SUSTAINABILITY-LINKED FINANCING FRAMEWORK

ONE AECI,
FOR A BETTER WORLD

AECI®

good chemistry

1. Sustainability-linked Financing Framework
Purpose statement

This document outlines the sustainability-linked financing framework (framework or SLFF) under which AECI Limited (AECI or group) intends to issue/raise repeated programmatic sustainability-linked instruments such as sustainability-linked bonds (SLBs) and/or sustainability-linked loans (SLLs).

This framework is aligned to international best practices and guidance published by the International Capital Market Association (ICMA), the Loan Market Association (LMA), the Loan Syndications and Trading Association (LSTA) and the Asia Pacific Loan Market Association (APLMA), including:

- Sustainability-linked bond principles (SLBP) 2023; and
- Sustainability-linked loan principles (SLLP) 2023.

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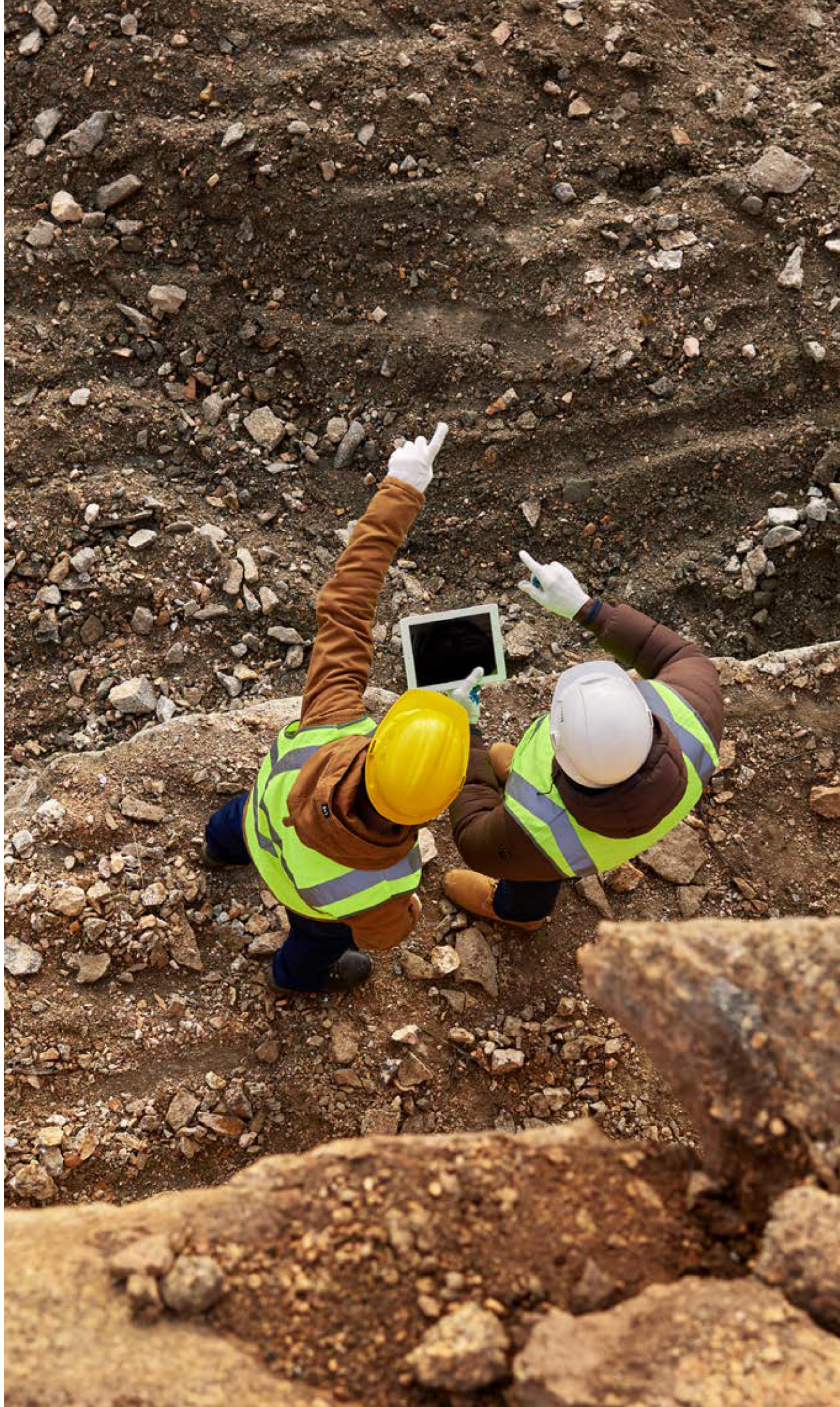


2. About AECI

AECI is a diversified chemicals solutions company that is committed to delivering sustainable solutions for a better world through focus on innovation and commitment to excellence.

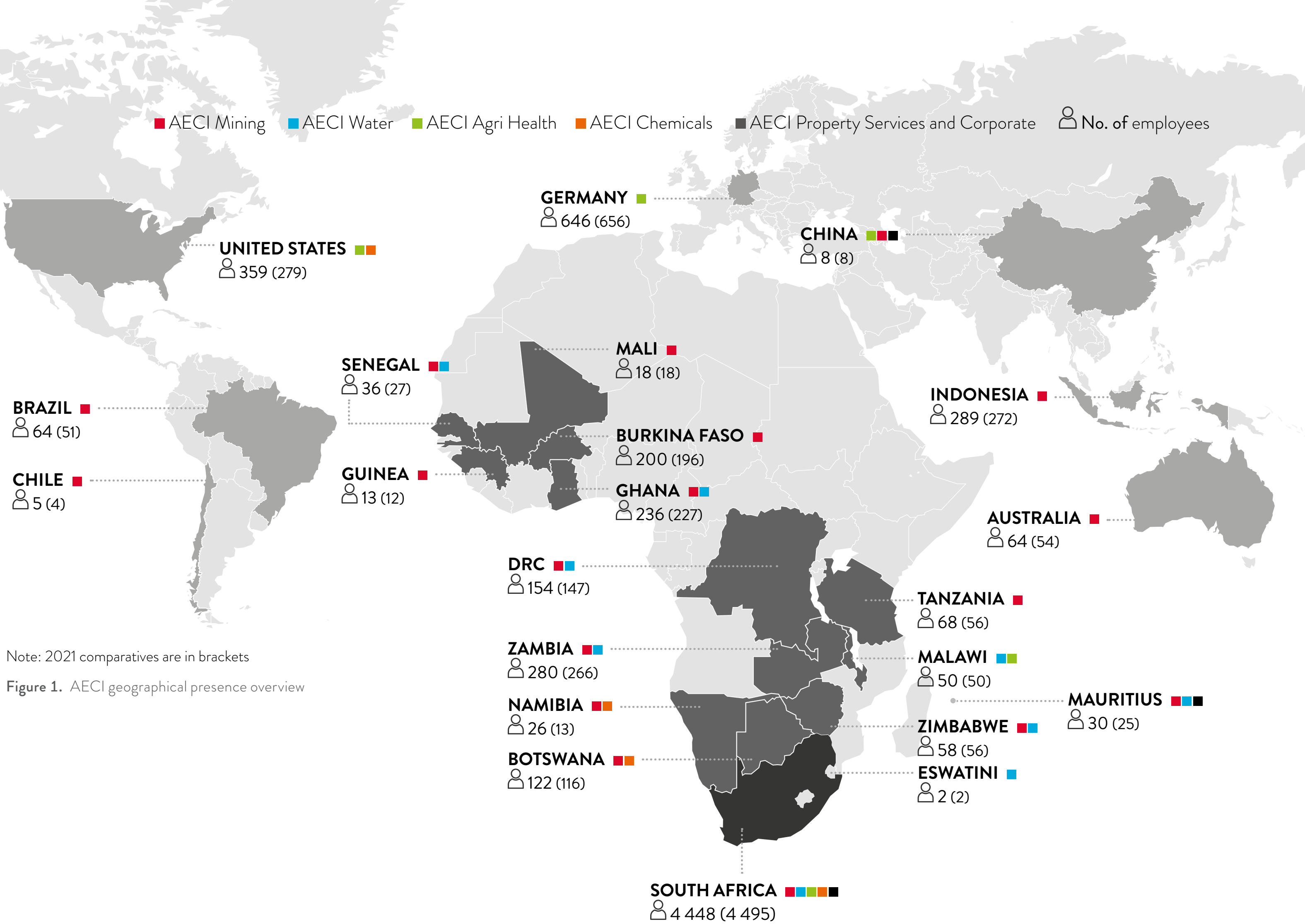
With a rich history spanning over a century, operations have expanded globally, and the group now operates in more than 100 locations across 22 countries, with headquarters based in South Africa.

AECI offers a diverse range of products and services that cater to a wide range of customers in various industries, including mining, water treatment, agriculture health and chemicals.

Revenue by geography

■ South African Customs Union*	60%
■ The rest of the African continent	21%
■ The rest of the world	19%

*Comprises South Africa, Botswana, Eswatini, Lesotho and Namibia



Note: 2021 comparatives are in brackets

Figure 1. AECI geographical presence overview

Our products and services

- Mining explosives, detonators, blasting services
- Collectors, frothers, depressants for mineral extraction and tailings treatment
- Emulsifiers for explosives manufacture
- Water treatment chemicals, technology, equipment and plant
- Bulk chemicals
- Blended chemical products
- Asphalt and bitumen for road construction
- Nylon and polyester fibres and threads
- Ingredients and commodities to the dairy, beverage, wine, bakery, health and nutrition industries
- Vitamin and mineral animal feed premixes
- Crop protection products and plant nutrients
- Property leasing and provision of utilities

Our customer sectors

- Mining
- The public, industrial and mining water sectors
- Industrials and manufacturing
- Road infrastructure
- Food and beverage
- Agriculture
- Tenants and utilities users

AECI® MINING

AECI MINING provides a mine-to-mineral solution for customers on a global scale.

