	✓	✓	✓	✓	✓	✓	✓
G GOMWE	✓	✓	✓	✓	✓	✓	✓	✓
PG SIBIYA*	-	-	-	✓	✓	✓	✓	✓
MA DYTOR*	✓	✓	✓	✓	-	-	-	✓
KM KATHAN*	✓		-	-	-	-	-	-
R RAMASHIA [#]	✓	✓	✓	-	-	-	-	-

¹ Special meeting

* By invitation

[#] Resigned 31 May 2022

> New appointment to Committee 31 May 2022

100%

NOMINATION, GOVERNANCE AND
DIRECTOR'S AFFAIRS COMMITTEE
MEETINGS ATTENDANCE

Mandate and 2022 focus areas

Progress made

Formalise succession plans for NEDs and executive management



Rotation schedules are in place for NEDs. The committee ensured that appropriate succession plans are established, formalised and implemented at board level as well as at executive and management levels

Strengthen the board's skills and diversity composition



Board skills gap analyses are conducted on a regular basis. The committee considers the collective knowledge, skills and experience required by the board to ensure its optimal contribution to the company's success and growth. Training is provided to all directors to keep them up-to-date on the execution of their fiduciary duties. Extensive induction programmes are in place for incoming directors

Progress the establishment of the board of the future



Governance and director affairs responsibilities were added to the committee's terms of reference

Mandate and 2022 focus areas

Progress made

Restructure board committees to best support AECI's growth strategy



After the board committee restructuring in May 2022 (including establishment of the new SHE committee), the committee's own scope of work was broadened to ensure more comprehensive oversight of the company

2023 focus areas

- Conduct the 2023 external performance evaluation process for the board and its committees and make recommendations to the board based on the outcomes
- Ensure uniform fit-for-purpose compliance and governance of the group's corporate structure and statutory requirements
- Drive director affairs responsibilities (monitor the board's compliance with regulatory and fiduciary responsibilities and corporate governance best practice)
- Ensure the successful induction of the CE





Governance in support of growth continued

Remuneration and human capital committee (previously the remuneration committee)

DIRECTOR	25 FEB	20 MAY	1 JULY ¹	25 JULY	21 NOV
G GOMWE (CHAIR)	✓	✓	✓	✓	✓
KDK MOKHELE	✓	✓	✓	✓	✓
AM ROETS	✓	✓	✓	✓	✓
FFT DE BUCK ²	-	-	✓	✓	✓
MA DYTOR [*]	✓	✓	✓	✓	✓
KM KATHAN ³	✓	✓	✓	-	-
R RAMASHIA [#]	✓	✓	-	-	-
A TAKOORDEEN ⁴	-	✓	✓	✓	✓
J MAHLASE [~]	-	-	-	✓	✓

¹ Special meeting

^{*} By invitation

[#] Resigned 31 May 2022

⁴ New appointment to committee 31 May 2022

[~] Acting Human Capital executive

100%
REMUNERATION
AND HUMAN
CAPITAL COMMITTEE
MEETINGS
ATTENDANCE

Mandate and 2022 focus areas

Progress made

Review of the LTIP and STI reward schemes



During engagements, concerns were raised in respect of the over-reliance of the existing performance hurdles on HEPS. As a result, the LTI metric was amended to, *inter alia*, reduce the weighting of the HEPS and to insert a ESG metric. Changes were made to both schemes in 2022

Monitor measures taken to close remuneration disparity gaps



The relevant analyses were undertaken and the committee was not satisfied that optimum pay parity had been achieved by the group. Action plans to close gaps were agreed. Group businesses were tasked with implementing appropriate measures, as required

Shareholder engagement



Regular and ongoing engagement with shareholders was conducted. Matters concerning AECI's incentives and outcomes were raised

