REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

ONE AECI,

FOR A BETTER WORLD

AECI®

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

- **B**OLD
- **I**NNOVATIVE
- **G**OING **G**REEN
- Being **E**NGAGED
- Being **R**ESPONSIBLE

Leveraging momentum for sustainable growth

This remuneration 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:

2 ZERO HUNGER | 6 CLEAN WATER AND SANITATION | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 17 PARTNERSHIPS FOR THE GOALS

OUR SUITE OF ANNUAL REPORTS


RR
Remuneration report


IR
Integrated report


AFS
Annual financial statements


GR
Governance report, including King IV™ application statement


SR
Sustainability report and supporting documents


TTR
Tax transparency report


LA
Limited assurance statement on reported sustainability data


AGM
Notice of AGM and proxy form

These are available at www.aeciworld.com

Godfrey Gomwe
CHAIRMAN

From the **Committee Chairman**

Dear stakeholders

AECI is a 100-year organisation deeply rooted in its resilient past. As the external environment continues to shift and amid calls for organisational change, the group finds itself at an inflection point. Five years ago, AECI embarked on a change process that challenges established norms, traditions, and ways of doing business with the aim of driving change that will define its next 100 years.

The AECI board has been at the centre of the changes, with the most recent progress being the appointment of a new group CFO in 2022 and a new CE in 2023, both outsiders and newcomers to AECI.

2022 was the start of a new three-year period on the short-term incentive (STI) scheme. During the year the committee and management took the opportunity to review elements of AECI's incentive schemes. A key deliverable for 2022 was a review of the appropriateness of the STI and long-term incentive plan (LTI) performance hurdles, and aligning the desired outcomes to AECI's growth strategy.

The group's strong financial performance in 2022 reflects the results of management's resolute efforts in the implementation of the growth strategy across the group's businesses. Headline earnings per share (HEPS) increased by 15% to 1 287 cents. Other key financial metrics of shareholder value creation were also accretive, with EBITDA rising 16% to R3 570 million, net asset value (NAV) per share increasing by 6% to 11 027 cents, and full-year dividends of 817 cents per share, up 13%.

Shareholder engagement during 2022 highlighted continued concerns around a perceived over-reliance on HEPS in our incentive schemes. Preliminary work was conducted to review the appropriate financial metrics for both the group STI and the group LTI. As a result, the LTI metric now includes a mix of financial and non-financial measures, with a reduced HEPS weighting.

Following the release of AECI's sustainability report in early 2022 and the articulation of clear economic social and governance (ESG) goals, ESG metrics were introduced into the LTI. This change is expected to simplify and strengthen the link between executive pay and the achievement of AECI's stated ESG goals. Previously, ESG measures were under represented. The top down inclusion of an ESG metric allows for a rebalancing of the performance hurdles and weightings of the LTI, with the weighting of the HEPS hurdles being reduced. The weighting of the STI and LTI measures are reviewed on a regular basis and changes may be made by the committee where necessary.

In an effort to forge greater alignment between incentives and AECI's strategic goals as well as current market conditions, performance hurdles for the STI were reviewed. The group's growth strategy embraces key stretch objectives. Delivery on the specified objectives is deemed to be stretch, and the STI hurdles for the three-year cycle are positioned to reward such stretch performance.

The committee had robust discussions regarding AECI's gender and wage gaps. The discussions included the pending Companies Act Amendment Bill in South Africa and the level of disclosure that will be required. In line with the JSE Sustainability Disclosure Guidance, which includes gender and wage gap measurements, we are pleased to share the preliminary results in this report on page 6. Embedding diversity and inclusion in our remuneration policies and practices is a key focus for the committee, driven less by compliance imperatives than by our determination to embrace transformation.

The beginning of 2022 saw the finalisation of discussions and proposals relating to the introduction of malus and clawback clauses. We were pleased to approve the amendment to our LTI rules, which now include such a provision. This was subsequently approved by shareholders.

LTI outcomes

Due to a solid performance in 2019, with HEPS of 1 115 cents, management had the difficult task of exceeding a cumulative HEPS over a three-year period which beat CPI plus GDP. Unfortunately, in a tough post-Covid-19 economy, the cumulative HEPS and RONA did not reach the required levels. As such, and detailed in this report, the 2020 LTI award resulted in a zero vesting when it matured in April 2023.

While the zero vesting is disappointing, AECI is positioned to deliver robust returns through delivery of its growth strategy, which if achieved will accrue rewards in both the STIs and LTIs.

Composition of the committee

The committee's task is to determine the framework and policy on terms of engagement of the Company's Chairman, executive directors and members of the group executive committee. With regards to executives the committee is required to ensure that their remuneration (including entitlements under share incentive schemes and pension schemes) is aligned with stakeholder value creation relating to the strategy execution in the short, medium and long term.

The committee comprises four non-executive directors, all of whom, including the chairman, are independent. The committee meets four times a year and additional meetings are held when deemed necessary. Dates of meetings and details of attendance in 2022 are available online. The group CE, group CFO and the head of remuneration and reward attend meetings as invitees. No attendee may participate in, or be present at, any discussion or decision regarding their own remuneration. Members of the committee in the year were:

- G Gomwe (Chairman)
- KDK Mokhele
- R Ramashia (until 31 May 2022)
- AM Roets
- FFT De Buck (from 1 June 2022)

The responsibilities of the committee are in accordance with its board-approved terms of reference, which comply with King IV™. The board is satisfied that the committee's composition is appropriate with regard to its members' necessary balance of knowledge, skills and experience.

Ensuring and protecting value in 2022.

The committee:

- Approved remuneration packages for executives and senior managers
- Approved LTI allocations
- Reviewed and approved performance conditions for the 2022 LTI award
- Introduced an ESG measure for the LTI
- Reviewed non-executive directors' fees and remuneration, as recommended by the executive directors, and the formulation of a recommendation to shareholders for the approval of increases
- Addressed shareholder concerns in terms of the 2022 remuneration policy
- Reviewed and discussed internal remuneration analysis reports focused on wage and gender gaps
- Approved malus and clawback clauses in AECI incentive scheme rules
- Reviewed executive remuneration against benchmarks and market data
- Reviewed and approved the 2021 remuneration report
- Reviewed responses and activities related to the COVID-19 pandemic

We use independent remuneration experts as required to provide advice on remuneration and governance matters.