The offering includes commercial explosives, initiating systems, blasting services and surfactants for explosives manufacture as well as chemicals for ore beneficiation and tailings treatment.

ASPIRATION: to become a recognised global mining explosives and ore-treatment solutions provider.

CUSTOMERS: the global mining sector.

51% OF FY2022 REVENUE
The financial performance is derived from strong market share gains, export growth in mining chemicals and higher chemical commodity prices. Non-South African operations accounted for more than two-thirds of income generation for the first time.

AECI® WATER

AECI WATER offers water treatment, process chemicals and equipment solutions to help customers optimise their water use and improve their processes.

ASPIRATION: to be Africa's premier holistic water and waste-to-value solutions provider in key geographies and high growth domains.

CUSTOMERS: the water treatment services market in Africa.

6% OF FY2022 REVENUE
In 2022 AECI Water surpassed the R2 billion revenue mark for the first time. Revenue was 31% higher than in 2021. This was achieved through strong public water market-share gains as well as robust and sustained increases in sales to existing industrial customers. Exports to other African countries also improved, in line with the business's diversification strategy.

AECI® AGRI HEALTH

AECI AGRI HEALTH gives farmers the means to improve crop yields and livestock health and to optimise their use of natural resources.

AECI Schirm is a contract manufacturer of fine and agricultural chemicals with operations in Germany and the USA.

ASPIRATION: to be the premier fine and agricultural chemicals solutions provider in chosen markets.

CUSTOMERS: the plant and animal health industries in Africa, Europe and the USA, and the fine and agricultural chemicals sector in Europe.

20% OF FY2022 REVENUE
Strong financial results (revenue was up 19% and EBIT 20%) were supported by the following:

- Continuing favourable climatic conditions and resulting strong demand
- Sustained higher commodity prices
- An aggressive drive to formulate and release new products
- Buoyant export sales

AECI® CHEMICALS

AECI CHEMICALS supplies raw materials and related application know-how – including greener chemicals – to a broad range of customers.

ASPIRATION: to be a leading producer and preferred distributor for chemicals and leading applications know-how in sub-Saharan Africa.

CUSTOMERS: the manufacturing, food and beverage, road infrastructure and general industrial sectors, mainly in Southern Africa. AECI SANS Fibers targets manufacturers in the USA and elsewhere.

24% OF FY2022 REVENUE
AECI Specialty Chemicals' revenue was up 37%. Solid contributions were made by the oleochemicals, personal and homecare, and coatings and construction portfolios. Results were also boosted by buoyant international commodity input prices.

AECI® PROPERTY SERVICES

AECI PROPERTY SERVICES AND CORPORATE supports our delivery of better products and services. We lease space and provide management and services in the office, industrial and retail sectors. We also provide centralised functions – including treasury and finance; human capital; safety, sustainability and ESG, health and the environment; stakeholder relations; legal and company secretarial; risk and compliance; information technology; and strategy execution. They support the businesses in all pillars. This reporting segment has a total of 275 employees.

CUSTOMERS: 145 tenants (150).

Figure 2. AECI business pillar/segment overview

AECI has maintained a strong presence in the market and has been listed on the Johannesburg Stock Exchange in the Chemicals sector since 1966. The group's dedication to research and development is evidenced through substantial investments in advanced laboratory facilities, manufacturing plants, and cutting-edge equipment. Moreover, the continuous development of our expert workforce has been prioritised, ensuring the development of the required skills and knowledge to excel in their respective fields.

In addition to AECI's own product portfolio, products are distributed from third-party sources. These products are carefully selected to minimise negative impacts on the environment while simultaneously generating positive economic and social outcomes. AECI remains committed to its mission of creating sustainable solutions that contribute to a better future which perfectly aligns to our values.

Overview of AECI's BIGGER values

BIGGER

BOLD
Pushing our performance above and beyond for a better world

INNOVATIVE
Actively challenging ourselves to reinvent who we are, what we do and how we do it

GOING GREEN
Driving solutions for a sustainable future

ENGAGED
Being committed to a culture of accountability, honesty and inclusivity

RESPONSIBLE
Acting in a manner that is mindful of all stakeholders' interests

Figure 3. AECI's values

3. **One AECI** for a better world

3.1 AECI's sustained commitment to sustainability

Our purpose is One AECI, for a better world and our vision is to deliver sustainable solutions for this better world through innovation and excellence founded on good chemistry.

We intend to provide the best advice and products to our customers while simultaneously working to improve the environmental, social and economic aspects of the world in which we operate. Our vision becomes a reality when we put into action programmes and practices that maximise the use of natural resources, optimise the efficiency of our products and foster innovation and creative solutions that add value for our customers our communities and our planet.

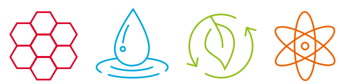


Figure 4. AECI's sustainability commitment

Through living its sustainability commitment, the group has made significant progress over the past years to ensure the ability to deliver growth and maximise resources to the benefit of all stakeholders, in a sustainable manner.

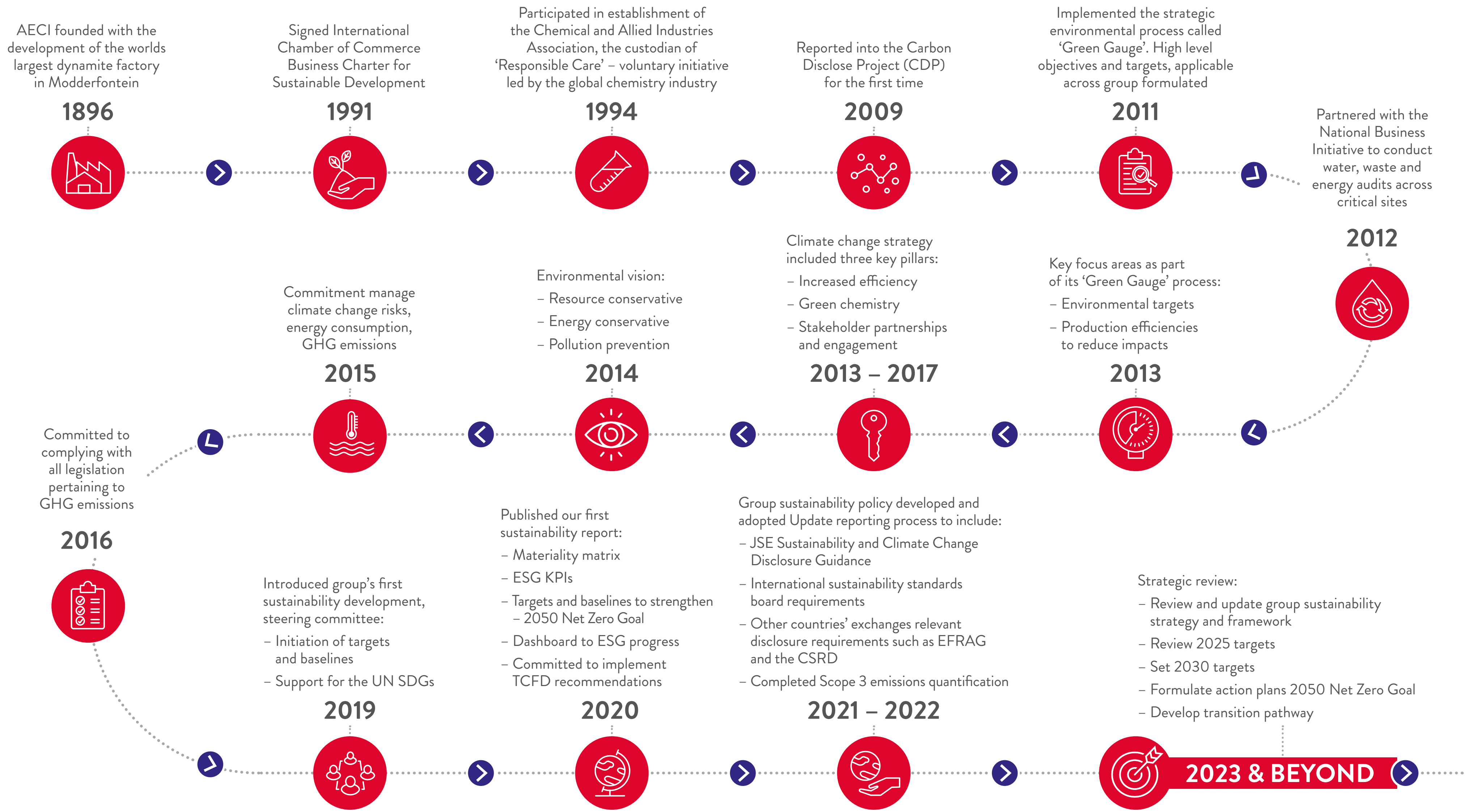


Figure 5. AECI's journey to sustainability

A key part of the group's sustainability journey has been supporting the achievement of the United Nations Sustainable Development Goals (UN SDGs).

Global expectations that businesses will make meaningful and measurable contributions to achieving the UN SDGs working alongside and in collaboration with governments and civil society, have increased substantially. The path AECI has chosen will align with responsible, global action whilst providing shared value to the group and stakeholders, aligned to the group's purpose. The contribution to a better world is guided by a firm commitment to the 2030 Agenda for Sustainable Development, as defined by the UN for the period 2015 to 2030.