Succession planning and people development



Considered related reports and agreed an improved format for these going forward

2023 focus areas



- Improve overall understanding of the issues surrounding pay parity between different groups in the context of gender gaps as well as comparison to a living wage
- Succession planning of senior management and critical technical skills will be focused on
- Continued focus on strengthening performance management processes and systems
- Ongoing review of incentive schemes, including consideration of shareholder feedback
- Adoption of a human capital digitalisation strategy

Governance in support of growth continued

Investment, innovation and technology committee

(previously the investment committee)

DIRECTOR	13 APRIL ¹	24 AUG ¹	14 OCT
KDK MOKHELE (CHAIR)	✓	✓	✓
SA DAWSON	✓	✓	✓
WH DISSINGER	✓	✓	✓
G GOMWE	apologies	apologies	✓
S COETZER ²	-	✓	✓
MA DYTOR ³	✓	✓	✓
KM KATHAN ³	✓	-	✓
DJ MULQUEENY ⁴	-	-	✓
DK MURRAY ⁴	-	-	✓
A TAKOORDEEN ⁴ *	-	✓	✓
PG SIBIYA ⁴	-	-	✓
FFT DE BUCK ⁴	-	-	✓
AM ROETS ⁴	-	-	✓

¹ Special meeting

² By invitation

³ New appointment to committee 31 May 2022

⁴ Appointed 20 May 2022

86.67%
INVESTMENT,
INNOVATION AND
TECHNOLOGY
COMMITTEE
MEETINGS
ATTENDANCE

Mandate and 2022 focus areas

Formalise AECI's M&A playbook



The formalisation of the group's approach to corporate actions and M&A transactions is an important step in aligning the group businesses and corporate functions in the business with the board's growth strategy. The formalisation remains in progress, with an expected finalisation date in 2023

Support and provide guidance to management on advancement in innovation, per the growth strategy



Good progress was made, with frequent review and guidance provided by the committee to management

Continue to monitor the performance of AECI Much Asphalt and AECI Schirm



Ongoing. Full and active involvement by the committee in the constant monitoring of business performance by these entities

Oversee management's plans and strategy in terms of digitalisation and disruptive technologies



Ongoing. Digital transform and technology advancements feature prominently on the committee's agenda

Consider potential investments in support of the growth strategy



Fully achieved

Oversee progress on initiatives undertaken by strategic partnerships, including those with Origin Materials and Clariter



Fully achieved

2023 focus areas

- Finalise the M&A playbook
- Focus on implementing the internationalisation strategy through a robust corporate development team
- Strengthen the group's M&A capabilities
- Continue to monitor progress in the Schirm turnaround plan
- Approve the company's digital transformation strategy
- Focus on high impact innovation projects





Governance in support of growth continued

Safety, health and environment committee (SHE committee)

DIRECTOR	8 SEP
S DAWSON (CHAIR)	✓
KDK MOKHELE*	✓
WH DISSINGER	✓
MA DYTOR	✓
S COETZER	✓
N FRANKLIN*	✓
P O'BRIEN	✓

* By invitation

100%
SAFETY, HEALTH
AND ENVIRONMENT
COMMITTEE
MEETINGS
ATTENDANCE

Mandate and 2022 focus areas

Progress made

Review the annual SHE strategy and monitor delivery



The committee satisfied itself that its mandate was appropriate and sufficient to discharge its responsibilities, and approved management's delivery against the SHE strategy

Consider regular reports on leading and lagging indicators and major incidents and near misses, from all group businesses



Scrutinised all reports in detail and made suggestions for improvement

Interrogate compliance with applicable SHE legislation and regulations



Satisfied itself with overall compliance while highlighting areas of concern

Review group performance on regulatory and remediation requirements



Endorsed management's actions and suggested areas for improvement

Review and monitor SHE risks



Reported in detail (for the first time) to the risk committee on areas of SHE risk management within the committee's responsibilities

Ensure that occupational health and safety measures are appropriate and enforced



The committee satisfied itself as to the group's performance on keeping its people safe and healthy