Shareholder engagement

We welcome ongoing shareholder engagement and appreciate the meetings we had with our shareholders in 2022. Voting at the 2021 AGM was reflective of shareholder sentiment on decisions made during the COVID-19 pandemic. Thus, we were pleased with the improvement in the voting outcomes in 2022 as remuneration practices returned to normal. We once again thank shareholders who shared their views during the 2022 AGM and at subsequent discussions.

We were further pleased with how the introduction of malus and clawback clauses was received as this had been an outcome of shareholder feedback in prior years. The revised LTI rules were approved at the May 2022 AGM.

Voting on remuneration policy and implementation at the AGM

Percentage vote (%)	For	Against	Abstain*
2022			
Ordinary resolution No. 7.1: Remuneration Policy	95.17	4.83	
Ordinary resolution No. 7.2: Implementation of Remuneration Policy	95.25	4.75	
Ordinary resolution No. 8: Approval of amended rules of 2012 long-term incentive plan	99.74	0.26	
2021			
Ordinary resolution No. 6.1: Remuneration Policy	89.30	10.70	0.01
Ordinary resolution No. 6.2: Implementation of Remuneration Policy	67.39	32.61	0.01

** Shares abstained as a percentage of the total issued share capital.*

SIGNIFICANT ISSUES RAISED IN BOARD ENGAGEMENTS WITH SHAREHOLDERS

Item	**Response**
Concern over an over-reliance on HEPS in the STI and LTI schemes	After due consideration, the weighting of HEPS in the LTI was reduced to 20% following the introduction of the ESG measure. It will be reviewed further during the course of 2023, together with the STI.
Additional financial metrics in STI scheme	In 2023 the committee will revisit the financial metrics with consideration being given to a cash or return metric whilst noting that a working capital metric is already included in the scheme at individual group business level.

Non-binding advisory vote

In terms of the Listings Requirements and the recommendations of King IV™, the remuneration policy and its implementation will be tabled for separate non-binding votes at the AGM of shareholders of the company scheduled for 30 May 2023.

In the event that either the policy or the implementation, or both, are voted against by 25% or more of the votes exercised, the committee commits to the following, within six months of voting:

- Those shareholders who voted against will be invited to engage with the committee regarding their concerns and the reasons that motivated their negative votes
- Individual or combined interactions will be scheduled to understand the concerns of those shareholders
- The committee will aggregate their responses and analyse them to determine where changes are necessary in the Policy or in its implementation

A shareholder communication pack will be prepared, highlighting the policy or implementation changes being undertaken as well as reasons and motivation for elements where the committee determines that no change is warranted

Shareholders will then be engaged regarding the changes that the committee will implement in response to the issues and concerns raised.

Outlook

Approaching the company's centenary, the committee will more actively embrace opportunities to modernise its remuneration policy and practices and to align more fully with global best practice on disclosure. We also anticipate that a new CE and group human capital executive will bring with them new perspectives on culture, succession planning and key matters; as a committee we look forward to engaging with such new perspectives. Indeed, our annual plan for the new year entails a large number of new priority areas.

In particular, 2023 will see a focus on incorporating a broader depth of human capital matters into our remuneration policy, including succession planning and talent mapping. A specific area for consideration will be how the creation of opportunities and international expansion can facilitate career progression for key talent. The broader strategic direction of the group will facilitate AECI's ability to attract critical new skills and a wider range of industry and scientific experience balanced against the commendable average tenure of service of employees. This is aligned to the committee's terms of reference, which were expanded in 2022 following the addition of human capital oversight to its remit and name.

When viewed holistically with remuneration data and wage gap statistics, the committee is appropriately placed to lead transformative discussions relating to living-wage benchmarks, gender representation and future growth within AECI.

The AECI Employee Share Trust reached its 10-year maturity but unfortunately did not achieve its objective and no share ownership benefits accrued to beneficiaries. A new and more progressive black ownership scheme, designed for success and value add will be introduced during 2023.

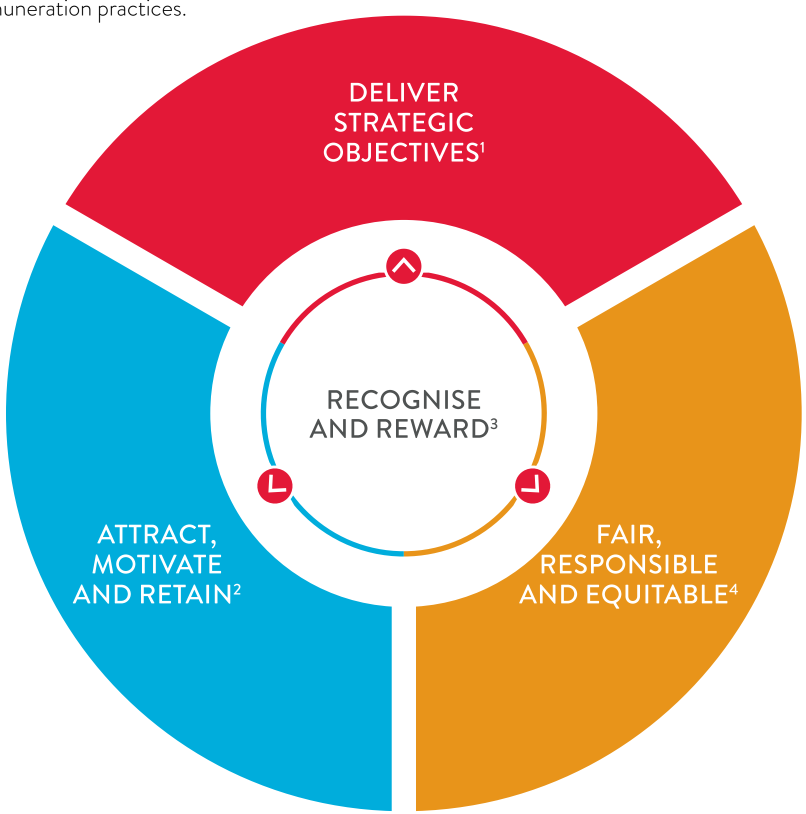
Godfrey Gomwe
Chairman

Remuneration and Human Capital Committee
26 April 2023

Remuneration **policy**

Principles

Our remuneration strategy and policy are key components of our people strategy, designed to enable the execution of business strategy. The primary goal of our remuneration strategy is to support the achievement of our strategic goals and purpose, where reward has a direct impact on operational excellence, long-term sustainability and the transformation of our group. The principles outlined below underpin the strategy. They are aligned with the group's BIGGER values and embed fair and responsible remuneration practices.