The 17 SDGs, together with their 169 associated targets, are intended to transform the world — end poverty, address inequality, injustice and climate change. They provide an agreed blueprint for achieving a better and more sustainable future. AECI has integrated the SDGs into business strategy and operations and is committed to delivering on seven priority SDGs, which have direct relevance to current business operations and markets. These seven SDGs are linked to KPIs in the group's ESG scorecard.

SUSTAINABILITY DEVELOPMENT GOALS

Figure 6. AECI's seven priority UN SDGs

3.2 AECI's sustainability strategy

As a forward-thinking company, AECI has recognised that major risks are emerging that could threaten the business, customers, shareholders, and other stakeholders, particularly in Africa where the impacts of climate change are anticipated to be extreme. Continuing conditions of poverty and inequality remain major disruptors to socio-economic progress in developing countries, shaping the economies of markets, and limiting economic participation. Whereas, in more developed geographies such as the USA and Europe, the diverse political drivers for environmental, social and governance (ESG) driven initiatives require careful consideration of application of the group's strategic philosophy with regional constraints.

As such, the group has taken a considered decision to focus on the following:

1. Materiality and risk;
2. Integration of United Nations Global Compact (UNGC) principles across our entire value chain;
3. Synchronisation with the SDGs to align with global agreement on economic, social and environmental priorities to be met by 2025 and further extended to 2030;
4. Restructure of the Sustainability Strategy in alignment with the six capitals during 2023: manufactured, natural, social and relationship, human, intellectual and financial capitals; and
5. Development of an action plan for a robust transition pathway to support the 2050 Net Zero Goal.

Sustainability is paramount and is where the group's core focus lies.

In line with emerging and best practice across the world, AECI has adopted a "double materiality" approach to assess material matters. Double materiality is defined as the consideration of an organisation's impact on the environment and society (the inside-out impact) whilst simultaneously considering the impact of society and the environment on the organisation's performance (the outside-in impact) as depicted by Figure 7.

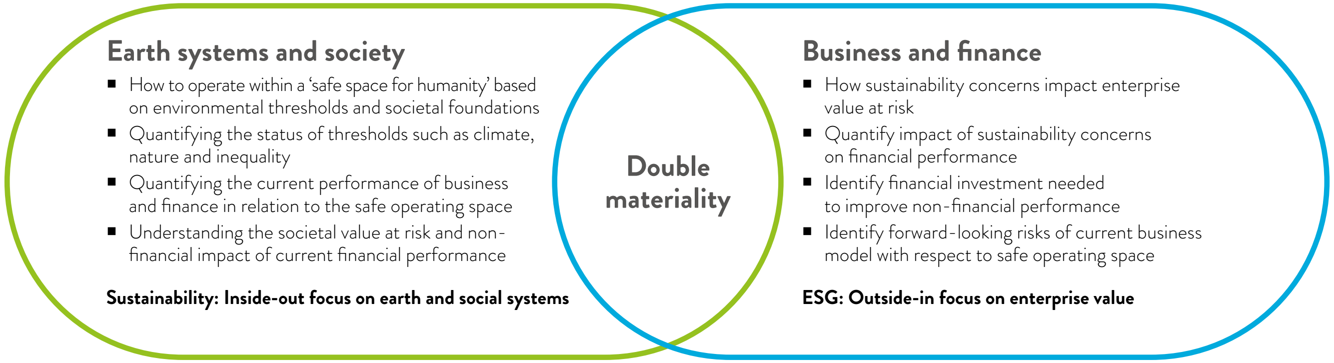


Figure 7. Overview of AECI's double materiality model

Five material matters were identified following a detailed materiality assessment which was conducted in alignment with the Global Reporting Initiatives G4 (fourth generation) guidelines. These material themes continue to guide the development and implementation of the group's sustainability strategy, sustainability framework and sustainability management approach. Based on ongoing feedback from stakeholders, the five material themes are unchanged and will continue to be the foundation of the group strategy. The material themes as depicted in Figure 8:

Strong governance

Strong governance is critical to building trust, protecting value and preventing corporate failure. In countries where corruption is pervasive, this could not be more important.

Consistent value creation

Consistent value creation allows us to fulfil our purpose of 'One AECI, for a better world'. Our financial sustainability ensures we contribute towards creating work and economic growth in the countries in which we are present.

Climate action

Tackling climate change is a key obligation of our time. Its effects already include extreme weather events across the world, and harm to our own operations, communities and value chains.

Responsible operations

We must align every operational decision and action with our purpose of 'One AECI, for a better world' in pursuit of Zero Harm to people and the planet.

Passionate purpose-led people

To deliver on our purpose, we must create a culture of high performance and inclusion.

Figure 8. AECI's materiality matters

As an expression of the material themes, the internal sustainability framework is comprised of key goals. The internal group sustainability framework acts as a compass for the planning of sustainability-related interventions, as well as the execution thereof. While mapping and linking specific goals to priority SDGs, it became apparent that none of these material themes, goals or the aligned KPIs can be managed in isolation as there is an intrinsic linkage (as depicted by Figure 9).

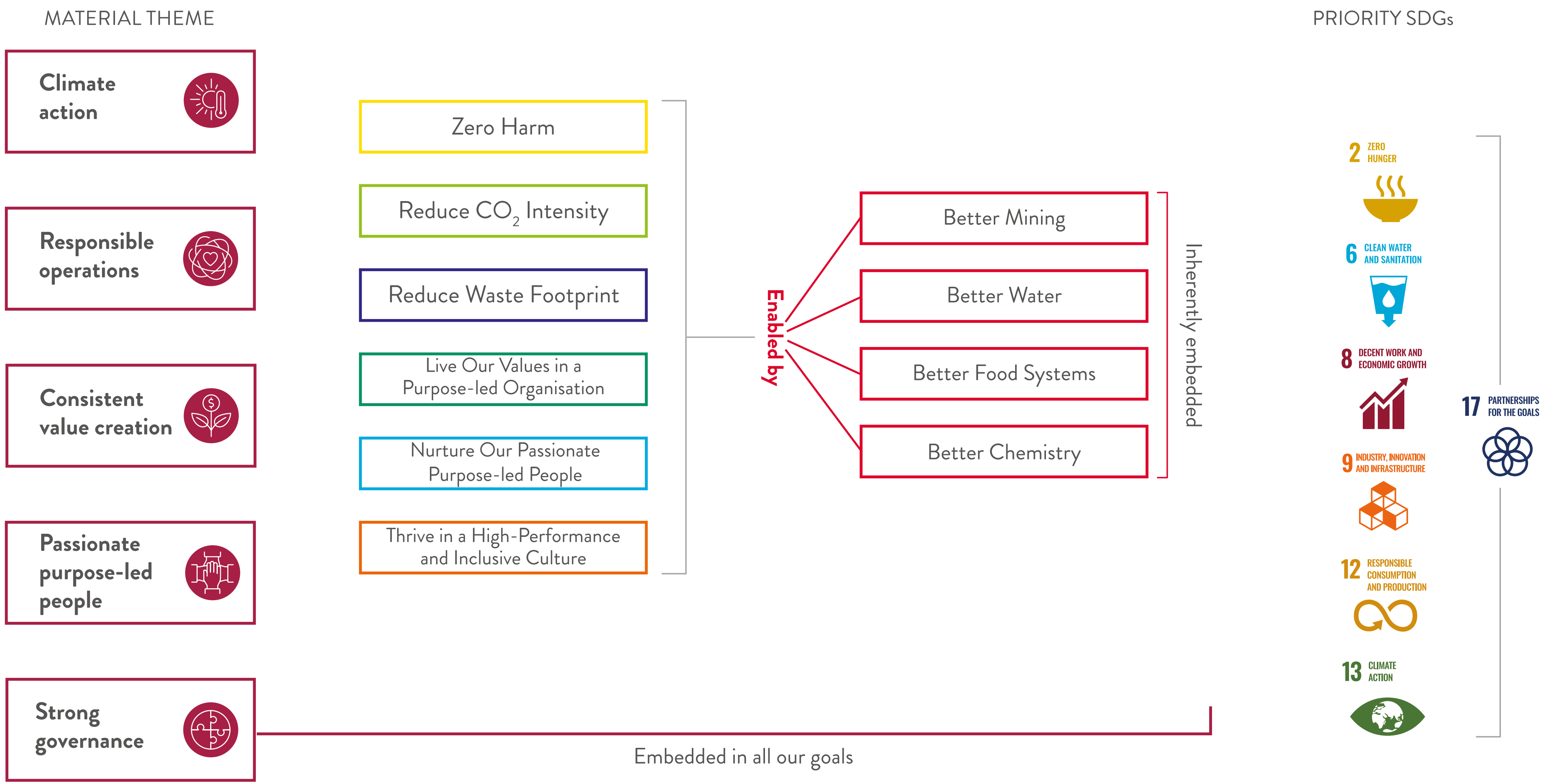


Figure 9. Overview of AECI's internal sustainability framework

4. AECI's ESG risk management

In line with AECI's growth strategy, governance remains a key driver to enable the group's strategic vision. As such, AECI has aligned to the UN Global Compact for over 10 years and has aligned to the UN SDGs (as note above in section 3.1).

Figure 10. AECI's sustainability governance structure

Furthermore, in alignment with the company's growth strategy and commitment to place sustainability at its centre, the former social and ethics board committee was renamed the "social, ethics and sustainability committee" (SESC) in 2022. This change better reflected the committee's mandate.