2023 focus areas

- Engage in depth with management with regard to addressing environmental legacy issues, including appropriate remediation projects and plans
- Broaden engagement with management on environmental compliance
- Further interrogate management on risks relating to process safety and product transportation
- Ensure in-depth analysis of high-potential and actual incidents





Governance in support of growth continued



Executive committee

This committee is the only board committee not chaired by an NED and is the highest executive decision-making body in the company. Its mandate and duties are summarised as follows:

- Management of the day-to-day operational activities of the group in accordance with the delegation of authority framework
- Anticipation of the group's future needs, threats and opportunities and determination of the group's ultimate sustainability in its ever changing operating environment
- Development and implementation of the group's strategy through the functions of the board and its other committees, which are tasked with drafting and finalising the relevant policies and processes aimed at implementing this strategy
- Setting the direction for the management and review of the company's efforts to be a good corporate citizen in its economic behaviours, societal and environmental impacts and broader company culture

Scheduled meetings are held monthly and ad hoc meetings are convened as necessary.

Board and committee performance evaluation

The next external evaluation of the board's performance and that of its committees will take place in 2023, in line with the board's charter.

Induction and ongoing development of directors

The company's directors have expertise and experience in diverse industries including chemicals, mining, technical, accounting, commercial banking and strategy.

With a view to ensuring that all directors have a comprehensive understanding of AECI's business and that they have an understanding of their responsibilities within this space, a training day is scheduled during 2023. Additionally, directors visit three major group sites and engage with functional and technical staff to gain additional first-hand experience of the company's operations.

As an ongoing developmental exercise, the group company secretary sources and distributes information on key trends, changes in the group's regulatory universe and topical industry-specific issues. The group company secretary also sources and organises formal and relevant training for board members, based largely on the specific needs of each director and any changes in the group's operating environment at the time. All directors participated in training during 2022 to refresh their knowledge of the JSE Listings Requirements and the Debt Listings Requirements.



Governance in support of growth continued

Aarti Takoordeen and Sam Coetzer joined the board in 2022 and participated in a comprehensive induction process which included induction packs, training, one-on-one meetings with management in the group and site visits. In 2023, the same induction process will be provided to Holger Riemensperger, the CE designate.

Relationships with employees and external advisors

Board members have unrestricted access to the company’s records, information, documents and property to the extent that they require this to make informed decisions. They also have unrestricted access to executives, senior managers and the internal and the external auditors to consult on any aspect of the company’s operations. Board members may collectively or individually, at the expense of the company, consult external professional advisors on any matters of concern to themselves or the company after having advised the CE or chairman.

Group company secretary

The group company secretary, Cheryl Singh, oversees a portfolio of secretariat, legal services and compliance management. She assists the board and committees in preparing annual plans, agendas, minutes and terms of reference as warranted, and attends all board and committee meetings as secretary.

The group company secretary is not a director of the company and, maintains an arm’s length relationship with the board and its directors. The board considered and satisfied itself on the competence, qualifications and experience of the company secretary.

Risk management

We continued to mature our ERM framework and processes. As in the prior year, the maturity of our risk management systems was confirmed by an independent, external assurance provider.

Advances in 2022 included documenting a formal risk universe. Linked to the group’s strategic growth initiatives, this provides the risk committee and the board as a whole with improved, detailed insight into internal risk management.

With a formal and holistic risk universe, directors are able to interrogate management on risk categories as listed alongside. Applying a top-down approach (which oversight the universe seeks to enhance), the risk universe facilitates the more meaningful interrogation of risk management processes and the effectiveness of risk controls.

Early in 2022, a risk maturity plan was formalised and presented to the risk committee. The plan includes a roadmap with measurable deliverables over six- and 12 to 18-month periods, aimed at enhancing AECI’s risk maturity. The roadmap details considerable training interventions which began in earnest in 2022, focusing on operational risk and budget and forecast risks.

