2019 INTEGRATED REPORT
AND SUMMARISED FINANCIAL STATEMENTS

AECI®

good chemistry

ACCESS AND REQUEST OUR DOCUMENTS

The following documents are available electronically on our website:

- this report: https://www.aeciworld.com/reports/ar-2019/pdf/full-iar.pdf
- 2019 AFS: https://www.aeciworld.com/reports/ar-2019/pdf/full-afs.pdf
- Notice of Annual General Meeting of shareholders to be held on 26 May 2020: https://www.aeciworld.com/reports/ar-2019/pdf/full-agm.pdf
- Combined pdf, comprising all the above: https://www.aeciworld.com/corporate-library-integrated-annual-reports.php

Stakeholders may request printed copies of any/all these documents by contacting the Group Company Secretary: EN Rapoo, Private Bag X21, Gallo Manor, 2052; nomini.rapoo@aeciworld.com or groupcommunications@aeciworld.com

For reference, integrated/annual reports in respect of prior years' performance are available at https://www.aeciworld.com/corporate-library-integrated-annual-reports.php

A separate sustainability report will be published in the second half of 2020. That report will also be made available electronically and in print.

CONTENTS

ABOUT OUR INTEGRATED REPORT

Integrated reporting demonstrates an organisation's ability to create and sustain value over the short, medium and long term.

Accordingly, this report is intended to improve stakeholders' understanding of the following as they pertain to AECI Ltd ("the Company") and its operating business entities ("the AECI Group" or "the Group"):

- operational performance
- strategic direction
- overall sustainability and related initiatives. Key here are AECI's risks and opportunities, its prospects and its major impact in economic, social and environmental terms.

The information in this report is aligned with the six capitals of the International Integrated Reporting Council's International Framework. A set of icons has been incorporated into the narrative to highlight where the information touches on the respective capitals. A key explaining these icons is presented below.

INVITATION TO STAKEHOLDERS

The AECI Group engages with a broad spectrum of stakeholders. These include:

- employees and trade unions
- customers
- shareholders, bondholders, ratings agencies and investment managers
- lenders
- suppliers
- technology and business partners
- local and national government structures in countries where AECI operates
- regulatory and industry bodies
- local communities
- special interest groups
- the media.

FINANCIAL CAPITAL

HUMAN CAPITAL

MANUFACTURED CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

INTELLECTUAL CAPITAL

NATURAL CAPITAL

Written comments and feedback on this report and on other general matters of interest to stakeholders are welcomed. These should be addressed to the Group Company Secretary (see the inside front cover for email and postal address details).

SCOPE AND BOUNDARIES

The scope of this report includes all of AECI's subsidiaries and joint ventures. A list of principal subsidiaries is provided in note 33 to the full annual financial statements ("AFS") and information on joint ventures is in note 7. The report relates to the financial reporting period 1 January 2019 to 31 December 2019.

Issues identified as being of material significance to the Company and its stakeholders guide integrated reporting. For the AECI Group, this identification must adequately address the diversity and complexity of its businesses.

Accordingly AECI's overall Risk Management Framework ("Framework"), which mirrors issues of interest and concern to the Company and its stakeholders, underpins the identification of materiality for inclusion in this report.

The methodology and framework for managing risk are based on the Committee of Sponsoring Organization of the Treadway Commission and ISO 31000.

Other than the Framework and feedback from stakeholder engagements, the reporting principles applied in preparing financial statements and this report include:

- the Companies Act, No. 71 of 2008 ("the Companies Act"), in South Africa
- the Listings Requirements of the JSE Limited ("JSE")
- the International Integrated Reporting Council's International Framework

- International Financial Reporting Standards ("IFRS")
- the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council
- the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants
- the King Report on Corporate Governance for South Africa ("King IV")
- the CDP Climate Change and Water Programs
- the international chemical industry's Responsible Care® programme
- the 10 principles set out in the United Nations Global Compact
- AECI's own internal reporting standards and its Memorandum of Incorporation ("MOI").

From 2020, disclosure aligned with certain United Nations Sustainable Development Goals will be increased subsequent to AECI's formalisation of its Sustainable Development strategy and associated reporting processes.

ASSURANCE AND COMPARABILITY

The External Auditor has expressed limited assurance on data relating to safety, health and environmental performance as well as certain data on Employment Equity. AECI believes these indicators are material in view of the nature of its businesses and the environment in which they operate.

The Group's Internal Audit function assesses Group entities' internal controls and, on an annual basis, submits its related opinion to the Board. The management of each operating business also submits an annual self-assessment of internal controls (Internal Control Matrix) to the Audit Committee. These assessments confirm that the systems of internal control, per entity, are adequate for the operations in question and are functioning effectively.

There have been no material changes to the scope or structure of reporting from the prior year.

COVID-19

This report is intended primarily to provide feedback to stakeholders on AECI's performance, achievements and disappointments in the financial year ended 31 December 2019.

In the commentary on the Company's audited financial results for the year then ended, released on the Stock Exchange News Service of the JSE on 25 February 2020, the effects of the outbreak of COVID-19 in China in January 2020 and its rapid spread thereafter was identified as a new and serious concern.

COVID-19 has since been declared a pandemic. The duration and extent of the impact it will have on all of the Group's stakeholders, including its own businesses and those of its customers, remained uncertain at the time of preparing this report. However, the global effects are likely to be felt across all aspects of life for the foreseeable future and, although not expressly referred to throughout the integrated report, the severity of the pandemic and the overarching nature of associated risks are fully acknowledged by the Board.

AECI's Response Plan to COVID-19 is available at https://www.aeciworld.com/covid-19.php.

APPROVALS

The Board acknowledges its responsibility to ensure the integrity of the integrated report. All the Directors whose names appear to the right confirm that individually and collectively they have reviewed the content of this report. They believe it addresses material issues, determined by utilising the Risk Management Framework as a screening mechanism, and is a fair presentation of the integrated performance of the Group.

The Board approved the AFS for the year ended 31 December 2019 on 24 February 2020 and the release of the integrated report on 23 April 2020.

Directors

Khotso Mokhele (Chairman)

Steve Dawson

Fikile De Buck

Walter Dissinger

Mark Dytor

Godfrey Gomwe

Mark Kathan

Jonathan Molapo

Allen Morgan

Rams Ramashia

Philisiwe Sibiya

Woodmead, Sandton
23 April 2020

WHO WE ARE

AECI is a diversified Group of **16 businesses** operating in **26 countries on six continents** — Africa, Europe, Asia's South Eastern region, Australia, North America and South America.

Products and services are essential inputs in the businesses of a broad range of customers

GLOBAL
MINING SECTOR

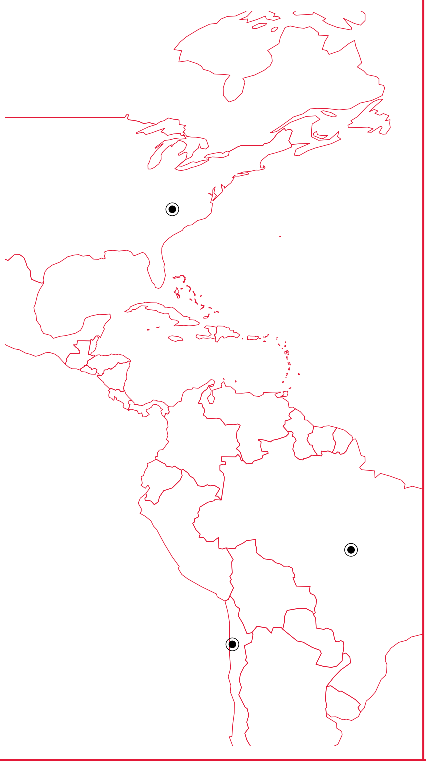
EUROPE, USA, AFRICAN CONTINENT
PLANT AND ANIMAL HEALTH INDUSTRY

AFRICAN CONTINENT
WATER TREATMENT MARKET

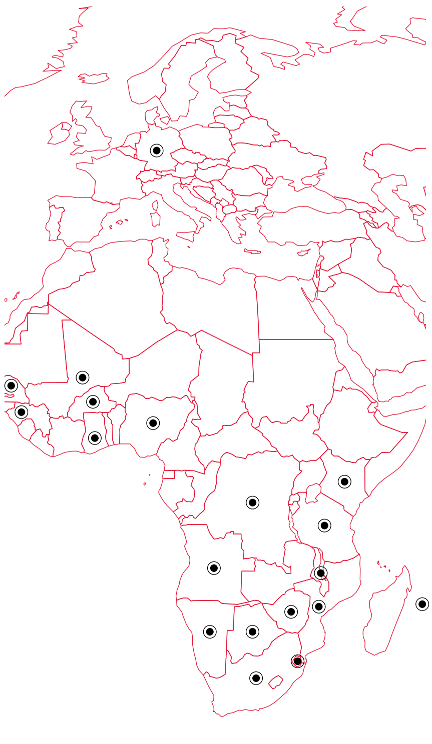
MAINLY SOUTHERN AFRICA
MANUFACTURING, ROAD INFRASTRUCTURE, FOOD AND BEVERAGE AND GENERAL INDUSTRIAL SECTORS

The trading conditions and performance of these key sectors are the Group's earnings drivers.