[1] Align remuneration to strategic objectives

[2] Attract, motivate and retain passionate, purpose-led top talent

[3] Recognise and reward exceptional performance

[4] Offer fair, responsible and equitable remuneration

Fair, responsible and equitable remuneration

The committee reviews an annual report on pay equity within the group and individual businesses. Specific action plans are agreed to address areas of particular concern.

The committee reviews pay ratios including the measures outlined in the draft Companies Amendment Bill in South Africa and other pay standards with the intention that AECI makes continuous improvement in addressing the wage gaps. A critical focus for 2023 will be setting a target for closing the identified wage gaps as well as setting a living-wage target for AECI's global operations.

WAGE GAP

We have elected to disclose our global wage gap for the year 2022, in line with the JSE Sustainability Disclosure Guidance.

	Value	Ratio to highest
Highest	R15 627 185	1
Upper quartile	R756 002	20
Average	R654 989	30
Median	R474 707	33
Lower quartile	R292 305	53
Lowest[1]	R126 296	123

[1] *This reflects the lowest salary (basic and benefits) in South Africa and future reports will include international operations in the lowest salary calculation. However all other figures include global information.*

Note:
The remuneration used in these figures includes variable remuneration including bonuses and other incentive schemes for the 2022 year.

Health and safety is paramount in all our activities

LIVING WAGE

Each year the committee reviews AECI's minimum salary and associated benefits relative to the minimum salary in each country of group operation and a deemed 'living wage' for South Africa. In 2022, AECI's minimum salary was compared to published living wage data from PwC and others to establish a peer benchmark base.

In all instances, as compared against a standard single individual household in South Africa, AECI's minimum salary was above a similar comparator. Future reports and comparisons will include assumptions related to family size and will be conducted against published international data from an approved, verified provider. A future focus will involve the inclusion of our international operations in the living wage gap scope.

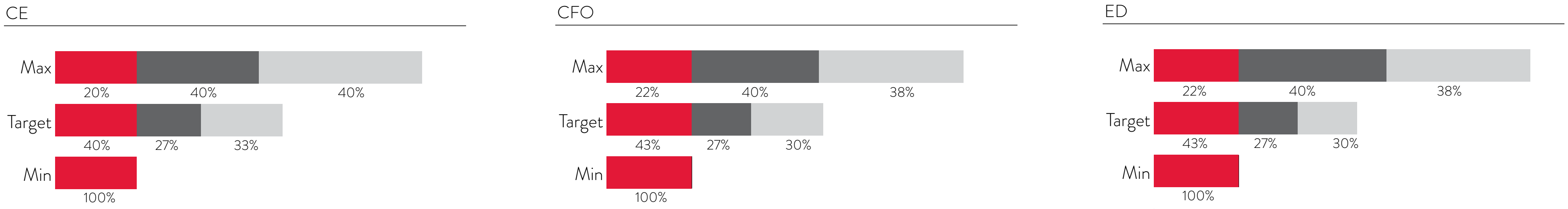
PwC report	Decent standard of living project	AECI minimum basic salary in South Africa for 2022
R7 448	R7 911	R8 389

GENDER GAP

Robust reviews of gender pay ratios have been undertaken and each year business- and country-specific reports are generated for local management to review and take action as required.

It is AECI's stated intention to close this gap over the next five years. The current gap indicates that, on average, males earn 6.6% more than females in AECI's global operations. This figure differs from our reported outcome in 2021, which was based exclusively on South African employees, whereas all our operations globally are included in the current review.

Executive directors' pay mix



A key principle of the remuneration mix is that performance-based pay should form the greater portion of the expected total remuneration of executives and senior managers.

Further, the outcome of variable pay must reward long-term sustainable performance (through long-term and/or share-based incentives) more than operational performance (through annual cash STIs). This is particularly relevant at executive level where the focus is on shareholder value creation and delivery of accelerated sustainable growth and returns.

The mix of fixed and variable pay is designed to meet AECI's operational needs and strategic objectives based on targets that are stretching, verifiable and relevant. Three remuneration scenarios are demonstrated above: remuneration at minimum performance, remuneration at on-target performance, and remuneration at maximum performance.

STI and LTI outcomes are subject to extensive review through two mechanisms:

Performance management review

Each employee participating in the incentive schemes is subject to the AECI performance management process which involves a bi-annual review of set KPIs linked predominantly to non-financial targets but may include additional financial metrics as appropriate.

Full-year performance and audited financial statements

The impact of the company's financial performance on incentive outcomes is subject to review by the Executive Committee and the Remuneration Committee. The audited financial results are utilised in the calculation.

Short-term incentive

DESCRIPTION AND PURPOSE

An annual cash incentive designed to reward the achievement of financial and individual KPIs, to drive behaviour and actions that will lead to the achievement of strategic objectives; in particular, the current focus is on alignment to the AECI growth strategy.

FINANCIAL PERFORMANCE

The weighting between the financial and individual performance elements is on a sliding scale, with the financial element carrying greater weight the more senior an employee is in the organisation.

The financial element is determined by measuring actual financial performance against predetermined hurdles. HEPS and EBIT growth against the prior year's performance are set at a series of performance hurdles as outlined in the table on page 8.

The hurdles target growth in relation to CPI plus GDP plus a set percentage against a base year performance and as per the tables noted to page 8.

A working capital improvement target is set each year, where delivery of the target and outperformance results in an upliftment in STI – and failure to meet the target results in a penalty and reduction in bonus. In addition, the STI has a built-in check on economic value added (EVA) to ensure that the potential bonus pool is not more the 25% of the business's EVA.