Risk governance

The board oversees and monitors the senior leadership’s management of risks faced by the group. The risk committee has been mandated by the board to review the group’s key strategic risks and its risk dashboards and to monitor emerging global and local risks of particular relevance to the group. The newly developed risk universe gives directors greater flexibility in interrogating risk reports from management, including the assumptions and risk identification processes used.

The management teams of each AECI business are accountable for managing risks which affect their respective businesses or could potentially do so. The group risk management function is responsible for facilitating risk workshops and assisting management in the businesses to identify and assess risks, and for collaborating with these teams to manage identified risks as effectively as possible.

ERM

The group’s ERM framework sets out the approach to risk management. The framework is driven by a mindset, culture and awareness embedded in all corporate functions, businesses and other activities using a top-down, bottom-up approach. It also describes AECI’s standard process for risk management, and the group management’s responsibilities in this regard.

Risk management includes consideration of internal and external factors which may impact the achievement of strategic and business objectives.

Types of risks are categorised as follows:





Governance in support of growth continued



Strategic and process risk workshops are scheduled in line with an annual work plan and are facilitated by the group risk management function. During workshops, ownership and responsibility are emphasised as follows:

 <p>Group risk management</p> <p>Coordinates implementation of the ERM framework</p> <p>Facilitates risk workshops</p>	 <p>Risk owner</p> <p>Accountable for an enterprise risk</p> <p>Coordinates efforts to mitigate and manage the risk</p>	 <p>Control owner</p> <p>Responsible for oversight of the control to ensure effective mitigation of the risk</p>	 <p>Mitigation/ task owner</p> <p>Responsible for implementing the risk mitigation plan</p>
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Risks are assessed by management on a continuous basis. Risk registers are assessed formally at least every quarter and feedback is provided to the AECI executive committee, as warranted.

The following risk management initiatives were undertaken in the group in 2022:

Risk and operational resilience workshops

- Group risk management continued to facilitate strategic, functional and operational risk workshops at group business, operational plant and corporate office levels in line with the ERM work plan and the combined assurance project plan scope
- Where relevant, the group identified, investigated and exploited opportunities (the upside of risks)
- Group risk management continued to facilitate operational resilience workshops at key sites

ERM reporting improvements

- Risk dashboards
- Risk trends
- Emerging risks



Governance in support of growth continued

Business continuity management

Roll-out of business continuity plans continued across the group and specifically at AECI Mining's subsidiaries on the African continent. These plans outline specific procedures to be followed throughout the group in the event of a material risk coming to pass in order to mitigate losses suffered by the company and its stakeholders.

Combined assurance

In AECI's 2021 integrated report, it was reported that the group had initiated the formulation and implementation of a formal combined assurance (CA) model in January 2021. This project has been spearheaded by the audit committee and progress is overseen by the board.

Notable achievements of the project during 2022 are summarised as follows:

- CA management committee (CAMC) was put into place, comprising representatives of corporate functions (second-line assurance providers), as well as group business representatives, with regular meetings held
- Continual assessment and amendment of the CA process, as deemed necessary by the CAMC
- Maintenance of CA models for group businesses and corporate functions in accordance with the CA project plan
- Training on the CA principles and process for employees at various employment levels
- Benchmarking against CA processes being applied by other corporates
- Vetting of key third-line assurance providers for Priority I and II risks

IT governance

The board's accountability for information technology governance is embedded in its charter. The board has delegated overall responsibility for overseeing IT governance structures, policies and procedures to the group CFO. In turn, the group CFO has delegated responsibility for the implementation and execution of these to the chief information officer (CIO).

The group CFO chairs the IT steering committee (committee). The committee's membership comprises the CIO, most members of the AECI executive committee, subject matter specialists from individual businesses and, at group level, specialists from centralised group IT functions. The group CFO reports back to the full board through board committees, particularly the risk and the audit committees.

The committee has a well-defined charter which details its oversight role in terms of the group's IT strategy, establishing cyber-resilience and overseeing architectural and operational excellence. The committee also ensures that AECI's IT capabilities support and enable achievement of the group objectives and strategy.