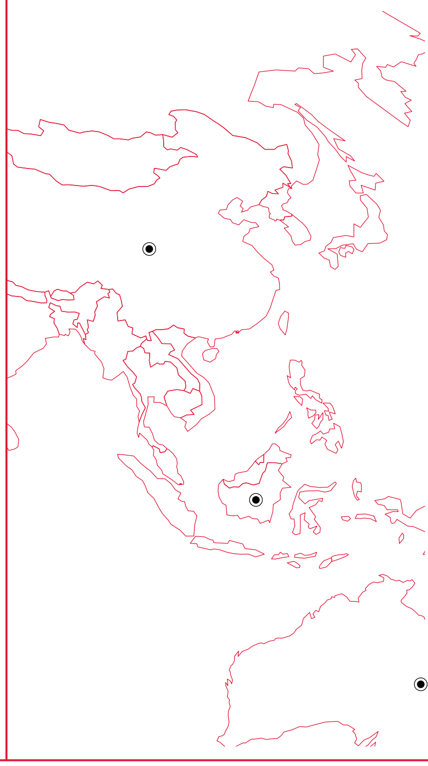
The Americas



Europe, Africa



Asia, Australia



HEADCOUNT BY COUNTRY

Angola	1	**China**	7	**Indonesia**	385	**Namibia**	9	**Zambia**	244
Australia	17	**DRC**	181	**Kenya**	3	**Nigeria**	8	**Zimbabwe**	47
Botswana	88	**Eswatini (Swaziland)**	2	**Malawi**	44	**Senegal**	21		
Brazil	40	**Germany**	670	**Mali**	17	**South Africa**	4 960		
Burkina Faso	178	**Ghana**	275	**Mauritius**	34	**Tanzania**	50		
Chile	3	**Guinea**	11	**Mozambique**	8	**USA**	203		

OUR HISTORY

Our history dates back to 1894 when Nobel established a dynamite factory at Modderfontein, near Johannesburg, to service the burgeoning mining industry in what was then the Transvaal Republic.

The Group evolved into a typical chemical conglomerate over time. Significant restructuring followed South Africa's readmission to the global economy in 1994 and again from 1999 when the ownership structure changed. In that restructuring process the portfolio of upstream and downstream activities was reviewed. This resulted in a number of businesses being sold, merged or closed and AECI becoming more focused on being the provider of choice for explosives and specialty chemicals customers.

At the same time, the Explosives business had developed a geographic expansion strategy and roll-out thereof had commenced. Aspirations for greater geographic diversity were expanded beyond this business over time. A significant example of this was the acquisition of Schirm, based in Germany, in 2018.

A map showing the current **global spread of our 7 506 employees** is shown above.

Over time it was also recognised that opportunities existed in markets where the Group had not been a significant participant in the past. A major step in this regard was the acquisition of Much Asphalt, also in 2018.

There are further opportunities in growth areas which we refer to as the **Business of Tomorrow**. Two such areas are of particular interest at present, namely **Going Green** and **Exponential Chemistry**.

Going Green relates broadly to innovative solutions that result in improved human well-being over the long term, while protecting the public against significant environmental risks or ecological scarcities.

Exponential Chemistry targets solutions or offerings focused on animal and human health in Africa to enhance the quality of life for both species and to play a role in reducing the current disease burden in the continent.

Both these areas as well as numerous other opportunities continue to be identified, evaluated and progressed on merit by AECI's Growth Office (AECI.GO) established in 2017.

One of the key areas of AECI.GO's work in 2019 was the establishment or strengthening of stakeholder partnerships to address pressing needs in society. Of these needs, water and food security are particularly relevant in Africa. Projects undertaken in the year reconfirmed the value of collaborative partnerships between stakeholders such as government, business, communities and civil society. More such initiatives will be pursued for common good.

AECI WAS REGISTERED AS A COMPANY IN 1924 AND HAS BEEN LISTED ON THE JOHANNESBURG STOCK EXCHANGE SINCE 1966.

Our **strategy**

TO CONTINUE TO **PURSUE ORGANIC GROWTH IN THE DIVERSE MARKETS WE SERVE DOMESTICALLY AND INTERNATIONALLY**

TO CONTINUE TO **GROW THROUGH ONGOING EXPANSION OF OUR GEOGRAPHIC FOOTPRINT, LEVERAGING THE EXISTING PRESENCE IN THE MINING AND PLANT HEALTH SECTORS IN PARTICULAR**

TO CONTINUE TO **IDENTIFY NEW MARKET EXPANSION OPPORTUNITIES,** IN LINE WITH THE COMPANY'S RISK APPETITE

PORTFOLIO MANAGEMENT IN LINE WITH STRATEGY

Businesses are managed in five strategic growth pillars. These pillars are AECI's reporting segments.

AECI also has a property division, **Acacia Real Estate**. Its main activities are the management of the Company's leasing portfolio and the provision of services at the Umbogintwini Industrial Complex in KwaZulu-Natal. Together with Head Office support functions, including the Treasury, Acacia Real Estate constitutes the Group's sixth reporting segment, namely Property & Corporate.

MINING SOLUTIONS

EXPLOSIVES
(AEL INTELLIGENT BLASTING)

MINING CHEMICALS
(EXPERSE AND SENMIN)

WATER & PROCESS

IMPROCHEM

Our **values**

TO CONTINUE TO **IDENTIFY, ASSESS AND PURSUE OPPORTUNITIES** IN THE **BUSINESS OF TOMORROW**

TO CONTINUE TO IDENTIFY MUTUALLY BENEFICIAL PARTNERSHIPS WITH MULTIPLE STAKEHOLDERS, PARTICULARLY IN ADDRESSING **WATER AND FOOD SECURITY** IN SOUTH AFRICA AND IN THE REST OF THE CONTINENT

PLANT & ANIMAL HEALTH

NULANDIS

SCHIRM

FOOD & BEVERAGE

LAKE FOODS

SOUTHERN CANNED PRODUCTS

CHEMICALS

CHEMFIT

CHEMICAL INITIATIVES

CHEMSYSTEMS

INDUSTRIAL OLEOCHEMICAL PRODUCTS

MUCH ASPHALT

SANS TECHNICAL FIBERS

INCLUDED IN THIS PILLAR IS THE SPECIALTY MINERALS SOUTH AFRICA JOINT VENTURE.

All business activities are underpinned by **our BIGGER values** — of being **Bold, Innovative, Going Green,** and being **Engaged** and **Responsible.**

These values were revised and agreed in 2015 in a Group-wide process prior to roll-out across the organisation. All employees are expected to conduct all business in a manner that upholds the AECI ethos.

Our values are described more fully on page 9.

ABOUT OUR STRATEGIC GROWTH PILLARS

MINING SOLUTIONS

(AEL INTELLIGENT BLASTING, EXPERSE AND SENMIN)

These businesses provide a mine-to-mineral solution for the mining sector internationally. The offering includes surfactants for explosives manufacture, commercial explosives, initiating systems and blasting services right through the value chain to chemicals for ore beneficiation and tailings treatment.

2019 IN SUMMARY

- Growth in revenue, EBITDA and profit from operations albeit that overall volumes declined
- Further expansion of geographic footprint, across minerals mined and mining methods
- Successful execution of strategic business realignment project in Explosives
- Good export sales of Mining Chemicals on the back of improved plant utilisation

WATER & PROCESS

(IMPROCHEM)

ImproChem provides integrated water treatment and process chemicals, and equipment solutions, for a diverse range of applications in Africa. These include, inter alia, public and industrial water, desalination and utilities.

2019 IN SUMMARY

- Very pleasing turnaround in performance
- Significant increase in export sales volumes
- Market share gained in South Africa
- Successful execution of strategic business realignment project

PLANT & ANIMAL HEALTH

(NULANDIS AND SCHIRM)

Nulandis manufactures and supplies an extensive range of crop protection products, plant nutrients and services for the agricultural sector in Africa.

Schirm, based in Germany, is a contract manufacturer of agrochemicals and fine chemicals with a European and US footprint. It is the premier provider of external agrochemical formulation services in Europe.

2019 IN SUMMARY

- Significantly better performance
- Higher local sales of in-house products by Nulandis assisted profitability
- Schirm is not yet delivering the investment case but new synthesis facility approved to manufacture a product for a blue-chip customer
- Pleasing improvement in safety performance at Schirm in Germany
- Excellent results from Schirm in the USA

FOOD & BEVERAGE

(LAKE FOODS AND SOUTHERN CANNED PRODUCTS)

The businesses in this pillar supply ingredients and commodities to the dairy, beverage, wine, meat, bakery, health and nutrition industries.

The other main activity is the manufacture and distribution of a broad range of juice-based products and drinks, including formulated compounds, fruit concentrate blends and emulsions.

2019 IN SUMMARY

- Good revenue and volume improvement
- Profitability adversely impacted by impairment and once-off costs
- Strategic realignment project to address margins and costs has been initiated

CHEMICALS

(CHEMFIT, CHEMICAL INITIATIVES, CHEMSYSTEMS, INDUSTRIAL OLEOCHEMICAL PRODUCTS, MUCH ASPHALT AND SANS TECHNICAL FIBERS)

These businesses supply chemical raw materials and related services for use across a broad spectrum of customers in the manufacturing, infrastructure and general industrial sectors, mainly in South Africa and in other Southern African countries. SANS Technical Fibers is based in the USA.

2019 IN SUMMARY

- Profitability of the pillar as a whole declined — South Africa's manufacturing sector under severe pressure
- Good overall performance from Much Asphalt in prevailing market conditions but the investment case has not been met yet
- Strategic realignment of the portfolio (excl. Much Asphalt and SANS Technical Fibers) initiated

BOLD

Pushing our performance above and beyond.

- We are courageous in pursuing ambitious goals.
- We are tenacious and decisive in facing our challenges.
- We are fearless in pioneering new opportunities and growth.
- We constantly seek opportunities to push the boundaries and to grow responsibly and improve our business.

INNOVATIVE

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

- We look for and encourage new opportunities, ideas and solutions.
- We embrace, stay abreast of and use technology.
- We lead with game changing differentiation for our customers' success.

GOING GREEN

Driving solutions for a sustainable future.

- We provide sustainable alternatives for our customers.
- We work smarter and conserve resources and energy.
- We take into account how our work and processes impact on people and the environment.

GOING GREEN

Driving solutions for a sustainable future.

- We provide sustainable alternatives for our customers.
- We work smarter and conserve resources and energy.
- We take into account how our work and processes impact on people and the environment.

ENGAGED

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

- We take ownership of our decisions and actions and understand their impact on others.
- We are honest, open and respectful in all dealings with others.
- We embrace diversity, fairness and equality.