Short-term incentive continued

PERFORMANCE METRICS

Every three years, the committee sets the base HEPS which will be applicable for the next three-year 'crawling peg' cycle. This ensures that the scheme is not influenced by annual 'lowballed budgets' while allowing the committee to set the base target every three years. The base HEPS is normally the reported HEPS from the prior financial year, but may be adjusted due to factors such as corporate activity or accounting standard changes.

Base year 1 – Approved by the committee

Base year 2 – Year 1 base plus GDP plus CPI plus 1% (i.e. 1% above real growth)

Base year 3 – Year 2 base plus GDP plus CPI plus 1% (i.e. 1% above real growth)

The 2022 to 2024 cycle saw a comprehensive review of the scheme including the performance hurdles. The rationale for the changes was to align the STI model to AECI's strategic objectives and to key up delivery of out-performance in the current tough global market conditions where there is a reduced growth expectation in South Africa and lower than anticipated international growth. In addition, the change allowed management and the committee to remove the soft entry into the scheme at less than inflationary growth. This counterbalance of removing the easier entry into the scheme was offset by the rationalised performance hurdles where delivery of real growth in a challenging economy would be rewarded.

The table below summarises the changes made for 2022. The AECI strategic growth goals require achievement of the top hurdle each year from 2022 over the next three years.

Change	Prior cycle	New cycle
Entry into the scheme	**90% of base HEPS**	**Base HEPS**
First hurdle	**CPI + GDP + 1%**	**CPI + GDP + 1%**
Second hurdle	**CPI + GDP + 9%**	**CPI + GDP + 3%**
Third hurdle	**CPI + GDP + 27%**	**CPI + GDP + 5%**
Fourth hurdle	**CPI + GDP + 45%**	**CPI + GDP + 7%**
Fifth hurdle (max)	**CPI + GDP + 45%**	**CPI + GDP + 9%**

The maximum STI was uplifted to 200% for the CE as part of alignment to best practice as well as differentiating senior management outperformance. The Executive Committee maximum STI was amended to 175% on a similar rationale.

Change	Prior cycle	New cycle
Max STI – CE	**150%**	**200%**
Max STI – Exco	**150%**	**175%**

These changes resulted in a quantum of earnings as expressed in the table below:

Hurdle	Growth	Outcome for CE (% of GP)	Outcome for Executive Committee (% of GP)
Entry into the scheme	Base HEPS	**KPI only**	**KPI only**
First hurdle	CPI + GDP + 1%	**40%**	**35%**
Second hurdle	CPI + GDP + 3%	**70%**	**65%**
Third hurdle	CPI + GDP + 5%	**100%**	**95%**
Fourth hurdle	CPI + GDP + 7%	**150%**	**140%**
Fifth hurdle (max)	CPI + GDP + 9%	**200%**	**175%**

INDIVIDUAL PERFORMANCE

This element is measured on the achievement of personal targets and is not dependent on the financial performance of the company/group business.

Individual KPIs typically include aspects such as:

- Safety and health performance – measured against fatal accidents and the Total Recordable Incident Rate (TRIR) on a linear scale (Workplace safety is an STI hurdle such that a single fatality translates into zero achievement for that KPI)
- Cash flow management – measured on improved working capital management and capital spending
- B-BBEE and employment equity – measured against specific acquisition, retention, development and governance targets for businesses in South Africa
- Governance and integrity of financial reporting
- Implementation of strategic projects – measured against specific project deliverables agreed to with the board
- ESG – delivery of key ESG goals and objectives
- Innovation and digital transformation

OUTCOMES

MAXIMUM BONUS PERCENTAGES

All STI payments are capped at 200% for the CE, 175% for Executive Committee members and 150% for senior management.

In exceptional cases, the committee has the authority to extend the bonus cap to 250% of guaranteed package (GP). This will only occur if there has been exceptional growth in profits and if the EVA and TP-sharing targets have been met by the group or by the business concerned. This scenario has not occurred in the past 10 years.

Long-term incentive

PURPOSE AND DESCRIPTION

The purpose of the LTI is to attract, retain, motivate and reward executives and senior managers who can influence the performance of AECI and its businesses so that their interests are aligned with those of stakeholders and AECI's vision and strategic objectives.

As annual awards are made, each award requires the resetting of the performance criteria. It is only with continued and sustained outperformance by the company that significant reward accrues to participants.

In conjunction with the review of the STI scheme, an additional measure for the LTI scheme was considered for the 2022 award. An ESG element is part of AECI's stated strategic goals, and was articulated in the sustainability report published in 2022. As such, an ESG metric has been added to the performance metrics for the 2022 award.

During shareholder discussions, concerns were raised about an over-reliance on HEPS as the metric occurs in both the STI and LTI scheme. While only top management has HEPS in the metrics for both schemes, a reduction in the weighting of HEPS was considered appropriate for the LTI.

The table below outlines the changes:

Change	Prior scheme	New scheme
RONA weighting	30%	25%
HEPS weighting	40%	20%
TSR weighting	30%	30%
ESG weighting	–	25%
Total	100%	100%

Award date: April of each year

VESTING

The award vests on the third anniversary, to the extent that the company has met specified performance criteria in the intervening period.

The value per share that vests is the full value of the share (there is no strike price) but the number of shares to vest depends on the company's performance over the intervening three-year period.

PERFORMANCE CONDITIONS FOR PERFORMANCE SHARES (PS)

Three-year performance criteria (refer to page 10 for more detail on the ESG targets)

		VESTING RANGE – PERCENTAGE OF SHARES AWARDED WHICH VEST				
Metric	Weight	0% Rank	50% Rank	100% Rank	150% Rank	200% Rank
TSR	30%	15 to 9	8	6	4	1 to 2
RONA	25%	Below 15%	15%	17%	18.5%	20% or more
HEPS	20%	less than CPI	CPI + GDP	CPI + GDP +2%	CPI + GDP +3.5%	CPI + GDP +5% or more
ESG	25%	Deterioration from 2021	As the per targets	As the per targets	As the per targets	Delivery of 2025 goals one year earlier

Cumulative performance against the RONA and HEPS conditions will be determined through linear interpolation of the result between the designated milestones.