The SESC is currently chaired by Fikile De Buck who has extensive experience and expertise in guiding large organisations on matters relevant to the mandate of such a committee. At operational level, the group executive sponsor for sustainability is Dean Mulqueeny. Dean is a member of the group executive committee, he leads AECI Water and is also Chairman of AECI Much Asphalt. Furthermore, Dean heads up innovation, which is one of our three growth platforms.

In 2022, a specific focus was placed on the following key aspects:

- Addressing key risks identified through the materiality survey
- Applying key risk frameworks and disclosures, such as Task Force on Climate-related Financial Disclosures (TCFD) to our reporting
- Implementing policy-related system and process changes
- Aligning reporting with the relevant global reporting standards

Lastly, it should be noted that early in 2023, the group filled the newly created Group Head of Sustainability and ESG position and commissioned the Sustainability Steering Committee (SSC).

4.1 Sustainability Steering Committee charter and mandate

The group SSC has been established as follows:

- Chief Executive Officer
- Group Chief Financial Officer
- Group Company Secretary and Legal
- Group Executive: Mining
- Group Executive: Water
- Group Executive: Chemicals
- Group Executive: Human Capital
- Group Head: Sustainability and ESG
- Group Head: Investor Relations
- Group Treasurer

The SSC's role will encompass oversight of systems, policies, and processes to achieve the group's sustainability objectives and monitor sustainability risks. The Committee will perform activities within the scope of responsibilities that will be set out in the charter or terms of reference (which still need to be developed), and to make appropriate recommendations to the SESC and the board.

The overarching responsibilities of the SSC will include:

1. Providing strategic advice and direction;
2. Ensuring alignment with publicly declared commitments;
3. Setting project timelines and budgets, where applicable;
4. Monitoring project quality and deliverables;
5. Evaluating and monitoring risk and addressing mitigations and controls; and
6. Establishing a funding mechanism for sustainability projects.

It is anticipated that the SSC will meet quarterly with regular feedback being provided to the SESC as required. An illustrative sustainability governance structure is depicted in Figure 11.

During 2022, the AECI board formally adopted a group-wide sustainability policy and approved the integration of five priority ESG performance metrics into the group's long term incentives scheme. This is in line with the group's ongoing commitment to sustainability and in response to feedback received from shareholders and wider stakeholders on what was considered material.

It is acknowledged that sustainability is a key driver for achieving AECI's growth strategy which requires a sharper focus on this imperative through reinforcing a sustainability culture amongst all employees. All employees should be sustainability champions, across all employment levels, business and support functions and geographies. In support of this, sustainability training programmes will be rolled out in 2023.

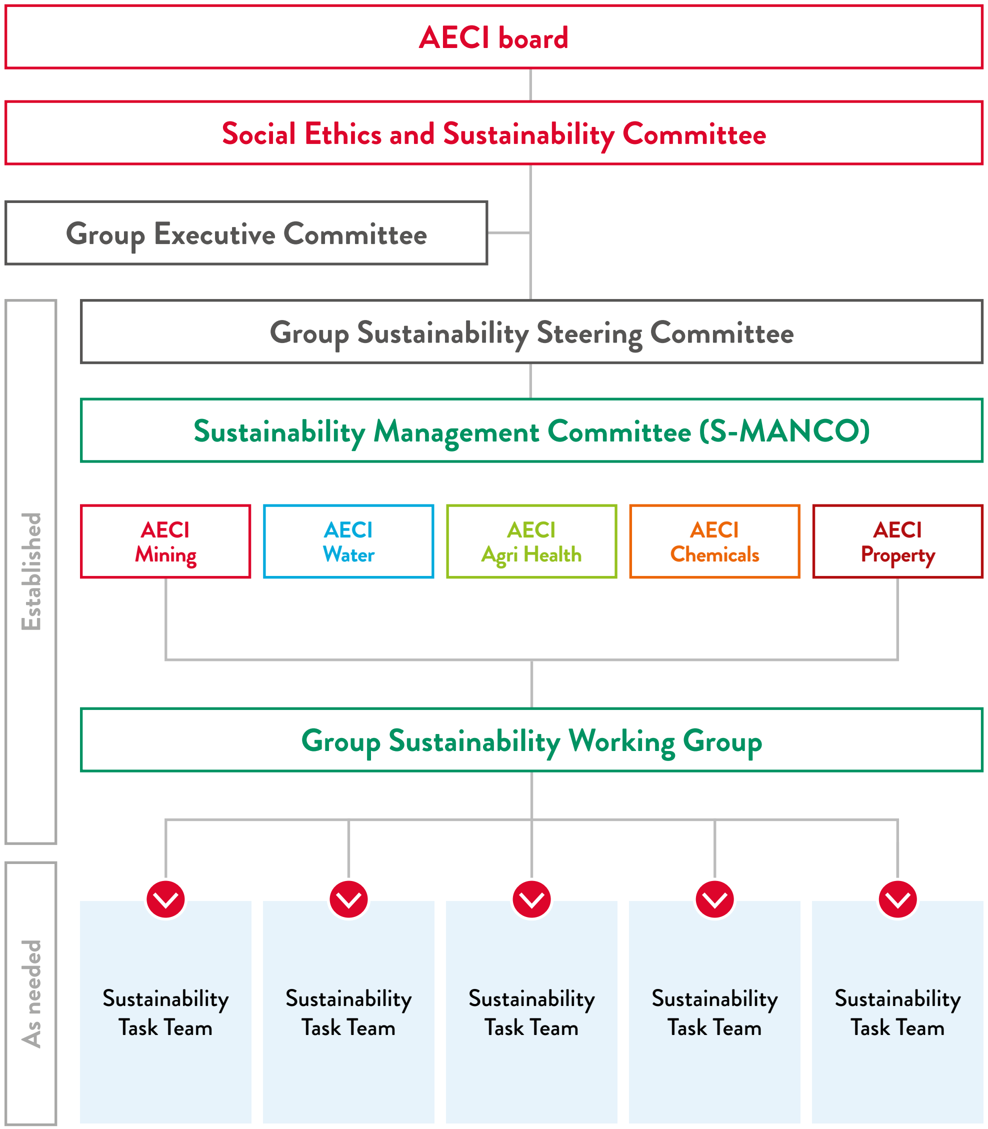


Figure 11. AECI's sustainability governance overview

5. **Sustainability-linked** Financing Framework

SLBs and SLLs are instruments where the financial and structural characteristics can vary depending on whether AECI achieves predefined forward-looking ESG-specific objectives (sustainability performance targets). The proceeds of SLBs and SLLs are intended for general purposes; hence, the use of proceeds is not a determinant in the SLB's or SLL's characteristics.

AECI is committing explicitly to future improvements in environmental and social material focus areas within a predefined timeframe that are relevant, core and material to their overall business.

This framework is aligned with international best practices and has been created to facilitate transparency, disclosure, and integrity about any AECI issued/raised SLB and SLL, as recommended by the latest SLBP and SLLP (referenced in section 1 above).

The SLBP and SLLP introduce voluntary guidelines for best practice when issuing SLBs and/or raising SLLs respectively. The framework has been constructed in alignment with both the SLBP and SLLP.

1. Selection of Key Performance Indicator(s) (KPIs)
2. Calibration of Sustainability Performance Target(s) (SPTs)
3. Bond/Loan Characteristics
4. Reporting
5. External Review

5.1 **Selection** of KPIs

For the selection of the KPIs, AECI considered areas which are material and relevant to the business. The KPIs are measurable, quantifiable and have available historical data where possible.

The performance relevant to these KPIs will be verified by an independent third party on a consistent methodological basis (outlined below), and progress will be published annually in the group's sustainability report which is published on the AECI website.

KPI #1: Reduction in effluent discharge intensity

Definition	Total annual volume of effluent discharged per total annual production volume (cubic meter per tonne of annual production volume).
Calculation methodology	Total annual volume of effluent discharged divided by total annual production volume. ▪ **Total annual volume of effluent discharge** is defined as liquid effluents, treated or untreated, discharged from AECI's operations into third party systems such as sewers for the applicable annual period under review. ▪ **Total annual production volume** is the total tonnes of all products produced or manufactured (excluding products which are repackaged) for both internal and external customers for the applicable annual period under review. ▪ **Annual** is defined as a AECI's financial year being 1 January to 31 December.
Reporting scope	Boundary: group (all segments and sites included across all geographical locations).[1] Exclusions: n/a
Aspiration	Intensity is equal to or less than 0.0409m^3/t by 2025 which is an approximate 14% reduction on the 2022 baseline.
Relevance and materiality	SASB Relevant Issues: Water and Wastewater Management MSCI Key Issue: Toxic emissions and waste, water stress ICMA KPI Registry: ▪ Most Material – Food & Agri, Utilities – Water ▪ Material – Mining
SDG alignment	SDG 6: Clean Water and Sanitation ▪ By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

1. Effluent discharge is produced by all of AECI's operating segments, as at 2022 the split is as follows – Mining 61%, Chemicals 17%, Water 10%, Properties 9%, and Agri Health 3%.

Benchmark

- As per the latest (June 2023) SLBP[2] and (February 2023) SLLP[3] KPIs should be benchmarkable, where possible in relation to an external benchmark. As such, AECI acknowledges the need to consider benchmarking, which is often not without its challenges, limitations and complexity.
- AECI has identified a suitable and relevant set of peers (which has been held consistent across KPIs), after much considered thought.
- The respective peer's segments of operations and the materiality thereof were assessed (as depicted by Figure 12), including the operating jurisdictions of peers. Peer data availability per KPI was also considered.