RESPONSIBLE

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

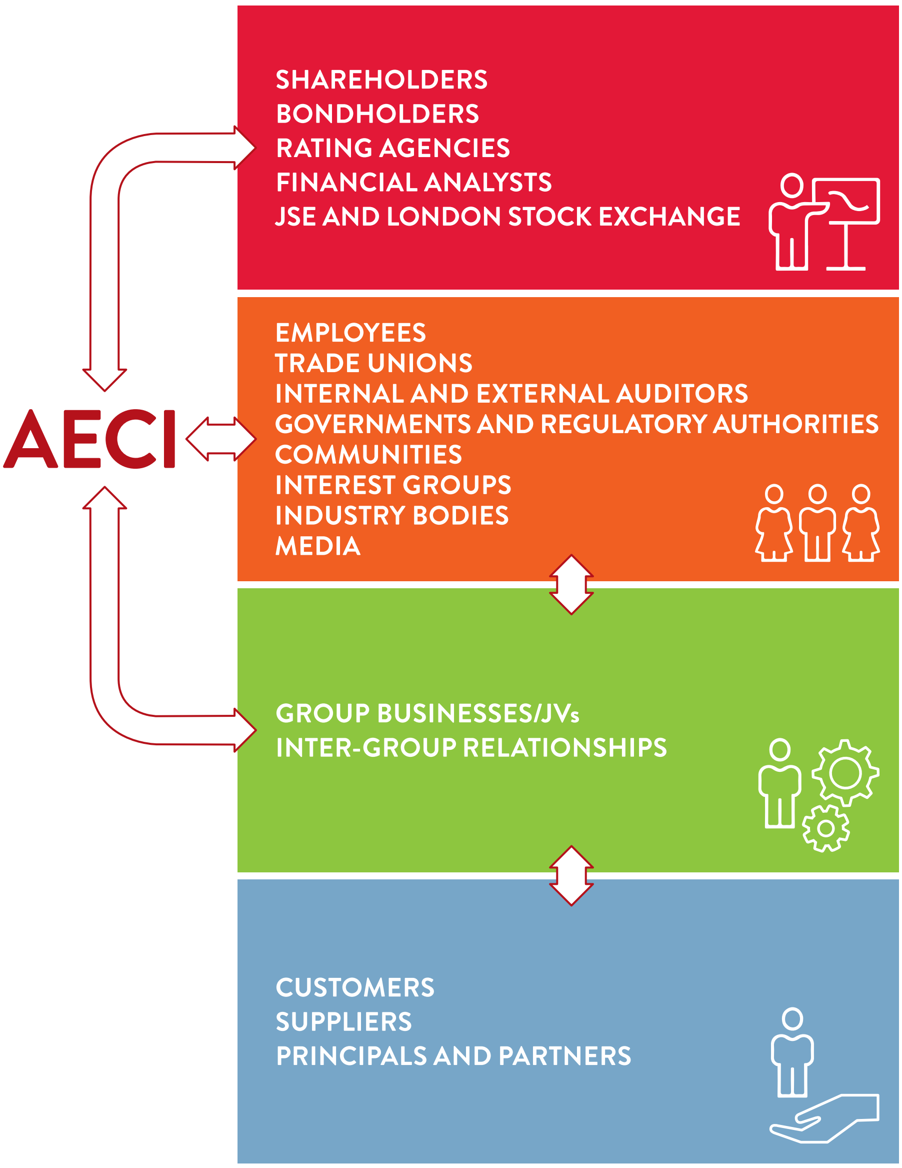
- We live our corporate, ethical and social responsibilities.
- Zero harm.
- We protect our assets, intellectual property and confidential information.

OUR STAKEHOLDER ENGAGEMENT MODEL

Our businesses serve a spectrum of customers across the globe. This diversity is matched by an equally diverse range of stakeholders — those persons or groups who can affect or be affected by our activities.

Engagement with stakeholders is largely the domain of either AECI or of its individual businesses, but there are instances where engagement occurs at both levels. The approach to engaging with stakeholder groups and our efforts in this regard are summarised here.

ENGAGEMENT FLOWS



INTERACTION BETWEEN AECI AND ITS BUSINESSES

Two-way interaction between AECI and its businesses occurs on an ongoing basis, both formally and informally. All the operating entities report to the AECI Executive Committee ("Executive Committee") and, via this Committee, to the Board. Formal structures include operating entity Board meetings, business reviews and Executive Committee meetings. AECI's Executives, in their capacity as the Company's Executive Directors and/or Chairmen of businesses, are in attendance at most of these meetings, particularly for South African-based entities.

Other forums, such as pillar-specific or Group-wide conferences and management meetings, also provide opportunities for information sharing and relationship building. Examples are structures such as quarterly Financial Directors' forums that include representatives from all of the Group's businesses, including those based internationally, Human Capital meetings, and the IT forum and Steering Committee.

The Group's strength is enhanced by sharing best practice and experience in all areas of activity. A culture of collaboration across businesses encourages the streamlining and harnessing of efficiencies, including those enabled by centralised functions such as Human Capital, the Treasury, Legal and Secretariat and Strategic Sourcing. A common drive for excellence leads to better results for the businesses individually and for the Group as a collective.

STAKEHOLDERS WITH WHOM ENGAGEMENT IS MOSTLY VIA AECI

AECI AND SHAREHOLDERS, FUND MANAGERS, LENDERS, AND FINANCIAL ANALYSTS

AECI communicates with these stakeholders by way of a number of processes, including announcements released on the JSE's Stock Exchange News Service ("SENS"), the dissemination of financial results and reports electronically and in print, results presentations, business-specific presentations and site visits and one-on-one or small group meetings.

The Chief Executive, CFO and other Executive Committee members conduct timely presentations on the Group's performance and strategy to institutional investors, lenders, financial analysts and the media. The Executive Directors also undertake international roadshows in Europe and the USA, aimed at current and potential investors. Further, there are regular one-on-one meetings with this group of stakeholders.

Presentations, corporate actions and financial results, as well as any other information deemed relevant, are published on the Company's website. Stakeholders are advised of such newly-published items via SENS. Additional information on the Company, such as inter alia its management and governance policies and structures, is also available at www.aeciworld.com.

To ensure that shareholders without access to electronic communication are not prejudiced, AECI publishes and reports on details of its corporate actions and financial performance in at least one daily national English newspaper in South Africa as required by the JSE.

AECI, THE JSE AND THE LSE

As an entity listed in South Africa, AECI is required to comply with regulatory frameworks such as the JSE Listings Requirements, the Companies Act and the principles contained in King IV. Alignment with the latter principles is an ongoing and iterative process.

Compliance is managed largely through the Company's Legal and Secretariat and Corporate Communications functions. Interaction with the JSE is via Rand Merchant Bank as AECI's corporate sponsor in South Africa, when such sponsor input is required. Further liaison with the JSE, such as work related to assessments for inclusion in specific indices, is undertaken directly.

In addition to ordinary shares traded on the JSE, AECI has 3 000 000 cumulative preference shares denominated in pound sterling. Therefore, it **also has obligations opposite the London Stock Exchange**. To meet these obligations, all announcements released on SENS are also released in London via the Company's London Secretary, St James's Corporate Services.

STAKEHOLDERS WITH WHOM ENGAGEMENT IS VIA AECI AS WELL AS ITS BUSINESSES

THE GROUP AND ITS EMPLOYEES

The same information that is shared with investors and other financially-based stakeholders is made available to employees Group-wide. This takes place via communication in print, electronic media and personal interactions between the Group's leadership at all levels and the staff complement as a whole.

Across all businesses, Human Capital departments and Specialists are primarily responsible for the Group's policies, procedures and practices in employment, benefits and related human resource matters, and for the communication of these via established structures. At Group level, businesses participate in forums and structures dealing with, inter alia, Employment Equity and SHEQ-related strategies and performance tracking. The Chief Executive and the rest of the Executive Committee meet with the Group Employment Equity Committee, which includes representatives from all businesses in South Africa, on an annual basis.

THE GROUP AND TRADE UNIONS

The AECI Group subscribes to the freedom of association principle and recognises the right of all employees to join a trade union or other representative bodies of their choice without fear of harassment or discrimination of any kind. Unions participate in various consultative and negotiation structures that include, inter alia, Management/Shop Stewards Consultative Forums, Employment Equity and Skills Development Steering Committees and SHEQ Committees that deal with issues that affect employees' interests.

Businesses in South Africa are members of the National Bargaining Council for the Chemical Industry ("NBCCI"). Substantive collective agreements for the Bargaining Unit are negotiated on an annual basis, or within timeframes agreed in prior negotiations, with representative trade unions. In the AECI Group, owing to the nature of most operating entities, this is done mostly under the auspices of the NBCCI — Industrial Chemical Sector. Senior Employee Relations Managers from the Group participate in this forum as employer representatives.

In other countries employees have the same right to join representative bodies of their choice, where these exist.

THE GROUP AND INTERNAL AND EXTERNAL AUDITORS

This engagement is driven by good governance requirements, through compliance with relevant legislation and standards. It includes the limited assurance, undertaken annually for publication in the integrated report, of selected non-financial indicators which AECI believes are material in view of the nature of its businesses and the environment in which they operate.

The Directors are required in terms of the Companies Act and the JSE Listings Requirements to prepare annual financial statements which fairly present the state of affairs of the Company and the Group as at the end of the financial year period, in conformity with IFRS. The External Auditor is responsible for auditing the financial statements of the Company and its subsidiaries and for expressing its opinion on these statements to shareholders. In addition, the External Auditor is responsible for confirming whether the financial statements meet the requirements of the Companies Act and IFRS. In 2019, the External Auditor was also engaged to carry out an Agreed Upon Procedures Review in respect of the interim financial results to 30 June.

The Directors must ensure that Group entities maintain adequate accounting records, that an effective risk management process and internal controls are in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. To enable the Directors to meet these responsibilities, management sets standards and implements systems of risk management and internal control aimed at reducing the risk of error or loss in a cost-effective manner.

The Group's Internal Audit function appraises the internal controls of Group businesses and submits its assessment of these to the Board on an annual basis.

The management team of each business also submits an annual self-assessment of internal control (Internal Control Matrix) to the Audit Committee affirming that the systems of internal control, in entities for which they have responsibility, are adequate for their operations and are functioning effectively. Internal Audit assesses the controls opposite this Matrix and reports thereon to the Audit Committee.

THE GROUP AND GOVERNMENT/ REGULATORY AUTHORITIES

AECI and its businesses are subject to the laws and regulations of the jurisdictions in which they operate. This means governments and regulatory authorities are able to have a significant influence on the Group as a whole or on one or more of its entities. As a consequence, the management of related matters through engagement with relevant authorities is a business imperative.