TOTAL SHAREHOLDER RETURNS (TSR)

AECI's relative ranking against a peer group of 16 companies, where performance is below the median results in a zero vesting.

Excluding AECI, the other companies in the peer group are:

Astral Foods	KAP Industrial Holdings	RCL Foods
Aveng	Nampak	Reunert
AVI	Northam Platinum	Sappi
Barloworld	Omnia Holdings	Super Group
Grindrod	PPC	Tongaat Hulett

In the event of a peer in the peer group delisting, a pre-selected reserve list applies. The first company in the relevant industry sector on this list will be included in the peer group and a pro-rated TSR position will be calculated for the whole period, factoring in the performance of both the old and new peer groups.

RETURN ON NET ASSETS (RONA)

As approved by the committee, the RONA target may exclude unusual corporate transactions to ensure that financially sound business decisions continue to be made; in the interest of aligning executive reward with long-term shareholder value creation. Thus, management will continue to maintain a long-term financial view on the company's growth and performance even while continuing to ensure that an adequate measure on return is in place in the LTI.

HEPS GROWTH

The final CPI figure used in these calculations is linked to the same methodology used to translate foreign income into Rand terms and on the same proportional basis.

Furthermore, the HEPS target and base will be adjusted for major corporate transactions which may hyper-inflate or moderate otherwise good performances.

Long-term incentive continued

ESG

Five ESG targets communicated in AECI's 2021 sustainability report for the prior year formed the basis of the ESG measure for the 2022 LTI award. The measures are assessed quarterly and the final outcome will be reviewed by the Deloitte Sustainability Team for verification of outcomes in 2024.

Subsequent LTI awards will feature revised ESG objectives as progress is made each year.

LTI – Key Performance Indicator	Weighting	FY2025 target	Minimum 0%	Stretch 200%
Decrease discharge to sea or sewer	20%	20% reduction from baseline	16% reduction from baseline	20% reduction from baseline (one year earlier than 2025)
Decrease Scope 1 and Scope 2 emissions	20%	20% reduction from baseline	16% reduction from baseline	20% reduction from baseline (one year earlier than 2025)
Increase electricity from renewables	20%	8% of electricity baseline	1% of electricity baseline	8% of electricity baseline
Decrease potable water consumption	20%	25% reduction from baseline	19% reduction from baseline	25% reduction from baseline
Gender equality: senior, middle and junior management levels	20%	40%	30%	40% (2025 target achieved one year earlier)

Baseline is defined as the achievement reached in 2021.

OUTCOMES

The table below outlines the percentage of GP payable at each hurdle:

% of GP	Minimum (below threshold)	Threshold	Target	Maximum
CE	–	50%	100%	200%
Group CFO and ED†	–	40%	85%	170%
Other Exco members	–	35%	70%	140%

† *Executive director: Mark Kathan*

Malus and clawback

All STI awards are subject to an existing malus and clawback mechanism with a 36-month period during which clawback can occur.

Malus and clawback provisions also apply to the LTI. The LTI includes a clause relating to malus to which all unvested LTI awards will be subject. The malus clause specifically refers to the following types of events:

- Material misstatement of financial results
- Misconduct, fraud and dishonesty
- Material breach of obligations towards the company
- Material failure of risk management

Where an investigation reveals that a current or former employee has unduly benefited from decisions or actions which have caused, or will cause, financial or reputational damage, and the application of the malus or clawback clauses is not possible or feasible, the company will undertake legal action under the terms of unjustified enrichment, including a breach of a director's fiduciary duties in the case of directors. As appropriate, each recourse may be utilised in parallel or in conjunction with the other.

Executive directors' contracts

No executive director has extended employment contracts or special termination benefits. All have 12-month restraints of trade in place. Their service contracts and those of other executives are in accordance with AECI's standard terms and conditions of employment and their notice period is six months.

In principle, AECI does not offer sign-on bonuses but, in instances where a sign-on bonus is paid, the contract will stipulate that the employee must remain employed by the group for a period of between one and three years depending on the quantum of the sign-on bonus. The sign-on bonus is paid in instalments over the retention period and all payments are subject to clawback conditions.

It is not AECI's policy to offer balloon payments on termination of service. An employee, even at executive level, who resigns from the group forfeits all LTI awards and will not receive any further outstanding STI payments. Where an employee's service is terminated through the sale of a business or no-fault retrenchment, the terms of that termination are negotiated and may include either the early vesting of LTI awards or the continued vesting of existing LTI awards. STI payments may be included if termination occurs in the last quarter of the financial year or in the first quarter of the next financial year.

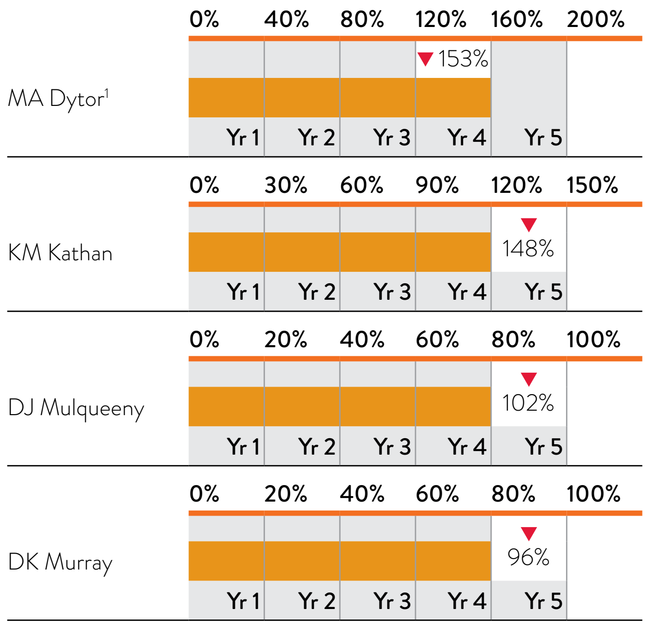
The executive directors' contracts do not have any specific conditions or clauses relating to termination payments or retention agreements in relation to a change in control of the company. In terms of the LTI, there are no provisions governing the lapsing or acceleration of previously awarded shares. In the event of a change of control, shareholders will be advised and management engaged on the outcome.