Internal and external assessments of the committee and its work, as well as its IT management and governance, are undertaken. All material findings are reported to the risk and audit committees for review and approval of remedial actions, as required.

The IT and operational technology functions were managed separately in 2022. The committee mandated the CIO to begin a process of integrating the commercial IoT with the industrial IoT during the course of 2023.

An updated IT strategy, to 2025, was approved. Key elements of this strategy will focus on supporting AECI's three strategic platforms and six strategic themes in pursuit of its growth aspirations. The key elements are:

- Deploying a consolidated software platform for the group
- Managing cybersecurity
- Further consolidating, standardising and simplifying the application portfolio
- Enabling digital transformation

Governance in support of growth continued

AECI has adopted the IT Governance Institute's model as a framework. The company also applies the guidelines set out in the Control Objectives for IT and Related Infrastructure library. This supports the establishment and maintenance of effective internal controls, continuity and risk management as embedded in AECI's risk management agenda.

Key focus areas in 2022

Progress made

Finalise migration to the group's software-defined network and improve overall network performance	A global software defined wide area network has been implemented, yielding high-performing, cost-effective and secure connectivity
Migrate AECI Schirm's IT services to an AECI-managed, EU-based IT service	An AECI controlled and managed IT service has been established in Germany; reliance on the previous vendor is no longer required
Migrate AECI Much Asphalt to our simplified, consolidated and standardised architecture	This business's traditional IT architecture requirements have been included in the group's architecture
Continue to consolidate the business system application portfolio and drive cloud-based adoption. Continue to support the project to consolidate the non-AECI Mining businesses into a group ERP solution (SAP OneWorld project)	The functionality derived from previous complementary business systems has been migrated to the group's standard ERP system, allowing for the decommissioning of many traditional solutions. SAP OneWorld continues to be supported and is due for completion in 2024
Implement a standard global SHEQ solution	This project is intended to define required standards for each of the company's 15 risk categories and forms part of the company's Zero Harm strategy. The project is underway and completion is anticipated in 2023
Continue to implement enhancement projects according to the cybersecurity roadmap	Several actions in the year have enhanced AECI's cybersecurity environment further, although significant improvements and actions will be focused on in 2023

Focus areas for 2023

- Standardise the majority of businesses onto a single SAP platform
- Implement solutions to enhance integrated supply chain processes
- Review risks in the IT landscape and ensure that these are mitigated to acceptable levels and focus on mitigating outstanding gaps
- Commission a cybersecurity operations centre
- Commence the process of integrating the commercial IT and industrial IT environments
- Implement a 'follow the sun' global workflow IT operating model
- Continue to consolidate, standardise and simplify the application portfolio

Accountability and internal control

Directors are required by the Companies Act, the JSE Listings Requirements and the Debt Listings Requirements to prepare annual financial statements which fairly present the state of affairs of the group as at the end of the financial year, and of the profit or loss for that period, in conformity with IFRS.

The external auditor is responsible for auditing the financial statements of the company and its subsidiaries, and express an opinion on whether the financial statements are presented fairly, in all material respects in accordance with IFRS and the requirements of the Companies Act. In 2022 the auditor also carried out certain agreed-upon procedures pertaining to the group's half-year results to 30 June.

On conclusion of discussions with the external auditor, the directors, through the audit committee, consider that, in preparing the financial statements, the company has used appropriate accounting policies consistently, supported by reasonable and prudent judgement and estimates. All IFRS standards have been followed.



Governance in support of growth continued

Going concern

The board reviewed the budgets and forecasts of the group and concluded that it will continue in business for the foreseeable future. Liquidity and solvency tests in this regard were conducted as required by the Companies Act. Accordingly, the going concern basis of accounting remains appropriate.