Such engagement may range from advocacy initiatives associated with the development of legislation and standards to cooperative work with those regulators who have the responsibility of governing the Group's activities through the application of these laws and standards. AECI and/or its businesses may choose to develop relationships with relevant government and regulatory entities in a proactive manner.

A significant step was taken in 2019 to enhance engagement with this key stakeholder Group and others. A Strategic Relationships Manager was appointed in the last quarter of the year. The experienced incumbent in this new senior role was tasked with reviewing the strategies, structures and processes in place and for recommending changes or improvements, as required, and for overseeing execution thereof. This will benefit AECI's brand not only with authorities but also among other stakeholders such as communities, uplifting them and benefiting the business at the same time. The food and water security project at Hammanskraal, northern Gauteng, in 2019 was an excellent example of what can be achieved through partnerships between diverse stakeholders.

In addition to interaction with all levels of government in South Africa, the Manager is also responsible for plans in support of Group businesses in the rest of the African continent, particularly in the areas of food security and chemical inputs for products that meet essential human needs.

All government engagement by AECI employees is subject to the Group's Code of Ethics and Business Conduct ("the Code") and associated Guidelines as approved by the AECI Board. The Code "is designed to provide clear guidelines for engaging with all stakeholders" and there is an explicit expectation that employees will have zero-tolerance to bribery and corruption. The statement that "AECI will not condone any violation of the law" is unequivocal. With respect to donations, the Code is clear that "no donations will be made to political parties and political candidates under any circumstances."

A second policy document of relevance is the Delegation of Authority Framework ("the Framework"). This document notes that the AECI Board "is ultimately accountable and responsible for the performance and affairs of the AECI Group ... and derives its authority primarily from the (Company's) MOI as well as the general regulatory framework and common law". The Framework stipulates that subsidiary Boards and other high-level Committees have been set up to ensure, inter alia, "that the business entity is run in accordance with good corporate governance practices". The Framework is clear that "no delegation of authority may be exercised for any immoral or unlawful purposes". While naturally silent on the details of government engagement, the document clarifies governance roles and responsibilities in the Group.

THE GROUP AND COMMUNITIES

AECI has formal structures in place for engaging with its neighbouring communities. In the mid-1990s, the Umbogintwini Industrial Complex ("UIC") was the first site or business in the Group (and South Africa) to sign a formal charter with its neighbours. The charter sets out principles, responsibilities and procedures to serve as a framework for interaction between the parties.

Communities living within the footprint of influence of manufacturing and storage sites are most often concerned about the potential effects of site incidents and the management of these. Emergency preparedness and emergency response information, therefore, is shared with neighbours using channels such as local print and social media, site performance reports and invitations to participate in site-based emergency exercises. Their participation is via representatives mandated by communities to represent them in these matters.

Other interactions include local socio-economic development projects in the areas of education, health, the environment, charitable contributions, and skills and enterprise development. Often, contributions are not only in cash but also in the form of expertise and guidance. This is also true for a number of businesses beyond South Africa's borders. See further details in the commentary on Social and Relationship capital on page 46.

Communities in which the Group operates or has an interest in South Africa are the primary intended beneficiaries of the AECI Community Education and Development Trust.

THE GROUP AND SPECIAL INTEREST GROUPS

These stakeholders are often, but not always, aligned with communities in which the Group operates.

Although their engagement requirements often overlap with those of communities, their needs are recognised separately.

Wherever possible, these stakeholders are encouraged to participate in the Group's affairs via existing structures (liaison forums and the like). Where this is not possible separate arrangements are made to meet the needs of the stakeholders who, as a rule, are concerned mainly with matters broadly classified as being environmentally- and health-based. Arrangements include meetings, site/business visits and participation in/ support of interest group initiatives.

Examples of interest groups in South Africa include the Modderfontein Conservation Society, the Wildlife and Environment Society of South Africa and residents' associations.

THE GROUP AND THE MEDIA

All issues pertaining to the Group and its stakeholders are of potential interest to the media in its role as a conduit for public information.

AECI's Corporate Communications function maintains contact with the media by disseminating relevant information proactively or in response to enquiries. Group businesses also interact with the media regarding matters specific to their operating sites or businesses. Other than in instances where media comment/coverage relates to marketing or product news, businesses are required to keep the AECI Head Office informed of likely coverage.

This is particularly true in instances where potentially controversial or negative comment is expected, or when it is possible that coverage will impact on/refer to the Group as a whole.

Where businesses do not have the necessary resources to deal with media requests or enquiries on their own, AECI's Corporate Communications function provides guidance or responds on that business' behalf after having confirmed the content of the response with management.

For communication in any situation which can be defined as a crisis or potential crisis (operational, industrial action, legal issues etc.), the preparedness of each business for such an eventuality is confirmed by annual Letters of Assurance submitted by the Managing Directors of Group businesses to the Chief Executive.

Depending on the type and scale of an emergency, AECI Head Office resources are made available to assist the affected operation or business. The hierarchy for escalating notifications of incidents, and subsequent progress reports, is clearly defined and has been communicated to all businesses.

THE GROUP AND INDUSTRY BODIES

AECI and its businesses participate in a number of initiatives and associations pertinent to all or some of their business activities. In this way, issues relevant to the sustainability of the Company or that of one or more of its businesses are addressed.

Initiatives include but are not limited to:

- longstanding membership of and involvement in SAFEX International, which aims to protect people and property against dangers and damage by sharing experiences in the global explosives industry. An AEL representative serves on the organisation's Board of Governors
- involvement in several structures and forums in the Chemical and Allied Industries' Association ("CAIA"). AECI's Chief Executive is a member of the CAIA Board
- active membership of the Responsible Care® Standing Committee
- active membership and leadership of the Process Safety Forums in KwaZulu-Natal and Gauteng for South Africa's chemical industry
- the Chemicals Handling and Environmental Forum is tasked with promoting responsible handling of chemicals throughout their lifecycle by providing a forum for stakeholders to discuss critical issues pertaining to the handling, storage, transport and distribution of hazardous chemicals. The Forum comprises representatives of CAIA member companies, government departments, other allied industry associations and various industry experts. AECI is represented at this Forum
- Responsible Care® is the global chemical industry's voluntary initiative for the continual improvement of performance in safety, health and environmental practices. It is a public commitment to the responsible management and stewardship of products and services through their lifecycle. It is also the vehicle used by the industry in its pursuit of improved product stewardship. CAIA is the custodian of Responsible Care® in South Africa, with more than 150 South African businesses being signatories. AECI is a signatory as are the Group's companies in South Africa in their own right. Signatories have their compliance with the Management Practice Standards verified by independent assurance providers
- participation in the CDP Climate Change and the CDP Water Programs. The CDP is a global initiative administered locally by the National Business Initiative. The CDP is an international voluntary disclosure programme. Data on greenhouse gas emissions and climate change response actions by business are collated on behalf of global investors. The CDP Water Program is aimed at catalysing sustainable corporate water management globally
- the Group is well represented in legislative forums in structures of the Chemical Industries Education and Training Authority ("CHIETA"). Subject matter experts represent AECI at employer organisations including the National Association of Speciality Chemicals Employers Association, the National Institute of Explosives Technology and the National Artisan Training Committee. These relationships optimise the Group's ability to make contributions that are suitable and beneficial to the sectors in which it operates.

STAKEHOLDERS WITH WHOM ENGAGEMENT IS MOSTLY VIA GROUP BUSINESSES

GROUP BUSINESSES AND CUSTOMERS/SUPPLIERS

Customer service and engagement is at the heart of the daily business of AECI's operating entities. It is fundamental to the value-add business model and, as such, it embraces the spectrum of business-related issues that could affect performance. It also addresses external considerations such as labour relations, socio-political imperatives and, in South Africa, B-BBEE matters.

Each Group business has a robust system in place to meet changes in customers' needs quickly and efficiently. Equally, relationships with suppliers are monitored continually and are modified as required to safeguard the supply chain as a whole. Terms of engagement with customers and suppliers are clearly defined and, where appropriate, Group-wide policies and procedures guide the businesses to ensure that customer- or supplier-related risks are properly understood and managed in line with AECI's risk appetite.

GROUP BUSINESSES AND TECHNOLOGY AND BUSINESS PARTNERS

Long-term technology and other agreements, as well as strategically advantageous partnerships, are one of the bases for the AECI Group's growth. Individual businesses engage with their principals and partners as a matter of course. Major changes, developments or opportunities are escalated to the Executive Committee and then to the Board, depending on the significance of the real or proposed change, development or opportunity.

This ensures that issues such as competitor and customer trends, economic conditions and industry trends, and the appropriateness of technologies, products and services are addressed.