Minimum shareholding requirement (MSR)

A minimum shareholding guideline was adopted in 2018 and provided executives with a five-year timeframe in which to accumulate shares up to the required level. Accordingly, the first measurement will be at 31 December 2023.

Those executives whose AECI LTIP awards have vested have held the net proceeds of those awards since 2019. As at the end of December 2022, using a share price of R87.75 the following executives were on track to achieve the MSR requirement.

Using projected vesting percentages of 100% on in-flight LTIs, the individuals are projected to reach the minimum shareholding levels in the required time.



[1] *Retired with effect from 31 January 2023*

Key

MSR requirement based on time elapsed

MSR achieved at year end 31 Dec 2023

For those executives who entered the scheme in 2022 and have not as yet had a vesting of the AECI LTI award, their status is deemed to be on track based on the assumption of 100% vesting for the in-flight awards.

Non-executive directors' fees and remuneration

Non-executive directors do not have service contracts, do not participate in any of the company's STI or LTI schemes and no shares are granted to them. In 2022, these directors received a fixed fee for their contribution, comprising a base retainer fee and, where applicable, committee membership fees. Meeting attendance fees are paid at a fixed value per meeting.

In addition, the company pays for all travel and accommodation expenses incurred by non-executive directors to attend board and committee meetings and visits to company businesses.

Non-executive directors' fees are arrived at following an annual independent benchmarking exercise commissioned by management. After the board's review of the proposal, fees are tabled for approval by shareholders at the AGM. In arriving at proposed fees, cognisance is taken of market norms and practices.

Details of the emoluments paid to non-executive directors in 2022 are disclosed on page 17 of this report and the proposed fees are disclosed in the notice of the AGM to be held on 30 May 2023.

Implementation

Guaranteed package (GP)

2022 saw an increase in market salaries as employers sought to offer increases post the COVID-19 pandemic and the flattened increases that resulted. AECI had offered employees an average 4% increase each year during the pandemic.

Globally, many countries in which AECI operates saw an uptick in inflation and several countries saw hyper-inflationary rates in 2022. Despite this, employers projected lower-than-inflation increases.

AECI approved an average increase of 6% for employees in South Africa and 1%-below-inflation increases for those in international operations.

At bargaining-unit level in South Africa, a 6% increase was approved in the Industrial Chemicals Sector wage negotiations and a 7.35% increase was approved by the Bargaining Council for the Civil Engineering Industry. These increases were passed to all bargaining-unit employees.

As part of the ongoing remuneration review for employees at lower levels, the company budgets for, and awards, *ad hoc* increases in instances where employees are below the designated minimum.

Short-term incentive

2022 saw the start of a new three-year cycle and a review of the performance hurdles in order to align them to AECI's growth, strategy and vision.

Each year in the cycle, HEPS and TP performance must not only exceed the entry level of the prior year's performance hurdle, but must also perform against the hurdles for the current year. In addition, a working capital target is set for each operating business and, if that target is not achieved, a penalty will be applied. Finally a check on economic value add soundness is conducted to ensure that the payable STI is not excessive relative to EBIT and thus destroying value add to the business.

In line with remuneration policy, the remuneration committee has a discretion to make adjustments on a case-by-case basis. During the current year the committee exercised this discretion and adjustments were made to take cognisance of the negative EPS growth.

Overall AECI delivered a HEPS of 1 287 cents for 2022, which represented 15.32% growth year on year and 6.19% real growth.

	New cycle hurdle	Outcome CE (% GP)	Outcome Exco (% GP)
Entry into the scheme	Base HEPS	KPI only	KPI only
First Hurdle	CPI + GDP + 1%	40%	35%
Second Hurdle	CPI + GDP + 3%	70%	65%
Third Hurdle	CPI + GDP + 5%	100%	95%
Fourth Hurdle	CPI + GDP + 7%	150%	140%
Fifth Hurdle (Max)	CPI + GDP + 9%	200%	175%

The table below outlines the respective outcomes for the group CE, group CFO and ED:

Name	STI	% GP
MA Dytor	7 263	91
A Takoordeen	7 377	118
M Kathan	5 930	95

The individual key performance indicators for the executive committee members focused on the areas indicated in the table below. The table also outlines the levels of achievement in those areas.

Strategic area	KPI	Performance
Safety	Reduction in TRIR	Achieved
Transformation	B-BBEE rating Delivery of internal targets	Achieved
Culture and Leadership	AECI Value unlock	Partially achieved
ESG	Delivery against 2025 ESG target milestone	Achieved
Financial	Improvement in EVA Management of debt and loans Improvement in RONA Cash flow management	Partially achieved
Innovation	Delivery of growth projects	Achieved
Strategy	Execution of Business Strategy	Partially achieved

Long-term incentive

The 2020 LTI award was the third to vest, which was inclusive of HEPS, RONA and TSR metrics.

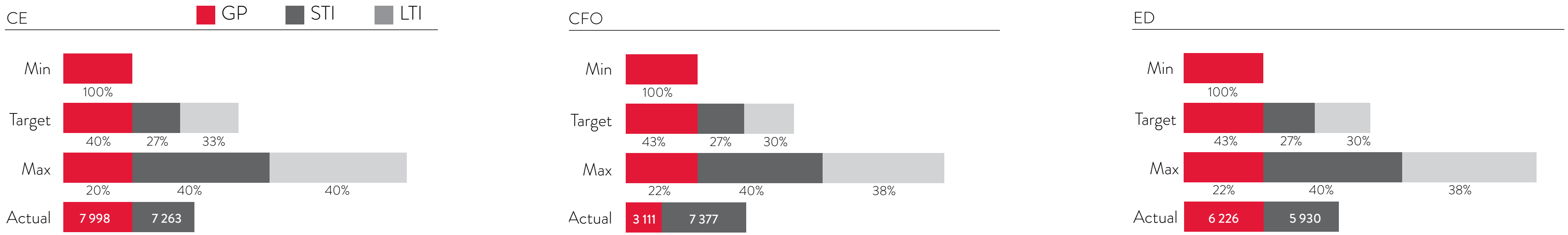
Due to a solid performance in 2019, with HEPS of 1 115 cents, management aimed to exceed the cumulative HEPS over a three-year period, which had to beat CPI plus GDP. However, the post-Covid-19 economy made it difficult to achieve the required levels, and HEPS of 1 287 cents in 2022 did not meet the cumulative threshold required over the three years. This led to a 0% vesting for this performance condition.