SEGMENT SPLIT BY PERCENTAGE OF REVENUE GENERATED

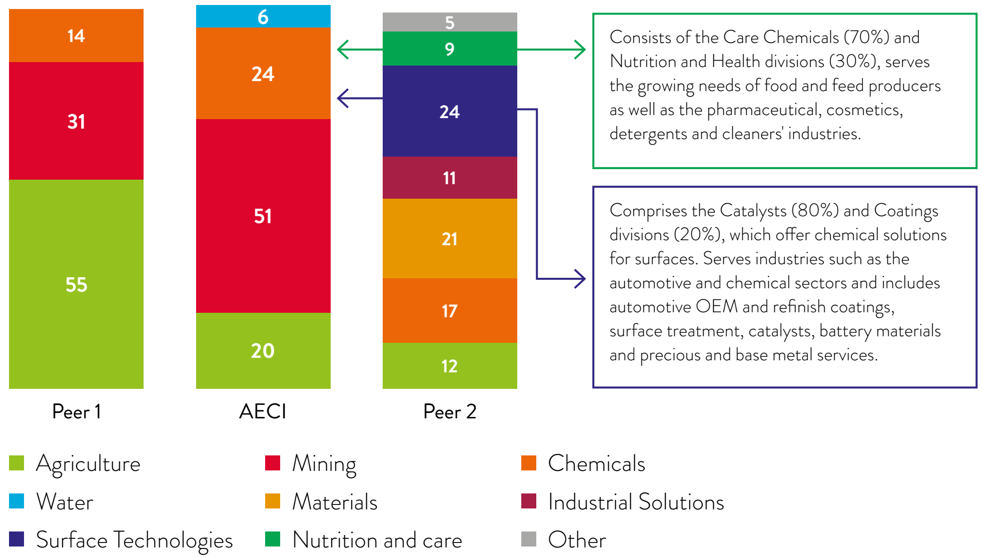


Figure 12. Segment split by percentage of revenue generated

- Peer 1 is a local peer while Peer 2 is an international peer.

2. https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Sustainability-Linked-Bond-Principles-June-2023-220623.pdf
3. https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/

KPI #2: Reduction in carbon intensity

Definition	Total annual tonnes of carbon emissions per total annual production volume (tonne of CO_2 equivalent per tonne of annual production volume).
Calculation methodology	Total annual tonnes of carbon emissions divided by total annual production volume. ▪ **Total annual tonnes of carbon emissions** is defined as total direct and indirect greenhouse gas emissions that result from AECI's activities and operations being Scope 1 (direct GHG emissions from sources that are owned and controlled by AECI) and Scope 2 (indirect GHG emissions from purchased or acquired electricity, heating, cooling and steam consumed by AECI) for the applicable annual period under review. ▪ Scope 3 is currently excluded from the carbon footprint. ▪ **Total annual production volume** is the total tonnes of all products produced or manufactured (excludes products which are repackaged) for both internal and external customers for the applicable annual period. ▪ **Annual** is defined as a AECI's financial year being 1 January to 31 December.
Reporting scope	Boundary: group (all segments and sites included across all geographical locations). Exclusions: n/a
Aspiration	Intensity is equal to or less than $0.0267tCO_2e/t$ by 2025 which is an approximate 14% reduction on 2022 baseline.
Relevance and materiality	SASB Relevant Issues: GHG Emissions MSCI Key Issue: Carbon emissions ICMA KPI Registry: ▪ Most Material — Food & Agri, Utilities — Water
SDG alignment	SDG 13: Climate Action ▪ Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States, including focusing on women, youth and local and marginalised communities.
Benchmark	Content as per benchmark section for per KPI 1.

KPI #3: Improving gender equality

Definition	Annual percentage of female representation at middle management and above (%).
Calculation methodology	▪ Total females in middle management and above divided by the total number of people (male and female) in middle management and above as defined by the Patterson Job Grading System for the applicable annual period under review, multiplied by 100. ▪ **Middle management** is defined as D-lower: Interpretive decisions to D-upper. ▪ **Annual** is defined as a AECI's financial year being 1 January to 31 December.
Reporting scope	Boundary: group (all segments and sites included across all geographical locations) Exclusions: n/a
Aspiration	To reach 31% female representation by 2025.
Relevance and materiality	ICMA KPI Registry: ▪ Most Material — Food & Agri, Utilities — Water The increasing representation of females in leadership positions is a crucial step in building an inclusive and diverse culture at AECI. Research by McKinsey (2020)[4] has shown that companies with more than 30% women on their executive teams are significantly more likely to outperform those companies which have between 10 and 30 percent female representation. While in South Africa 15% of all Executives of JSE-listed companies were reportedly women in 2021 (PwC)[5], indicating the progress South Africa corporates have made but also the progress that still needs to be achieved.
SDG alignment	SDG 5: Gender Equality ▪ 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
Benchmark	Content as per benchmark section for KPI 1, except data is only available for peer 1 and not for peer 2. In addition, the international 2X Challenge[6] benchmark which is set at of 30% women in senior leadership.

4. https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters
5. https://www.pwc.co.za/en/publications/executive-directors-report.html
6. The "2X Challenge" was founded by the G7 and other development finance institutions to mobilise funding to provide women in developing country markets with improved access to quality employment and economic opportunity. The 2X Challenge defines the 2X Challenge Criteria which have become a global industry standard for gender-lens investing.

5.2 **Calibration** of SPTs

	Unit of measurement	Baseline	Base year	SPT	Target observation date
KPI #1	m^3/t	0.0475	2022	SPT 1: Intensity is equal to or less than 0.0443	31 Dec 2023
				SPT 2: Intensity is equal to or less than 0.0429	31 Dec 2024
				SPT 3: Intensity is equal to or less than 0.0409	31 Dec 2025
				SPT 4: Intensity is less than SPT 3[7]	31 Dec 2026
				SPT 5: Intensity is less than SPT 4[8]	31 Dec 2027