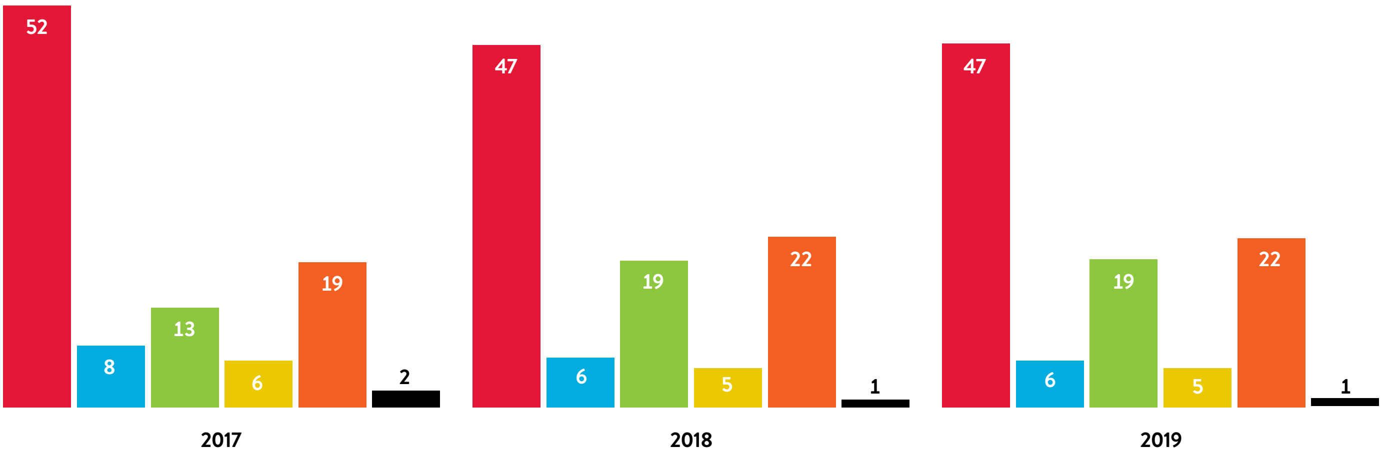
2019 REVIEW

OUR SUMMARISED FINANCIAL PERFORMANCE

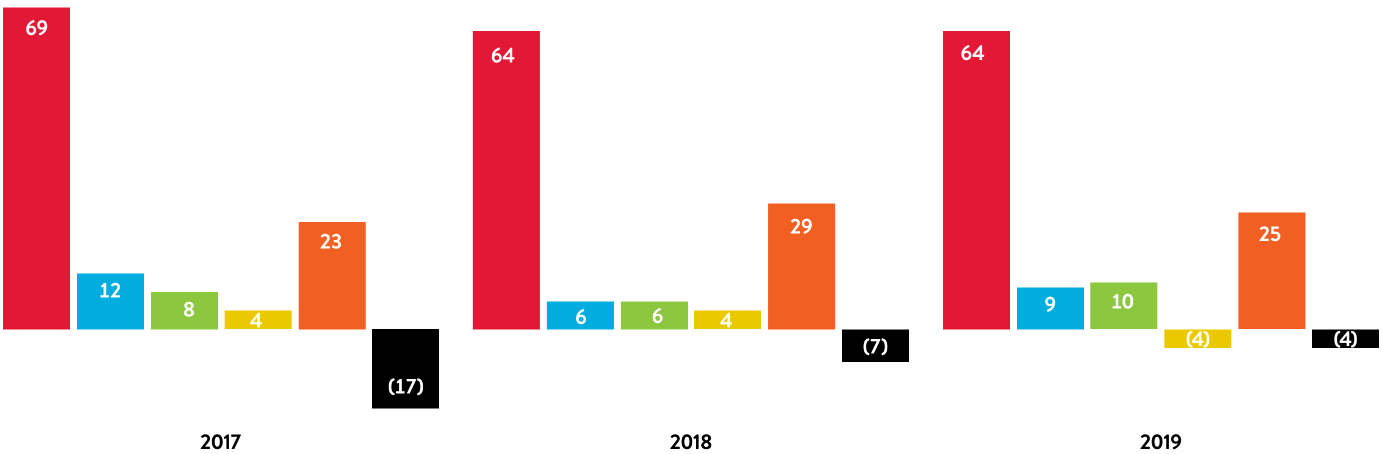
KEY INDICATORS

	2019	2018	% change
Revenue (R millions)	**24 799**	23 315	6,4
Profit from operations (R millions)	**2 031**	1 999	1,6
Headline earnings (R millions)	**1 213**	1 103	10,0
Net profit attributable to ordinary shareholders (R millions)	**1 291**	990	30,4
Headline earnings per ordinary share (cents)	**1 150**	1 045	10,0
Dividends declared per ordinary share (cents)	**570**	515	10,7
Market capitalisation at 31 December (R millions)	**13 036**	10 174	28,1
Profit from operations to revenue (%)	**8,2**	8,6	
Net working capital to revenue (%)	**17,2**	12,3	
Return on net assets (%)	**13,8**	16,6	
Return on invested capital (%)	**10,2**	12,5	
Return on shareholders' interest (%)	**11,6**	11,4	
Net borrowings as a percentage of shareholders' interest (%)	**36,4**	40,9	

REVENUE: CONTRIBUTION BY OPERATING SEGMENT (%)

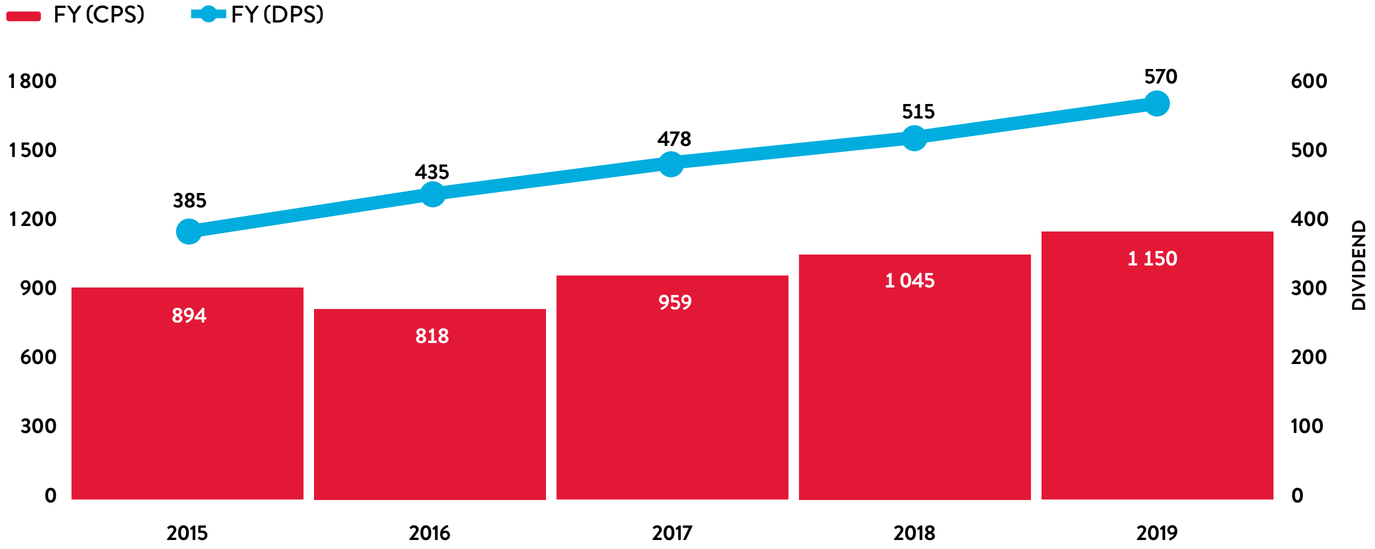


PROFIT/(LOSS): CONTRIBUTION BY OPERATING SEGMENT (%)

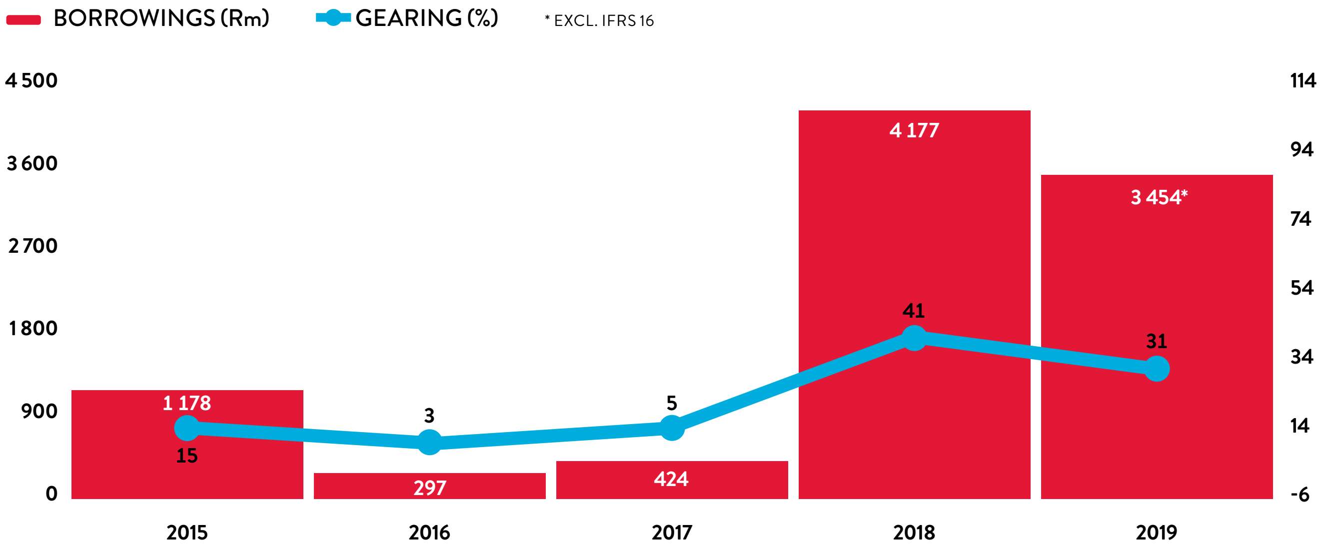


MINING SOLUTIONS
WATER & PROCESS
PLANT & ANIMAL HEALTH
FOOD & BEVERAGE
CHEMICALS
PROPERTY & CORPORATE

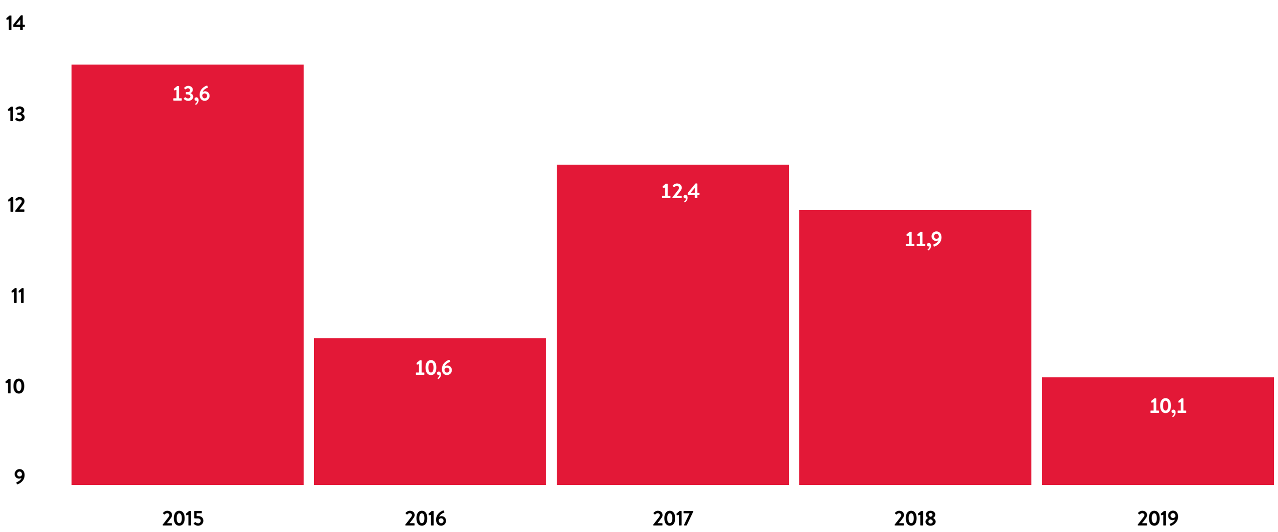
HEADLINE EARNINGS AND DIVIDENDS PER SHARE (CENTS)