AECI group legal and regulatory compliance

The board requires compliance with applicable laws and regulations in all jurisdictions in which the group operates. During the financial year ended 31 December 2022, AECI was compliant in all material respects with the requirements of the South African Companies Act, the Companies Act Regulations, the JSE Listings Requirements and the Debt Listings Requirements, and acted in conformity with its MOI.

The board, together with the risk committee, monitors the implementation and effectiveness of AECI's compliance framework and related processes. Laws identified as key compliance risk areas remain a primary focus. Key among these are laws relating to competition, anti-bribery and corruption and safety, health and environmental matters.

Significant progress was made in the further roll-out of the compliance management framework in African and South American countries of operation.

Significant progress was made in the further roll-out of the compliance management framework in African and South American countries of operation. In southern, central and west Africa, compliance platforms for six francophone and eight anglophone jurisdictions were completed. They enable integrated compliance universes, regulatory scanning, regulator engagement and the compilation of exception registers across the region.

Work to digitalise and centralise compliance management data for enhanced monitoring of compliance with legislation, permits and licences for South African operations is advancing well. In total, 76 compliance assurance centres have been identified across the local business footprint. Completion of the current phase of the roll-out will see business managers equipped to provide increasingly informed and reliable confirmation of compliance maturity and will also facilitate improved levels of assurance monitoring by group functions.

Interactions with South African regulators continue as a matter of course and are not expected to have a material effect on either the operations of the group or its sustainability.

Regular monitoring of developments in citizen empowerment, taxation and local employment regulations is undertaken by management through the foreign investment committee, utilising a localisation dashboard. The information is shared with the risk committee.

The compliance focus for 2023 will be on completing the digital integration of compliance assurance centres across the group and providing corporate functions with specialist subject-matter expertise to enhance their monitoring and assurance capacity.

Progress against 2022 compliance and ethics plan

- A Protection of Personal Information Act (POPIA) steering committee was appointed to oversee personal information protection projects
- POPIA champions were appointed for group IT and group human capital to identify and drive control enhancement
- General POPIA awareness training content was reviewed and amended
- The privacy policy was reviewed and approved by the SES committee and the board
- A PAIA manual was reviewed and published
- A security incident response procedure was developed and approved by the SES committee
- A combined simulation of regulatory, cyber and personal information security incidents was conducted
- One security incident involving access to personal information was recorded in 2022. The incident was classified as Moderate due to the limited amount of data accessed and the absence of negative financial impact to the group or any stakeholders. The incident was notified to the South African Information Regulator and affected parties

Ethical business conduct

An ethical culture is fundamental to driving long-term business value and stakeholder support which remains a priority the Board and executive committee.

The code of ethics provides clear guidance and procedures for the ethical conduct expected by all AECI employees, and applies equally to all. Outside interests must be declared on an annual basis. The group company secretary maintains a comprehensive register of directors' declarations of interests. This is submitted for updating by them before each board and committee meeting. Directors all duly completed and updated this register in 2022. All conflicts of interests were reported or recorded.

A centralised and automated declaration of outside interests, personal interests and conflicts involving outside financial interests was implemented and 50% of employees completed online declarations of outside interests.

Employees are also encouraged to declare any gifts that they may have accepted or given above a stated monetary value equivalent, further underpinning the ethos of doing business ethically.

In 2022 competition law training was provided to 760 high-risk employees and a localisation dashboard, explaining regulatory developments in citizen empowerment and local shareholding requirements, was updated.

Governance in support of growth continued

An anti-bribery and corruption policy was developed and approved by the SES committee and the board. The policy addresses bribery and corruption legislation and risk in all jurisdictions in which AECI operates, including the US Foreign Corrupt Practices Act.

A sanctions guidance and internal checklist were approved by the board. The guidance and checklist empower businesses to identify sanctions risk and to refer impacted transactions to the group compliance function for screening. All affected transactions require consideration by the AECI executive committee prior to execution.