7. SPT 4 to be quantified by December 2024
8. SPT 5 to be quantified by December 2024

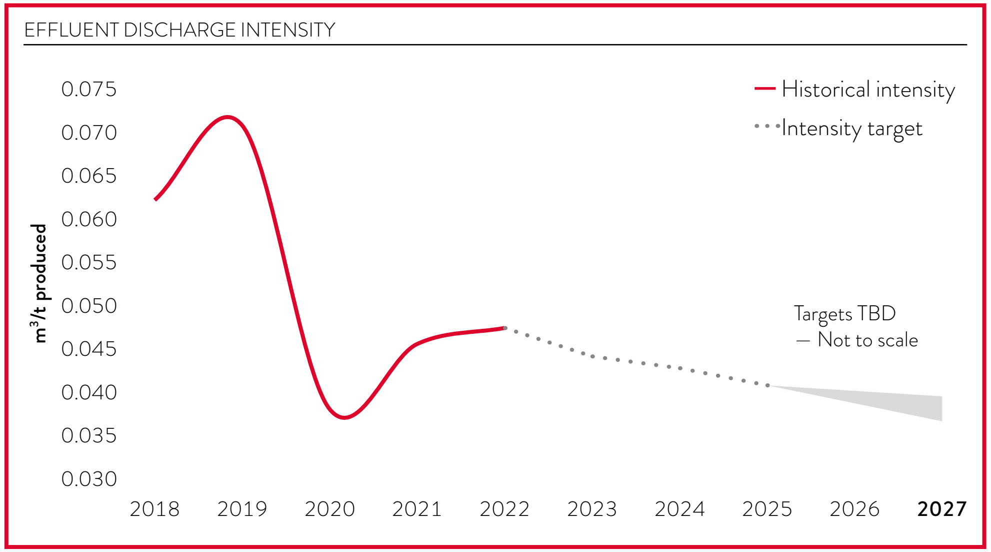


Figure 13. Analysis of SPTs associated with KPI 1

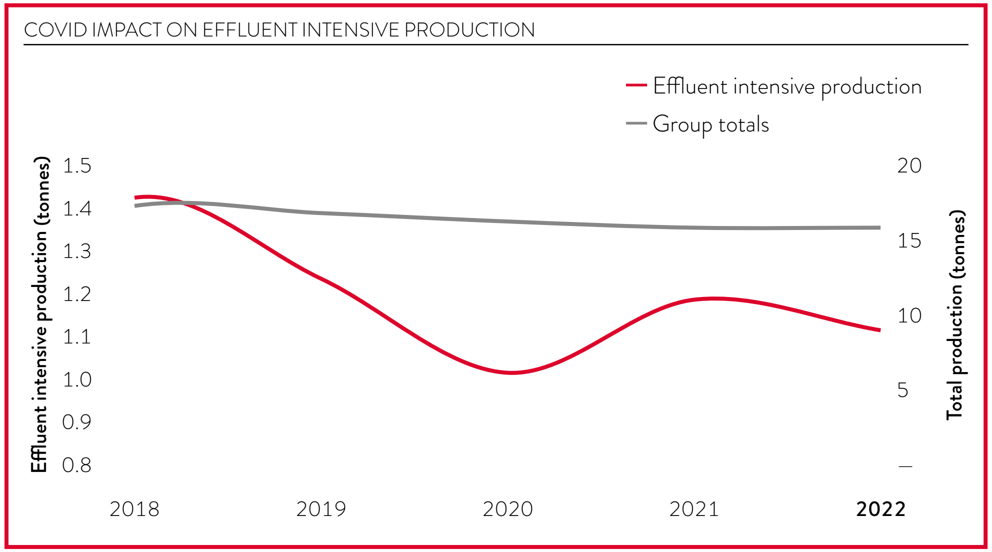


Figure 14. Analysis of COVID impact on effluent intensive production

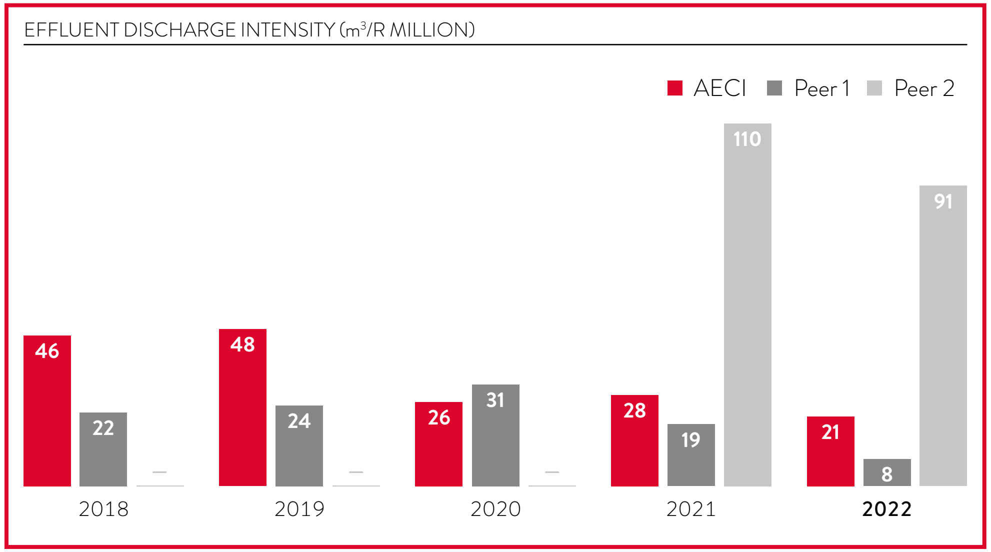


Figure 15. KPI 1 peer benchmarking

Commentary

- The historical behaviour of effluent discharged has been volatile due to COVID challenges which has resulted in the sharp decline in effluent discharged. While the overall production volumes across the group remained relatively constant, the volumes of the effluent intensive production, being the mining and chemicals operations dropped as seen in Figure 14. As a result, the absolute effluent discharged (KPI 1 numerator) moved disproportionately relative to the overall production (KPI 1 denominator) resulting in an abnormal drop in the effluent discharge intensity.
- AECI has set an aspiration to improve this trend with continuous annual improvement — a stark deviation from the historical trends where year-on-year improvement has only occurred once since 2018.
  - A historical four-year average intensity of 0.0529 is to be compared with an improved target average of 0.0427 for the next three years, with longer term targets in the process of being finalised.
  - Also, important to note that the effluent discharge is targeted to reduce on an absolute basis as well, whereas overall production is set to increase.
- It was not possible to conduct peer benchmarking analysis on a basis exactly aligned to the specific definition of the KPI, due to data availability limitations.
  - It is worth noting that the total annual production volume definition has not been standardised across the industry by the Chemical and Allied Industries' Association (CAIA) for the sector.
- Consequently, an alternative approach was employed to offer an indicative perspective of AECI's performance relative to its peers. This involved utilising the proxy of tonnes per Rand million of revenue. Based on this measure, as depicted in Figure 15 although AECI is ahead of Peer 2 it does lag Peer 1 over the five-year period, suggesting the potential for further improvement.

Plans to achieve targets

- Several zero effluent liquid discharge projects were initiated in 2021, followed by extensive feasibility assessments which were performed in 2022 and resulted in a transition from an end-of-pipe effluent treatment approach to satellite plants that are able to segregate effluent and treat at-source. Further development on the projects noted above is anticipated which will support further reductions in effluent discharge.
- AECI Mining Explosives, Modderfontein: Using processed sewage effluent and cooling tower blowdown as an alternative water source to reduce discharge while at the same time replace water extracted from the municipal system. A Reverse Osmosis plant is in place at the Modderfontein site and feasibility studies are currently underway for further treatment of effluent in collaboration with AECI Water.
- AECI Property Services manages effluent on behalf of the Umbogintwini Industrial Complex tenants. This management is in accordance with the coastal wasters discharge permit. Daily discharges to sea averaged approximately 3 684 million litres against a daily discharge limit of 6 000 million litres in 2022. Phase 1 of the AECI Water Umbogintwini Effluent Compliance and Reduction project will initially cut the amount of aluminium, iron, manganese, total suspended solids and oil in process effluent, preparing it for re-use in Phase 2 of the scheme. Recovered oil from the waste tank from Phase 1 will be beneficiated by a specialist waste disposal company for re-use in its own internal processes. Phase 2 will focus on the re-use of effluent water, freeing up potable water for the surrounding community. By the end of 2023, Umbogintwini's effluent discharge will have been cut by 75% – a reduction of 32 million litres a year.

Risks to achievement of targets

- Delays in the commissioning and installation of projects noted above, for example:
  - Administration delays (such as on the feasibility study)
  - Procurement delays
  - Unexpected increases in costs which may result in capital constraints thereby delaying the implementation
- External risks, such as Force Majeure events, natural disasters, poor weather conditions, technical risks etc.
- Lack of availability of necessary technology and equipment

	Unit of measurement	Baseline	Base year	SPT	Target observation date
KPI #2	tCO_2e/t	0.0312	2022	SPT 1: Intensity is less than 0.0292	31 Dec 2023
				SPT 2: Intensity is less than 0.0274	31 Dec 2024
				SPT 3: Intensity is less than 0.0267	31 Dec 2025
				SPT 4: Intensity is less than SPT 3[9]	31 Dec 2026
				SPT 5: Intensity is less than SPT 4[10]	31 Dec 2027

9. SPT 4 to be quantified by December 2024
10. SPT 5 to be quantified by December 2024

Commentary

- The historical four-year Compound annual growth rate (CAGR) of -1.23% can be compared with the forward-looking target three-year CAGR of -5.10%. Similarly, the historical average of $0.0347tCO_2e/t$ can be compared with a targeted average of $0.0278tCO_2e/t$. In both instances, the forwarding looking CAGR and targeted average is more ambitious than the historic respective measure.
- Similarly, to KPI 1, the total production volume figures were not publicly available for the selected peers combined with the lack of a standardised industry definition, an alternative measure of tonnes CO_2e per Rand million revenue was utilised to provide an indicative view of AECI's performance relative to peers.
- Over the historical period under review, AECI is seen to lag Peer 1 and Peer 2 in 2018, 2019 and 2021. However, a noticeable change is realised in 2022 displaying AECI's improvement and outperformance of its peers. Given the SPTs will only continue to ensure the improvement of AECI's already strong carbon emission performance, it can be deduced that AECI's SPTs are ambitious.