BORROWINGS AND GEARING



RETURN ON INVESTED CAPITAL (%)



2019 REVIEW

A SUMMARY OF OUR CONTRIBUTION, BY CAPITAL

FINANCIAL

Revenue up **6%** to **R24 799m**

foreign and export revenue was **40%** of total revenue

EBITDA **26%** higher year-on-year to **R3 326m**

Growth trend in profit from operations maintained up **2,0%** to **R2 031m**

EPS **30%** more than in 2018 at **1 223c**

Solid HEPS growth of **10%** to **1 150c**

Cash of **R1 868m** generated from operations

MANUFACTURED

Air emissions abatement projects at Modderfontein on track **R100m** of total **R180m** investment spent

New synthesis facility at Schirm approved to manufacture product for blue-chip customer

SANS Technical Fibers' single-stage polyester fibre plant **completed and commissioned**

Additional assets deployed in African continent to **maintain and expand** the Explosives footprint

Additional mobile emulsion explosives **production units deployed** in Australia

INTELLECTUAL

Systems that improve the employee experience and employer brand rolled out

Initiatives to **address findings** of **Employee Culture Survey** progressed

Employee Study Assistance Scheme invested **R16m** in **1 157** employees

Another **112** employees enrolled in the Leadership Management Development Programmes

Since 2017, the AECI Good Chemistry Fund has invested **R11m** in Enterprise and Supplier Development

HUMAN

Significant improvement in occupational safety performance

Certificated as a **Level 2 B-BBEE** Contributor in the year

Human Capital Operating Model **redesigned and rolled-out** in eight countries

Women Empowerment Programme's global relevance enhanced with celebration of **International Women's Day**

Awareness and education workshops on gender-based violence

Contribution to **gender mainstreaming** recognised

SOCIAL AND RELATIONSHIP

Stakeholder engagement capacity **enhanced** through appointment of Strategic Relationships Manager

More than **R30m invested** through SED Programmes impacted **311 000** beneficiaries

Employees participated generously and enthusiastically in **volunteerism campaigns**

A **food and water security** project in Hammanskraal demonstrated the potential of partnerships to address society's pressing needs

NATURAL

No Major or Serious environmental incidents recorded

Zero environmental incidents reported by **seven** Group businesses

Roll-out of new Going Green programme aligned with United Nations Sustainable Development Goals

Award received for contribution to **sustainable land remediation** and management in South Africa

THE WEALTH WE GENERATED
AND DISTRIBUTED

AECI generated wealth of R7,9 billion in 2019, after deducting payments to suppliers, principals and partners. This wealth was distributed to employees, lenders, shareholders and governments (in the form of taxes) to the extent that the strength of the balance sheet is safeguarded and we retain sufficient resources to continue investing in the growth of our businesses.

The acquisitions of Schirm and Much Asphalt were examples of such investments in future growth, in line with strategy. Schirm represented the meaningful expansion of our geographic footprint in Europe. With Much Asphalt we diversified our business in terms of markets served. Before this acquisition, the Group's participation in the road infrastructure industry was very limited.

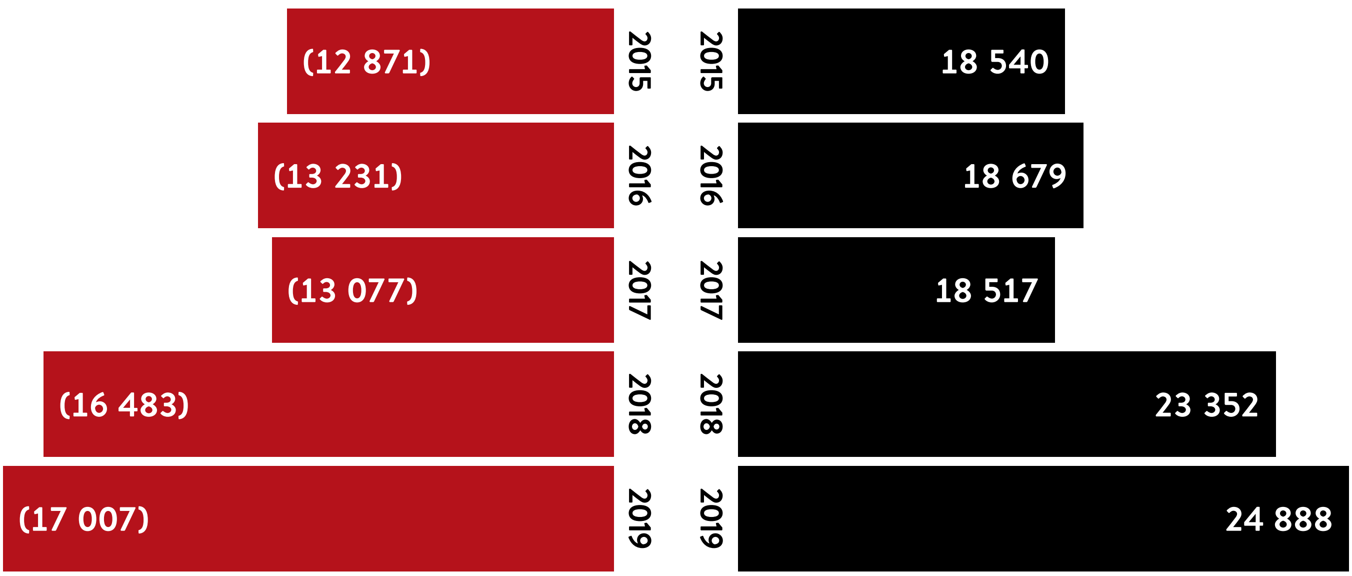
The acquisitions necessitated that AECI take on additional debt to fund the transactions. Therefore, in 2019 a higher proportion of funds generated was retained by the Group than was the case in recent years. This will ensure that our financial position remains strong and stable, enabling us to settle future debt repayment obligations without compromising ongoing investment in growth. The proportion of wealth generated distributed to lenders (the banks who have extended the loans to AECI) increased for the same reason. The further reduction of debt will remain the priority over the term.

The generation and distribution of wealth over the last five years is depicted below and on the facing page.

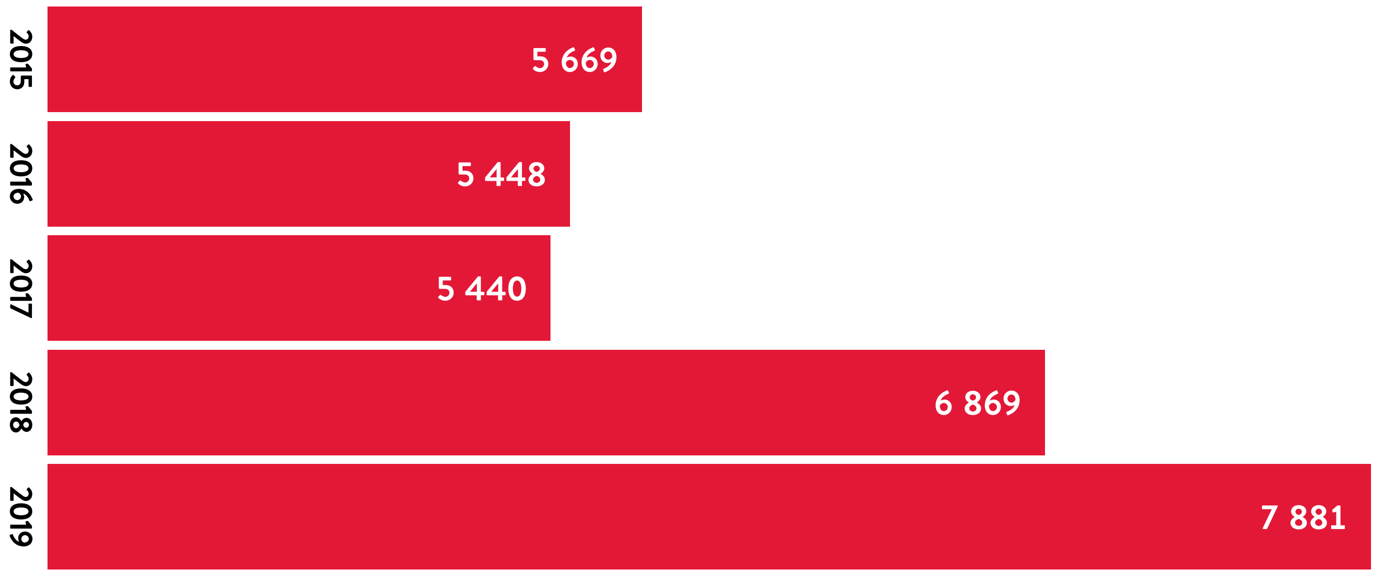
Even though the proportion of wealth generated that has been retained increased, growth in the amount of wealth generated has been shared with other stakeholders, including our employees and shareholders. Shareholders have benefited from compound growth in ordinary dividends of 10% over the last five years. AECI has also been in a position to sustain its investment in communities in areas where the Group and its customers operate, as highlighted in commentary on Socio-economic Development elsewhere in this integrated report.