OTHER KEY ACTIVITIES IN THE YEAR INCLUDED:

An invitation to tender for compliance software to automate regulatory compliance management was released by the group, candidates were shortlisted and a contract issued to cover operations in South Africa, Botswana, Namibia and Zimbabwe.

The regulatory universe for South African operations was updated

Fifteen scheduled workshops were conducted covering the majority of the compliance assurance centres in AECI Mining, AECI Water, some businesses in AECI Chemicals and AECI Property Services. The remaining workshops will be completed in 2023. They are designed to maintain regulatory risk profiles for the business in order to prioritise and direct future compliance efforts.

A central repository for the collection and maintenance of regulatory licences and permits was established and implementation is in progress.

A new compliance policy has been drafted. The draft policy and the compliance management framework were subjected to an independent gap analysis against the ISO 37 301 (compliance management systems) standard. Recommendations arising from the assessment will be incorporated into the final compliance policy prior to submission for approval to the board in 2023.

The group dawn raid policy was reviewed. Amendments to ensure that the policy remains responsive to the group's expanded international footprint were approved by the AECI executive committee.





King IV™ application statement

		Responsibilities	Current state	Actions to close gaps
<p>Principle 01 Leadership, ethics and corporate citizenship</p>	<p>The governing body (the board) should lead ethically and effectively</p>	<p>Members of the board should individually and collectively cultivate the following characteristics:</p> <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 	<p>No material improvement required</p>
<p>Principle 02 Organisational ethics</p>	<p>The board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture</p>	<p>The board should:</p> <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 	<p>A formal group compliance management policy, aligned to ISO 37301, will be implemented in 2023</p>



King IV™ application statement continued

		Responsibilities	Current state	Actions to close gaps
<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>



King IV™ application statement continued

		Responsibilities	Current state	Actions to close gaps
<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>



King IV™ application statement continued

		Responsibilities	Current state	Actions to close gaps
<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>



King IV™ application statement continued

		Responsibilities	Current state	Actions to close gaps
<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>



King IV™ application statement continued

		Responsibilities	Current state	Actions to close gaps
<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>



King IV™ application statement continued

		Responsibilities	Current state	Actions to close gaps
<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



King IV™ application statement continued

		Responsibilities	Current state	Actions to close gaps
<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>



King IV™ application statement continued

		Responsibilities	Current state	Actions to close gaps
<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>



Glossary of terms

AGM	Annual general meeting
B-BBEE	Broad-based Black Economic Empowerment, in South Africa
BCM	Business continuity management
BIGGER	AECI's values of being Bigger, Innovative, of Going Green and of being Engaged and Responsible
CA	Combined assurance
CAMC	CA management committee
CE	Chief executive
CEO	Chief executive officer
CFO	Chief financial officer
CIO	Chief information officer
ERM	Enterprise risk management framework
ESG	Environmental, social and governance
HEPS	Headline earnings per share
IFRS	International Financial Reporting Standards
IT	Information Technology
King IV™	South African corporate governance principles
KPIs	Key performance indicators
LTI	Long-term incentive
MOI	Memorandum of incorporation
NEDs	Non-executive directors
POPIA	Protection of Personal Information Act
STI	Short-term incentive



Corporate information

AECI Limited

(Incorporated in the Republic of South Africa)

(Registration No. 1924/002590/06)

Taxation reference No. 9000008608

Share code: AFE ISIN: ZAE000000220

Hybrid code: AFEP ISIN: ZAE000000238

Bond company code: AECI

LEI: 3789008641F1D3D90E85

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and

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5 Magwa Crescent
Waterfall City
Waterfall, 2090
South Africa

Primary transactional and funding banks

ABSA Bank Limited
First National Bank of Southern Africa Limited
(A division of FirstRand Bank Limited)
Investec Bank Limited
Nedbank Limited
Sanlam Specialised Finance
(A division of Sanlam Life Insurance Limited)
Standard Chartered Bank
The Standard Bank of South Africa Limited

South African equity and debt sponsor

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