Similarly, the three-year weighted average RONA fell short of the required hurdle also resulted in 0% vesting.

The TSR performance relative to designated peers narrowly missed the required level for vesting. As a result, AECI achieved tenth position in a peer group of 16 companies, resulting in 0% vesting of that performance condition.

Therefore, the overall vesting outcome was zero.

When the scheme reaches vesting date on 14 April 2023, the reserve will be transferred directly to retained earnings.



Executive remuneration outcomes

The outcomes of this decision are illustrated in the graphics below and the single figure tables on page 14. The outcomes reflect a lower total remuneration year on year due to the zero vesting of the 2020 LTI for Mr. Dytor. Ms. Takoordeen's figure reflects part-year remuneration, from 20 May 2022.

In addition, Ms. Takoordeen did not have a vesting LTI for 2022.

2022 LTI award

The performance conditions for the awards have a base in the reported RONA and the HEPS for 2021, a TSR starting 1 January 2022 and ESG base-lines as outlined on page 10. The 2022 LTI award was based on a five-day volume-weighted average price (VWAP) in April 2022 and, subject to performance, will vest after three years, in April 2025.

The details of the awards were reviewed and approved by the committee in February 2022.

	Number of PS	Market value[1] (R thousands)	% of total GP at award
MA Dytor	69 294	7 941	100
A Takoordeen	46 294	5 305	85
KM Kathan	46 161	5 290	85
DJ Mulqueeny	27 112	3 107	70
DK Murray	27 112	3 107	70
C Singh	22 682	2 599	70

[1] *Five day vwap of R 114.60.*

Single figure

Details of the basic salary and GP (basic salary plus benefits) paid to executive directors and prescribed officers are set out in the tables that follow, with the face value of the vested incentive schemes included. The relevant table of unvested awards for each individual is also included.

R thousands	2022	2021	%
MA DYTOR[1]			
Basic salary	**6 636**	6 380	4.00
Benefits	**1 345**	1 303	3.17
STI	**7 263**	1 994	264.24
LTI			
Performance shares (Vested)[2]	–	5 795	–
Earnings growth units (Vested)[3]	–	359	–
Other[4]	**384**	361	6.52
Total	**15 628**	16 192	-5.37

[1] *Retired effective 31 January 2023. Termination payments will be disclosed in 2023 report*
[2] *LTI vested at 78% in 2021, and 0% for 2022. Values amended to 2021 actual vesting*
[3] *EGUs are a legacy LTI scheme which will expire in June 2023*
[4] *Other: comprises sale of annual leave, club fees and use of motor vehicle*

R thousands	2022	2021	%
KM KATHAN			
Basic salary	**5 069**	4 874	4.00
Benefits	**1 157**	1 122	3.12
STI	**5 930**	1 523	289.43
LTI			
Performance shares (Vested)[1]	–	3 990	–
Earnings growth units (Vested)[2]	–	320	–
Other[3]	**11**	192	-94.28
Total	**12 167**	12 021	1.21

[1] *LTI vested at 78% in 2021, and 0% for 2022*
[2] *EGUs are a legacy LTI scheme which will expire in June 2023*
[3] *Other: comprises club fees and use of holiday accommodation*

R thousands	2022	2021	%
DK MURRAY			
Basic salary	**3 419**	3 287	4.00
Benefits	**1 027**	993	3.43
STI	**4 970**	978	408.14
LTI			
Performance shares (Vested)[1]	–	2 328	
Earnings growth units (Vested)[2]	–	177	
Other[3]	**25**	25	1.79
Total	**9 441**	7 788	19.24

[1] *LTI vested at 78% in 2021, and 0% for 2022*
[2] *EGUs are a legacy LTI scheme which will expire in June 2023*
[3] *Other: comprises club fees*

R thousands	2022	2021	%
A TAKOORDEEN			
Basic salary	**3 111**		–
Benefits	**724**		–
STI	**7 377**		–
LTI[1]			–
Performance shares (Vested)			–
Other[2]	**2 200**		–
Total	**13 413**		–

[1] *LTI – no LTIs vested for Ms. Takoordeen*
[2] *Other: comprises sign on bonus*

R thousands	2022	2021	%
DJ MULQUEENY			
Basic salary	**3 490**	3 356	4.00
Benefits	**951**	922	3.04
STI	**5 057**	1 007	402.21
LTI			
Performance shares (Vested)[1]	–	2 358	
Other[2]	**150**	148	1.82
Total	**9 647**	7 791	21.78

[1] *LTI vested at 78% in 2021, and 0% for 2022*
[2] *Other: comprises sales of leave, club fees and use of holiday accommodation*

R thousands	2022	2021	%
C SINGH			
Basic salary	**2 917**	960	203.58
Benefits	**796**	260	206.15
STI	**4 230**	189	2 138.10
LTI[1]			
Performance shares (Vested)	–	–	
Other	–	–	
Total	**7 945**	1 409	463.73

[1] *LTI – no LTIs vested for Ms. Singh*

Unvested LTI tables

MA DYTOR

			NUMBER OF OUTSTANDING AWARDS		VALUE OF OUTSTANDING AWARDS			
Instrument	Grant date	Vesting date	Opening balance	Closing balance	Value at vesting date	Effect of performance	Settled in year	Value at year end
EGU	2016	2021	86 199	86 199	359	(8)	–	351