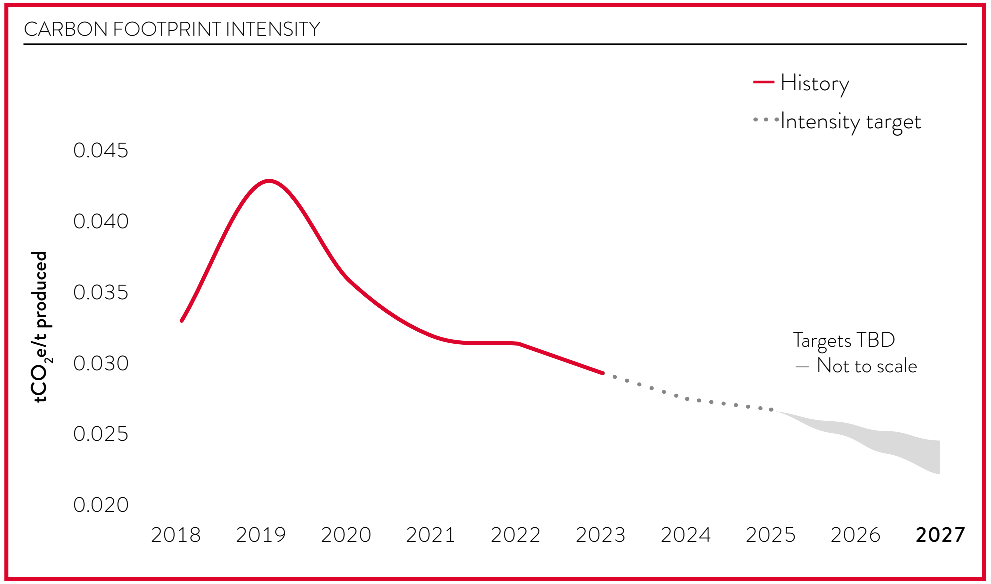


Figure 16. Analysis of SPTs associated with KPI 2

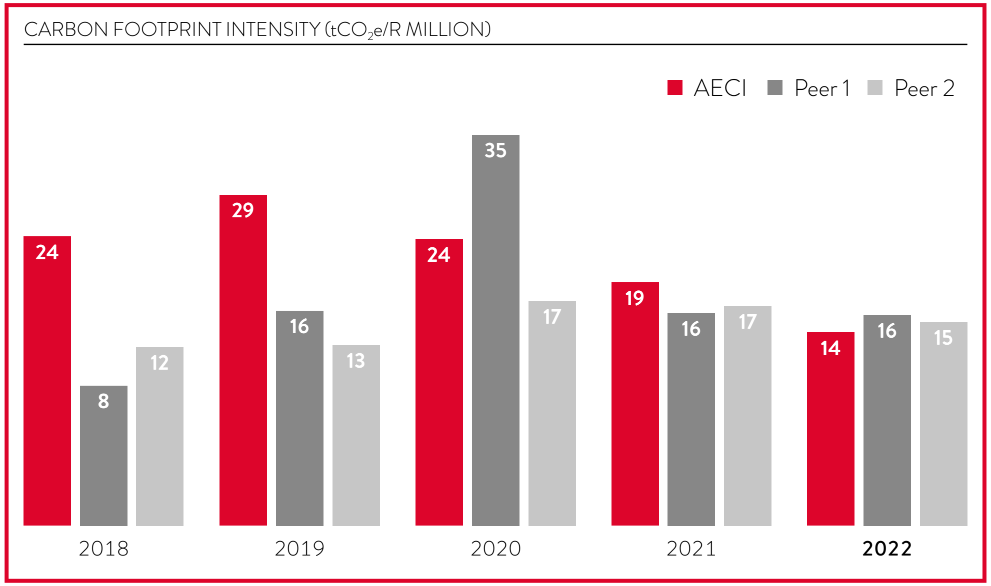


Figure 17. KPI 2 peer benchmarking

Plans to achieve targets

- AECI Mining Explosives, improved the compliance of its nitric acid production processes, at Modderfontein. Further work remains to be done at the ammonium nitrate porous prill manufacturing facility.
- AECI Mining Explosives: Boiler conversion – the current boilers on the site are very old technology and result in significant emissions. During 2024 these boilers will be replaced with more efficient equipment and technology which will result in reductions in emissions contributing to overall carbon footprint improvement.
- AECI Plant Health: The installation of abatement technologies at AECI Plant Health's Lilianton site will be fast tracked to 2023 from the 2024 date scheduled originally.
- AECI plans to commission the following solar projects, starting in 2023:
  - Chempark 1 846 232 kWh (associated capex R21.25m) — has already been commissioned
  - Sasolburg 3 798 926 kWh (associated capex R37.89m) — expected commission in Q3 of 2023
  - 8 668 769 kWh (associated capex R98.25m) — expected commission in Q3 of 2023

Risks to achievement of targets

- For more than a decade AECI has been recognised as the chemical sector's leader in implementing abatement solutions at our own facilities. We became first movers in this regard as far back as 2006. At the time technologies needed that were not available in South Africa and as such we have pioneered multiple applications and processes that have been adopted and amended by others in our sector, including customers, suppliers and peers. At present there are no new technologies that can be considered immediately to support with scope 1 and 2 abatement. AECI continues to remain vigilant.
- Delays in the commissioning and installation, for example:
  - Administration delays
  - Procurement delays
  - Unexpected increases in costs which may result in capital constraints thereby delaying the implementation of projects.
- External risks, such as Force Majeure events, natural disasters, poor weather conditions, technical risks etc.

	Unit of measurement	Baseline	Base year	SPT	Target observation date
KPI #3	%	27.68	2022	SPT 1: Female representation at, Middle Management and above is equal to or greater than 29%	31 Dec 2023
				SPT 2: Female representation at Middle Management and above is equal to or greater than 30%	31 Dec 2024
				SPT 3: Female representation at Middle Management and above is equal to or greater than 31%	31 Dec 2025
				SPT 4: Female representation at Middle Management and above is equal to or greater than SPT 3[11]	31 Dec 2026
				SPT 5: Female representation at Middle Management and above is equal to or greater than SPT 4[12]	31 Dec 2027

11. SPT 4 to be quantified by December 2024
12. SPT 5 to be quantified by December 2024

Commentary

- As per Figure 18 a regression is depicted from 2020 (27.91%) to 2021 (27.55%), for avoidance of doubt figures have been rounded to nearest decimal place in Figure 19. The SPTs demonstrate a great level ambition, bolstered by the fact that a 1% change in this KPI is approximately equivalent to 10 additional female appointments.
- AECI will endeavour to keep distribution of improvement between board, top, senior and middle management levels as equal as possible.
- To ensure the consideration of fluctuations in the size of various management levels, AECI has opted to measure the KPI as a percentage. This approach ensures that the SPTs reflect the transformation of the various management levels, supporting the achievement of gender diversity throughout the group.
- Based on this measure, as depicted in Figure 19 AECI does lag Peer 1 over 2021 and 2022, suggesting the potential for further improvement. Furthermore, AECI's committed SPTs would support AECI meeting and exceeding global external benchmarks and achieve a performance closer to that of its peers.

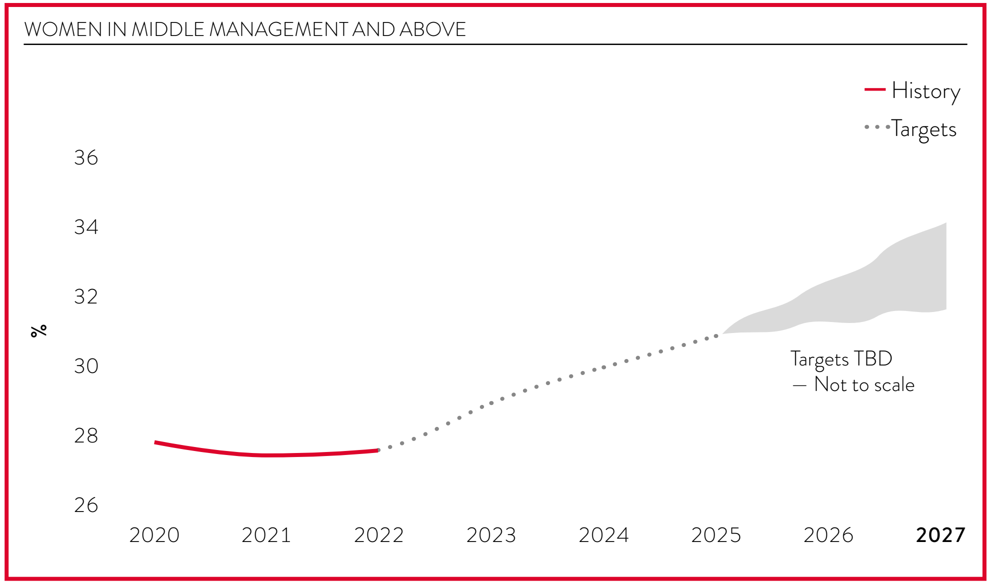


Figure 18. Analysis of SPTs associated with KPI 3

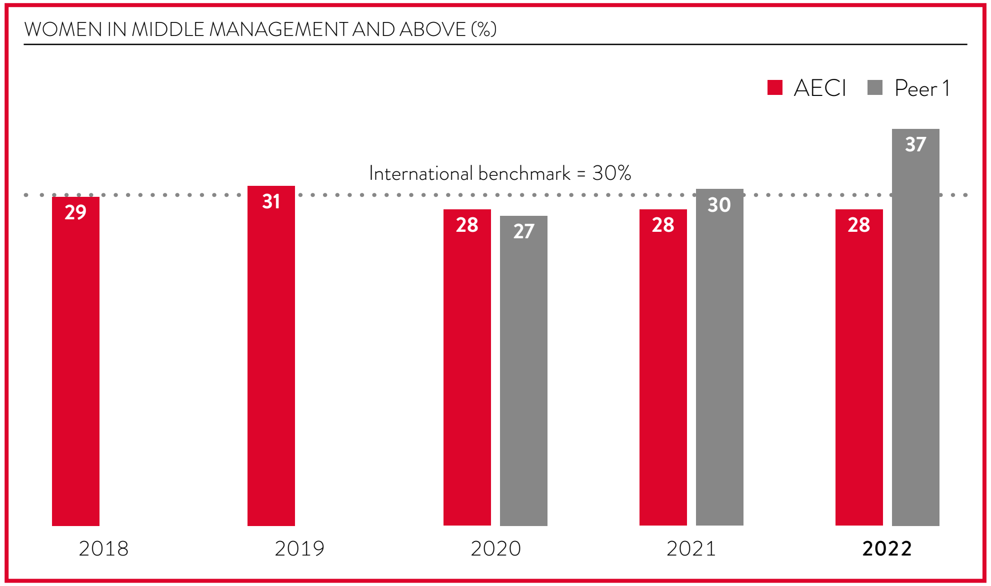


Figure 19. KPI 3 peer benchmarking

Plans to achieve targets

- Diversity Equity and Inclusion Training in partnership with the Diversity Institute for Group Senior and Top Management which addresses the below concepts:
  - Demystifying the concept of diversity and inclusion using practical examples of behaviour and consequences, that the leaders can immediately relate to.
  - Conveying a spirit of support and encouragement to face up to the challenges of leading diversity in a changing work environment.
  - Highlighting the benefits of managing and leading diversity, emphasising the mastery of one's own diversity inhibitions.
  - Identifying the building blocks to meaningful and equitable engagement with diverse direct reports, removing the fear and defensive posture on processes such as performance discussions.
  - Understanding behaviours that would start building leadership trust when dealing with employee performance issues. Anticipated Outcome Leadership decision on action or inaction, with clarity on consequences of either option, for them as leaders, as well as for their work teams and organisation.
- Leadership Development Programmes for women in partnership with Business Engage.
- The Virtual Leaders' Walk (C-band and above) has been created to nurture the development of aspiring leaders and to help them unlock their future potential. AECI participation delegate list:
  - AECI Specialty Chemicals, has launched a pilot development programme for emerging leaders and junior to middle management. This programme was specifically designed to upskill women in leadership across the business in partnership with the Inspired Leadership Group. During this 18-month programme the aim is to develop a pipeline of female talent that will be ready for advancement. This programme aims to shadow the current Executive team through a mentorship approach, whilst developing talent for the future leaders of the business.
  - With our biggest workforce based in South Africa, AECI remains committed to Employment Equity, which is a key driver to ensure that we have fair gender representation across the group. It also ensures that females in particular are not unfairly discriminated against and promotes fair and equitable practices for women. In planning for female representation through attraction, advancement or retention remains a key priority. To drive embed this, AECI has an Employment Equity Committees and Human Capital business partners in each business.