PURCHASED FROM SUPPLIERS, PRINCIPALS AND PARTNERS (Rm)

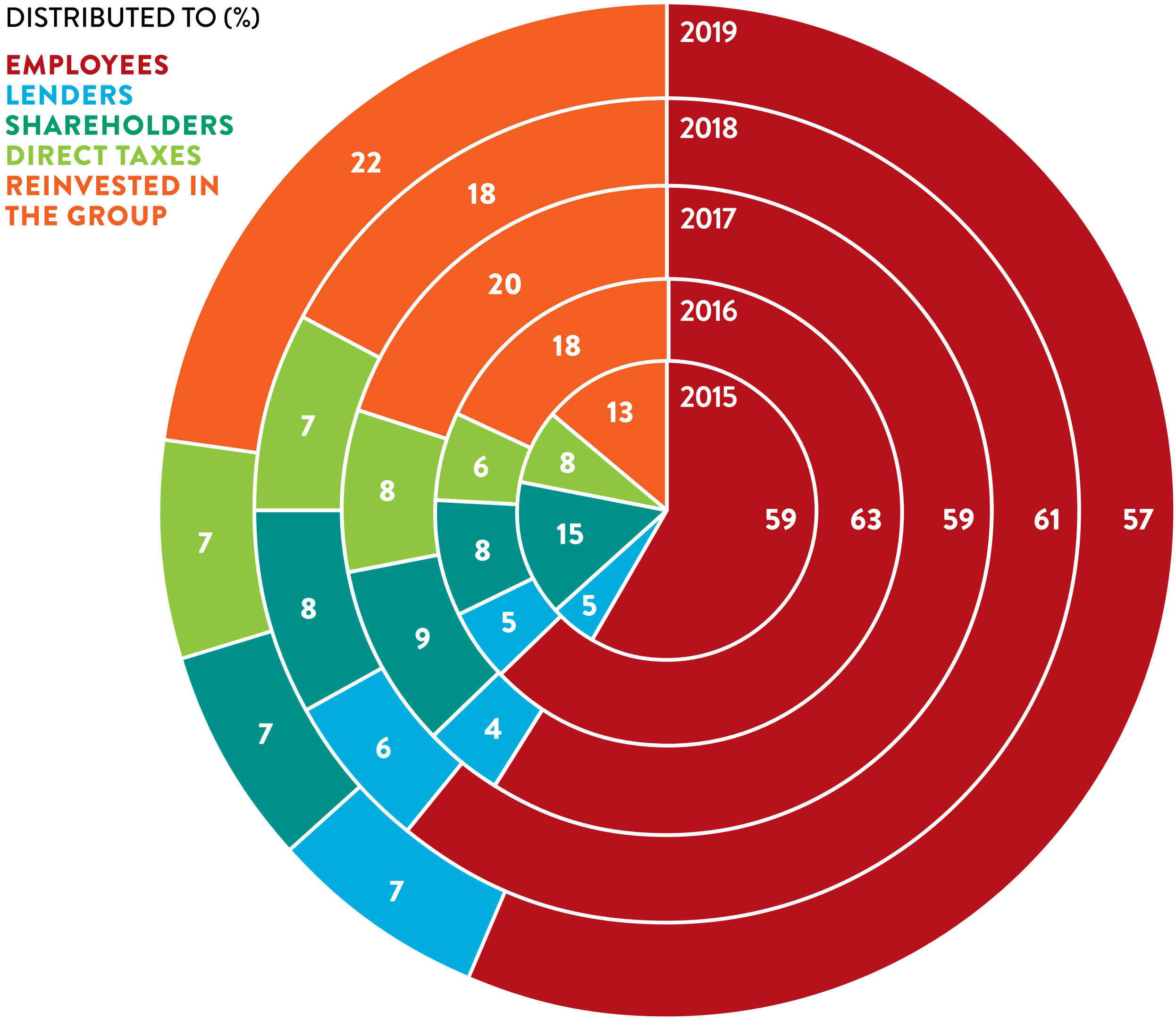
REVENUE FROM CUSTOMERS AND OTHER INCOME (Rm)



WEALTH GENERATED (Rm)

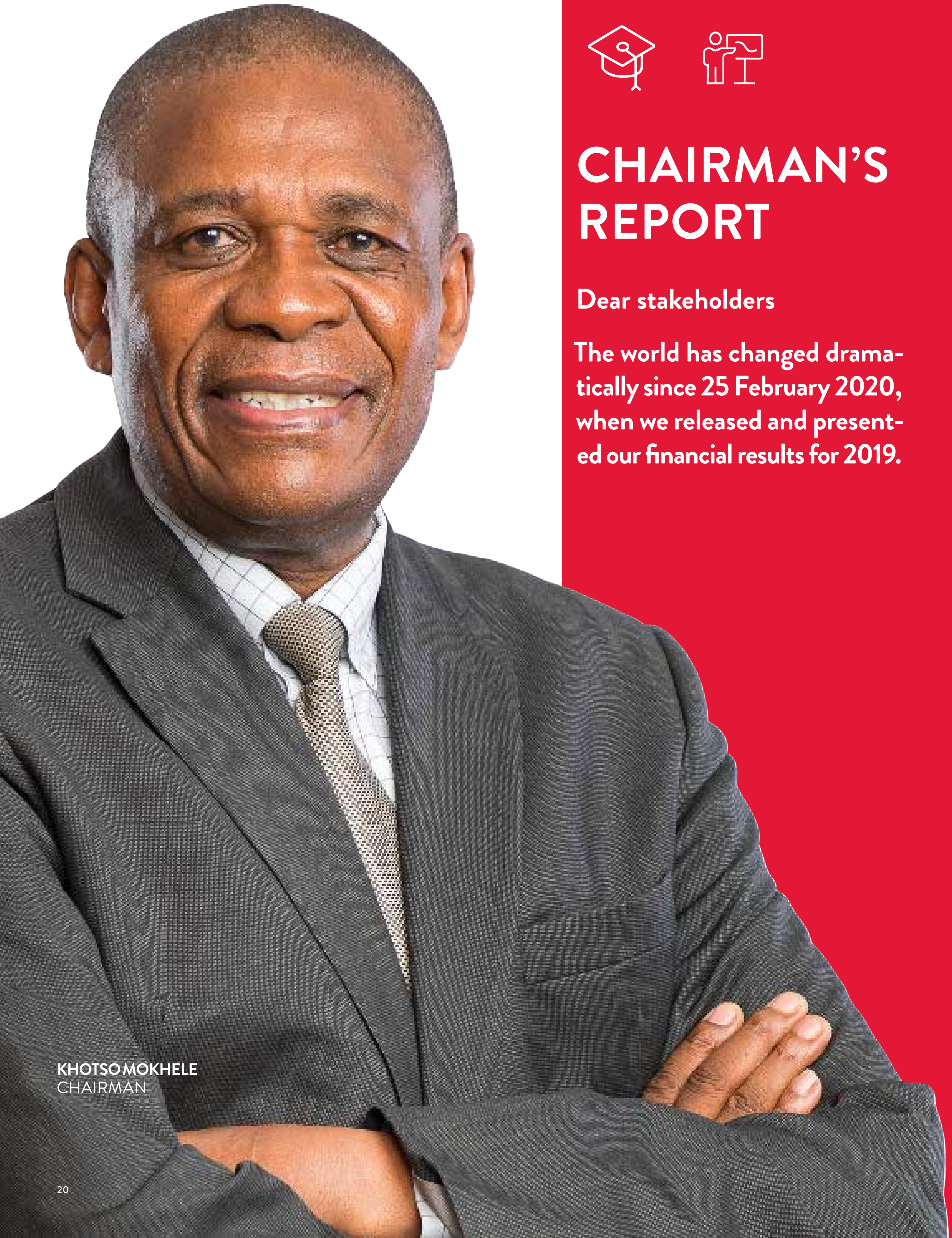


DISTRIBUTED TO (%)



FROM OUR LEADERSHIP

CHAIRMAN'S REPORT



KHOTSO MOKHELE
CHAIRMAN

Dear stakeholders

The world has changed dramatically since 25 February 2020, when we released and presented our financial results for 2019.

At that time Mark Dytor and I, on behalf of the Board, expressed our concern regarding the effects of the COVID-19 outbreak caused by Coronavirus SARS-CoV-2 and its rapid spread. We noted that failure to contain the virus or develop a vaccine timeously could have extremely severe consequences globally and indicated that the Group had already initiated its mitigation plans. A global pandemic has since been declared. Every aspect of daily life has been disrupted or restricted by the most serious health-related risk in modern times and the duration of this disruption or its full implications are unknown.

As a business with an international presence we are committed to supporting the effort of governments, business and individuals through coordinated, effective action to minimise the impact of COVID-19 on society. The Group's strategy is focused primarily on preventing and minimising the spread of the virus.

As we prepare this integrated report, several of the countries in which we operate are under some form of lockdown or restricted movement to limit the human contact as a means of containing the spread of the virus. In these countries, essential services continue to operate.

AECI manufactures numerous products for customers in key sectors that include among others personal healthcare, water treatment, electricity supply, food and beverage, agriculture and mining. Many of these products are inputs into the supply chain of the businesses that have been declared essential in South Africa. Consequently, AECI has received a certificate declaring it an essential service. It is of critical importance that we continue those operations which support essential services but do so with the greatest care for our employees to ensure that they operate under the strictest hygiene standards and observance of the prescribed social distance.

A key challenge that has to be overcome locally by us and all those essential services operating under these pandemic conditions is the public transportation of our employees. The Company has made appropriate arrangements to ensure that employees are transported to and from work safely and with appropriate hygiene standards.

Management of the Group's response to COVID-19 is spearheaded by a task team led by the Chief Executive and comprises the other members of the Executive Committee and subject Specialists from within the Group in the areas of SHEQ, Legal/Stakeholder Engagement, Supply Chain, IT and Employee Benefits (medical aid benefits and insurance matters).

This team's strategic intent is summarised as follows:

› to prevent or reduce, as far as possible, the infection of employees, their families, co-workers and others who may come into contact with them
› to reduce the risk of COVID-19 becoming a community, national or international disaster
› to ensure prompt and adequate detection and treatment
› to reduce the level of absenteeism due to direct or indirect effects of COVID-19
› to minimise the impact on Group operations so as to (a) not disrupt the supply of essential services, (b) honour contractual obligations, and (c) safeguard revenue streams
› to reduce the spread of COVID-19 and ultimately reduce the strain on healthcare systems internationally
› to ultimately restore society back to "business as usual"
› to increase the Group's readiness for future outbreaks.