			NUMBER OF OUTSTANDING AWARDS			VALUE OF OUTSTANDING AWARDS				
Instrument	Grant date	Vesting date	Opening balance	Settled in the year	Closing balance	Value at award date	Effect of share price	Effect of performance	Settled in year	Value at year end
PS	2019	2022	70 494	70 494	–	6 779	622	(1 606)	5 795	–
PS	2020	2023	120 924	–	120 924	8 921	1 621	(10 542)	–	–
PS	2021	2024	78 636	–	78 636	7 570	(819)	–	–	6 751
PS	2022	2025	69 294	–	69 294	7 941	(1 992)	–	–	5 949

A TAKOORDEEN

			NUMBER OF OUTSTANDING AWARDS			VALUE OF OUTSTANDING AWARDS				
Instrument	Grant date	Vesting date	Opening balance	Settled in the year	Closing balance	Value at award date	Effect of share price	Effect of performance	Settled in year	Value at year end
PS	2022	2025	46 294	–	46 294	5 305	(1 331)	–	–	3 974

KM KATHAN

			NUMBER OF OUTSTANDING AWARDS		VALUE OF OUTSTANDING AWARDS			
Instrument	Grant date	Vesting date	Opening balance	Closing balance	Value at vesting date	Effect of performance	Settled in year	Value at year end
EGU	2015	2020	116 850	–	591	(62)	529	–
EGU	2016	2021	153 849	153 849	644	(85)		558

			NUMBER OF OUTSTANDING AWARDS			VALUE OF OUTSTANDING AWARDS				
Instrument	Grant date	Vesting date	Opening balance	Settled in the year	Closing balance	Value at award date	Effect of share price	Effect of performance	Settled in year	Value at year end
PS	2019	2022	48 531	48 531		4 667	428	(1 106)	3 990	–
PS	2020	2023	80 152		80 152	5 913	968	(6 881)	–	–
PS	2021	2024	52 388		52 388	5 043	(545)	–		4 498
PS	2022	2025	46 161		46 161	5 290	(1 327)	–		3 963

Unvested LTI tables continued

DJ MULQUEENY

Instrument	Grant date	Vesting date	NUMBER OF OUTSTANDING AWARDS Opening balance	Closing balance	VALUE OF OUTSTANDING AWARDS Value at vesting date	Effect of performance	Settled in year	Value at year end
EGU	2016	2021	125 539	125 539	478	(23)	–	456

Instrument	Grant date	Vesting date	NUMBER OF OUTSTANDING AWARDS Opening balance	Settled in the year	Closing balance	VALUE OF OUTSTANDING AWARDS Value at award date	Effect of share price	Effect of performance	Settled in year	Value at year end
PS	2019	2022	28 683	28 683		2 758	253	(3 011)	2 358	–
PS	2020	2023	39 323	–	39 323	2 901	475	(3 376)	–	–
PS	2021	2024	30 782		30 782	2 963	(320)	–		2 643
PS	2022	2025	27 112		27 112	3 107	(779)	–		2 328

DK MURRAY

Instrument	Grant date	Vesting date	NUMBER OF OUTSTANDING AWARDS Opening balance	Settled in the year	Closing balance	VALUE OF OUTSTANDING AWARDS Value at award date	Effect of share price	Effect of performance	Settled in year	Value at year end
PS	2019	2022	28 313	28 313		2 723	250	(645)	2 328	–
PS	2020	2023	38 865	–	38 865	2 867	469	(3 337)	–	–
PS	2021	2024	30 745		30 745	2 960	(320)	–		2 639
PS	2022	2025	27 112		27 112	3 107	(779)	–		2 328

C SINGH

Instrument	Grant date	Vesting date	NUMBER OF OUTSTANDING AWARDS Opening balance	Closing balance	VALUE OF OUTSTANDING AWARDS Value at award date	Effect of share price	Settled in year	Value at year end
PS	2022	2025	22 682	22 682	2 599	(652)	–	1 947

Non-executive directors' **fees and remuneration**

At the AGM scheduled for 30 May 2023, shareholders will be asked to pass special resolutions, to take effect from that date, approving the proposed changes in non-executive directors' fees by an average of 6.2% with two fees receiving an increase and all other fees remaining static year on year (in line with the increases awarded to the executive directors) as set out in the notice of AGM for 2023.

Details of fees paid to the non-executive directors in 2022 is reflected in the table below.

Non-executive directors' remuneration

R thousands	Directors' fees	Chairman/ Committee fee	Attendance fees	2022	2021
KDK Mokhele	1 520	452	435	2 407	2 148
SA Dawson	646	638	711	1 995	1 098
FFT De Buck	293	368	374	1 035	918
WH Dissinger	646	639	782	2 067	1 076
G Gomwe	293	514	511	1 318	1 275
P Mishic O'Brien	646	446	681	1 773	546
ST Coetzer (appointed on 1 July 2022)[1]	327	180	481	988	–
R Ramashia (retired on 31 May 2022)	120	164	137	421	1 016
AM Roets	293	286	385	964	879
PG Sibiya	293	464	398	1 155	1 096
	5 077	4 151	4 895	14 123	10 052

[1] *ST Coetzer was appointed to the Board as a Non-executive Director with effect from 1 July 2022 and as Interim Chief Executive on 1 February 2023. He will continue in this position until 30 April 2023. On 1 May 2023, he will return to his duties as a Non-executive Director.*

Glossary **of terms**

CPI	Consumer price index
EBIT	Earnings before interest and tax
EGU	Earnings-growth units. A cash-settled scheme which tracks growth in HEPS
ESG	Environmental, social and governance
EVA	Economic value added
GDP	Gross domestic product
GP	Guaranteed package. Basic salary, fixed cash allowances and company contributions to benefit schemes
HEPS	Headline earnings per share
LTI	Long-term incentive. Company scheme referred to as the AECI LTI or the LTI
Median/ 50th percentile	The value at the midpoint of a frequency distribution where there is an equal probability of falling above or below
On-target	Targeted earnings at the median or the 50th percentile
PS	Performance share awards. AECI ordinary share award which tracks company performance; equity-settled
RONA	Return on net assets
STI	Short-term incentive
Total remuneration package	Basic salary, fixed cash allowances, company contributions to benefit schemes, variable pay (STI, LTI)
TP	Trading profit
TSR	Total shareholder returns
VWAP	Volume-weighted average price

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