Risks to achieve targets

- Exposure to macro-economic conditions which resulted in an increase in the emigration of skill and expertise from South Africa.
- Unexpected and uncontrollable incidents such as deaths and resignations for personal reasons.
- Waiving leadership commitment due to competing organisational priorities and needs.
- Future anticipated changes to the leadership structure.
- Ability to attract, appoint and onboard suitably qualified candidates for the positions.

5.3 Sustainability-linked characteristics

The SLBP and SLLP state that the cornerstone of a performance/sustainability incentive-linked bond/loan is that the bond's/loan's financial and structural characteristics can vary depending on whether the selected SPTs are achieved or not for the associated KPI. Furthermore, the principles state that the bond's/loan's financial characteristics variation should be commensurate and meaningful relative to the issuer's/borrower's original bond/loan characteristics.

AECI's SLBs and/or SLLs are expected to have sustainability-linked features aligned to the SLBP and SLLP and ensure that both a coupon/margin benefit (step-down) and penalty (step-up) are implemented in the corresponding scenarios. The relevant KPIs, SPTs, and coupon/margin adjustments will be specified in the appropriate instrument's pricing supplement and/or legal documentation (as applicable).

Finally, in addition to the corresponding scenarios outlined in the relevant instrument's financial documentation, a penalty will be applicable if AECI fails to deliver the Sustainability Certificate and External Verification Report (as detailed in the Reporting section) by the delivery date stipulated in the relevant financial documentation. The instrument's financial documentation will also describe the applicable penalty vs benefit scenarios and structure.

5.3.1 Adjustment event

An adjustment event means any event (including, without limitation, any acquisition, disposal, merger, change to data availability, accuracy or discovery of historical errors in relevant data and board mandated operational requirements and/or regulatory change) that is likely to affect the calculation of a baseline, KPI, SPT and/or SPT realised value such that any determination of the respective baseline, KPI, SPT or SPT realised value following such event might reasonably be expected to yield a materially different result as compared to the result yielded had such event not occurred.

If such an adjustment event occurs with respect to any or all the baselines, KPIs, SPTs or SPT realised values, AECI will include within the relevant target observation period's sustainability certificate any re-assessment of or adjustment to the baseline, KPI, SPT and/or SPT realised value. The proposed changes or adjustments will be shared with the sustainability coordinator for approval prior to circulation via Stock Exchange News Service (SENS) to all investors or Facility Agent to lenders.

To the extent that any adjustment is deemed not to have material effect on the determination of a baseline, KPI, SPT and/or SPT realised, the respect value(s) will be measured on a like for like basis.

Implications of this as follows:

- Acquisitions – will not be considered in terms of the measurement of associated KPIs baseline and SPTs
- Disposals – The baseline, KPI and/or SPTs will be adjusted to exclude the disposed asset

5.4 Reporting

AECI will publish a report annually and keep it readily available on its website as an SLB/SLL update. In addition to the above, the following additional disclosures will be made on the AECI website until the last target observation period:

- Sustainability certificate (to be outlined in suitable form in the relevant instrument financial documentation)
- External post-issuance/raise verification report (e.g., Limited Assurance Report)
- SENS announcement regarding the assessment of AECI's performance against the relevant SPTs for each KPI

AECI also undertakes to include an annual JSE declaration, a statement that commits that the SLBs issued programmatically off this framework will remain in compliance with this framework and the JSE's sustainability segments debt listing requirements (applicable at the time of issuance).

Other information published (where possible) may also include:

- A qualitative and quantitative explanation of the contribution of the main factors/drivers behind the evolution of the performance of the relevant KPI on an annual basis;
- Illustration of the positive environmental and social impacts of the performance improvement;
- If applicable, any re-assessments of KPIs and restatement of the SPT and Pro-forma adjustments of baselines or KPI scope.

5.5 Verification

5.5.1 Second party opinion

This framework has been reviewed by IBIS Consulting, an independent party with experience and a track record in issuing Second Party Opinions (SPOs). IBIS Consulting confirms the framework's alignment with the SLBP and SLLP and therefore by inference instruments issued under this framework.

The SPO has been made available to investors along with this framework on AECI's website.

5.5.2 External verification

AECI will request annually limited assurance from a suitably qualified licensed practitioner in South Africa (e.g., independent auditor or consultant) on its performance against the SPTs for the applicable target observation period to verify the SPT realised values.

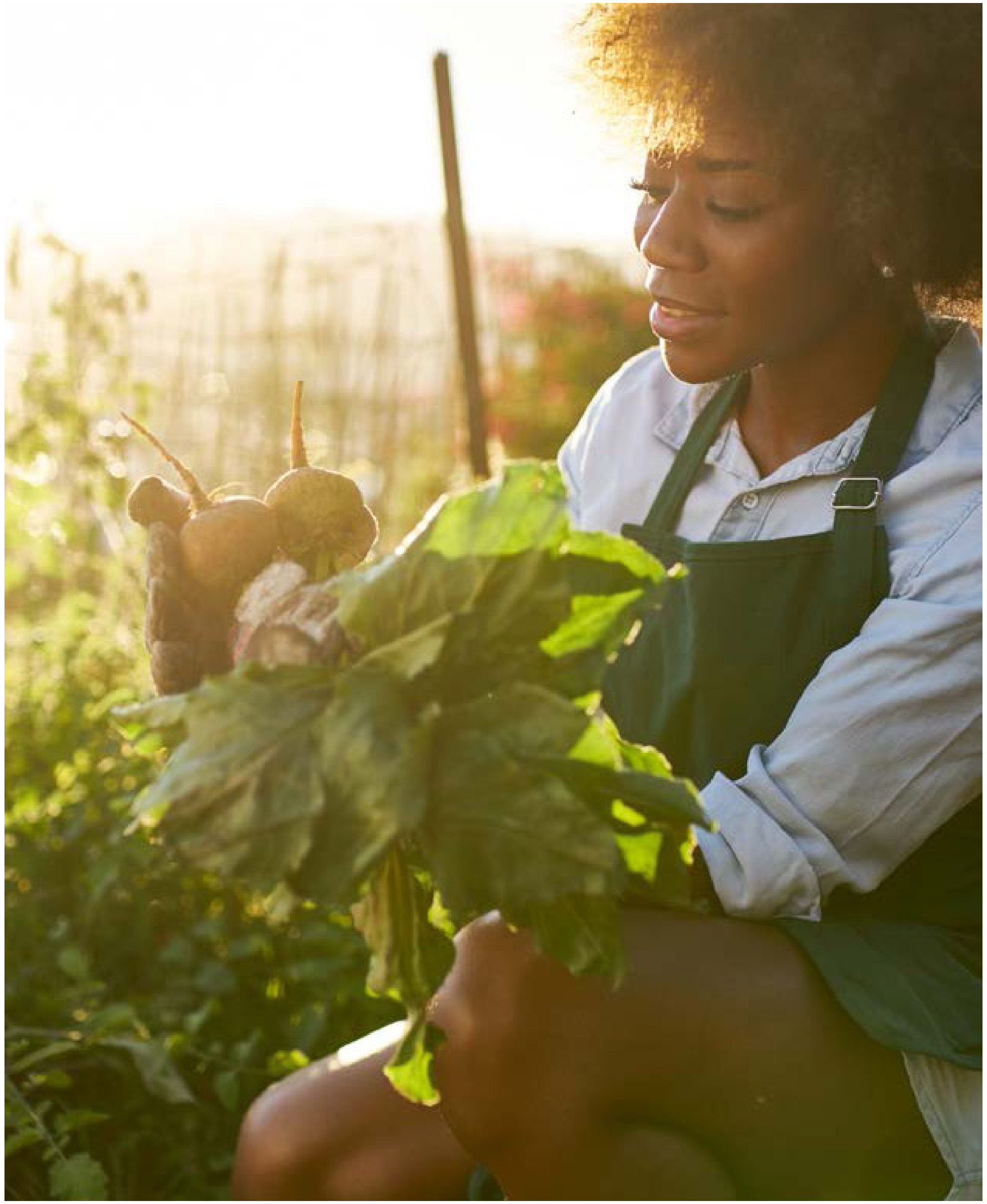
This report will be made available to the relevant sustainability coordinator by no later than the date stipulated in the relevant financial documentation and will then be made available via a SENS announcement to investors or via the relevant facility agent to lenders by the Coupon/Margin Notification Date (to be defined in the financial documentation) to investors and/or lenders.

5.5.3 Amendments to the framework

AECI may review this framework from time to time, including its alignment to updated versions of the relevant ICMA and LMA principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this framework being updated and amended. The updates, if not minor in nature, will be subject to the prior review of a qualified provider of second-party opinion.

6. **Legal** disclaimer

The material in this framework is for informational purposes only. The subject matter of this framework is subject to changes in business methods, legislation, regulations, international standards and/or best practice. As a result and notwithstanding that every effort has been made to ensure the accuracy of the information contained in this publication, AECI Limited makes no warranty or representations of its accuracy, conformance to legal requirements or appropriateness for purpose. AECI Limited will not, regardless of its or their negligence, assume liability for any foreseeable or unforeseeable use made thereof or reliance thereon, which liability (direct, indirect or consequential) is hereby excluded. Consequently, such use is at the recipient's own risk. Any use by the recipient constitutes agreement to the terms of this disclaimer. The recipient is obliged to inform any subsequent recipient of such terms.



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