The Chief Executive provides feedback to the Board on the execution and effects of the strategy on a continuous basis.

2019 PERFORMANCE

Commentary on performance across AECI's financial and non-financial indicators in the year is provided in the respective sections of this integrated report. I share with you some overall highlights and observations from the Board's perspective.

Looking back at 2019, AECI's management is to be commended on the results achieved in an environment that presented its own challenges. These results validated the benefits of the geographical and market diversification of the business.

SAFETY

A highlight was the improvement in the Group's Total Recordable Incident Rate ("TRIR"), which measures the number of incidents per 200 000 hours worked. In December the TRIR was 0,38 from 0,58 in December 2018. Excluding Schirm and Much Asphalt, the TRIR was 0,22 (2018: 0,32). Collectively, the TRIR of Schirm and Much Asphalt improved by more than 50% since December 2018. Intense focus on further progress will remain the priority. Most importantly there were no fatalities, unlike in the prior year when we reported the tragic death of a third-party contract worker.

FINANCIAL PERFORMANCE

Revenue increased by 6,4% to R24 799 million (2018: R23 314 million), with all operating segments achieving growth. The inclusion of results from Schirm and Much Asphalt for the full 12-month period accounted for 2,5% of the revenue increase.

Schirm and Much Asphalt were acquired in 2018. Their performances are not yet delivering the investment case. The reasons for this as well as the potential for delivery in line with expectations, in the context of prevailing market conditions, are detailed by the Chief Executive in his report.

Of the Group's total revenue, 40% or R10 033 million, was generated outside South Africa (2018: R9 207 million). In addition to the contribution from Schirm, the majority of the foreign revenue amount was generated by Mining Solutions' operations in the rest of the African continent, South-East Asia and Australia, and denominated mainly in US dollar.

Businesses in South Africa continued to be challenged by external factors such as depressed GDP growth, power supply constraints, and high unemployment rates which resulted in lower consumer demand.

EBITDA of R3 326 million was 26% more than 2018's R2 631 million. Key contributors to this significant increase were the profit realised on the sale of Crest Chemicals and the effects of IFRS 16.

Profit from operations was 2% higher at R2 031 million (2018: R1 999 million). The year-on-year improvement was curtailed by a goodwill impairment of R147 million in the Food & Beverage segment. Higher profitability was recorded in Mining Solutions, Water & Process and Plant & Animal Health.

The business realignment projects initiated in 2018 in the Explosives business and in Water & Process delivered to expectations. The performance in Food & Beverage and Chemicals disappointed.

Earnings per share ("EPS") was 1 223 cents, reflecting 30% growth from the 938 cents reported in the 2018 financial year. The increase in EPS was underpinned by the following:

› receipt of the proceeds from the sale of the Group's 50% shareholding in Crest Chemicals to its joint venture partner, Brenntag (Holding) BV

› receipt of the proceeds from the sale of land, in Modderfontein, in the second half of the year.

Neither of these transactions were included in the calculation for headline earnings per share ("HEPS").

HEPS of 1 150 cents was 10% higher year-on-year (2018: 1 045 cents). Headline earnings increased to R1 213 million from 2018's R1 103 million.

The Board was pleased to declare a final gross cash dividend of 414 cents per ordinary share, 13% more than the 366 cents paid for 2018. This brought the total dividend for the 2019 financial year to 570 cents, an 11% year-on-year increase (2018: 515 cents). **Shareholders were subsequently advised of the Board's decision to postpone payment of the final dividend owing to uncertainty created by COVID-19. Further announcements regarding the payment will be made in due course.**

HUMAN CAPITAL

AECI's Human Capital function provides a strategic service to the Group as a whole, across the full human resource value chain. This supports the organisation's growth aspirations in an environment of internal change as well as global shifts in external social, legislative and other frameworks.

Further progress in strengthening this value chain was made in the year, from talent acquisition through to the retention of talent and the development of AECI's more than 7 500 employees. They are the Group's most valuable asset.

In 2018, the first-ever Employee Culture Survey was undertaken. The most significant issues of interest and concern raised by employees related to the organisation's efforts to retain its people, employee recognition and reward, opportunities for personal and career growth and development in the employee value proposition, and leaders embracing Company values. In 2019 feedback from this process began to shape the direction and focus of related initiatives and this will continue in 2020 and future years.

SUSTAINABLE DEVELOPMENT ("SD") AND SOCIO-ECONOMIC DEVELOPMENT ("SED")

A milestone in 2019 was the decision by AECI's Executive Committee, guided by the Board, to consolidate all current initiatives related to SD in one strategy, and to expand the scope of initiatives further. This strategy will be finalised and communicated in 2020 and it will formalise commitments to certain SD goals published by the United Nations as well as the South African government's National Development Plan.

Sustainable development implies long-term commitment, with input from diverse stakeholders. Successful sustainability initiatives balance their economic, environmental and social development needs and aspirations. One area of relevance in which the Group has already established a pleasing track record is SED, which is viewed as a business and moral imperative. AECI invests more than the mandated 1% of net profit after tax through three funds in place for this purpose. The Company's contribution has been recognised through a number of awards from external parties in recent years.

More than R31 million was disbursed in 2019 in the SED funds' areas of focus which address both international and national development agendas. These include quality basic education, the protection and conservation of natural resources, inclusivity, food security, skills development and caring for orphans and vulnerable children.

REMUNERATION: POLICY AND IMPLEMENTATION

As reported in prior years the Board, through the Remuneration Committee, has increased its level of review and assessment of the ethical, fair and transparent remuneration practices for the AECI Group. As a result, reports presented to the Remuneration Committee and to the Board via this Committee now include data or commentary relating to improvements or changes from prior years. There is a keen focus on gender and race remuneration equity.

In 2018 there was a sharp improvement in votes in favour of the Remuneration Policy and the implementation thereof compared to 2017. We were pleased that further improvement was recorded at the AGM in May 2019 and thank shareholders for their ongoing support.

Notwithstanding the AGM results, through various channels of engagement certain institutional shareholders have continued to express concern in relation to the incentive schemes for Executives and Senior Managers. We seek to analyse and understand the details of these concerns with those shareholders and aim to continue engaging with them in the coming year.

GOVERNANCE

The AECI Board views strong principles of integrity and ethical business practices as being non-negotiable for sustaining excellence in all areas and disciplines across the Group for the benefit of all stakeholders in the short, medium and long term.

The Board is the ultimate custodian of corporate governance. It provides the Company with independent, informed and critical judgement and leadership on material decisions reserved for itself. The Board also supports management in the execution of strategy.

A keen understanding of the opportunities and risks facing the Group is always at front of mind. The overriding objective is to effect continuous improvement, with the specific aim of going beyond minimum compliance imperatives wherever appropriate.

The Board, assisted by its Committees, monitors alignment with global best practice in support of effective and ethical leadership, sustainability and good corporate citizenship. This underpins the Directors' ability to execute their statutory and fiduciary responsibilities and their duty of care obligations.

The decision-making role of the Board is exercised through the formulation of fundamental policy and strategic goals in conjunction with management, whereas the oversight role concerns the review of management's decisions, the adequacy of systems and controls and the implementation of policies. The Board continues its iterative journey of aligning its governing processes to the new amendments of the JSE Listings Requirements, other legislative changes in countries in which AECI operates, and general best practices and governance codes, including King IV.

BOARD AND COMMITTEE PERFORMANCE EVALUATION

To confirm that the Board maintains the skills and expertise necessary that enable it to discharge its responsibilities effectively, an annual evaluation process is undertaken in line with the Board charter. In 2019 this process was undertaken internally as the Board agreed that an external process will be pursued every third year. Accordingly, it will be scheduled for 2020/21. The 2019 evaluation focused specifically on assessing my performance, as Chairman of the Board, and that of the Chairmen of Board Committees.

As was the case in the evaluation undertaken in 2018, **succession planning was highlighted as an important area.** The monitoring of plans and their implementation has become a standing item on the Nominations Committee's agenda. Additional enhancement measures will be pursued and deployed in the coming year.

Also highlighted for further attention was stakeholder engagement. The Group took a step forward in addressing this when it appointed an experienced Strategic Relationships Manager in 2019 to bolster its interaction with some key stakeholders.

The 2018 evaluation had identified the need for the Board to reinforce its oversight of IT. The Risk Committee has been mandated to monitor progress in this area. The governance of IT is a standing agenda item not only for the Risk Committee but also for the Executive Committee's monthly meetings.

DIRECTORATE CHANGES AND CHANGES IN SIGNIFICANT RESPONSIBILITIES

During the year, Graham Dempster and Zellah Fuphe resigned from their positions as Non-executive Directors of AECI. We thank both of them most sincerely for their highly valuable contributions to the affairs of the Board and the Company during their respective tenures.

Allen Morgan, who joined the Board in 2010, has indicated his intention to retire at the next AGM of the Company's shareholders, on 26 May 2020. At that time he will also relinquish all his other Board responsibilities. This includes chairmanship of the Risk Committee and the Integrated Chemicals Financial Review and Risk Committee, as well as membership of the Audit, Investment and Social and Ethics Committees. We thank Allen most sincerely, in advance, for his valued input to the Company's affairs during his tenure.

On 1 June 2019 we welcomed Fikile De Buck as a Non-executive Director. She was subsequently appointed to the Audit Committee and to the Social and Ethics Committee. From 26 May 2020 she will succeed Rams Ramashia as Chairman of the latter Committee.

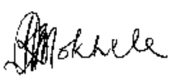
Steve Dawson and Walter Dissinger were also appointed as Non-executive Directors with effect from 1 January 2020. We welcome them and look forward to the benefit of their international experience in businesses aligned with AECI's strategic growth pillars.

CONCLUSION

I thank all of AECI's stakeholders for the role that they continue to play in delivering AECI's growth and prosperity.

The Coronavirus pandemic currently sweeping the globe presents the world with a one-in-a-hundred-year challenge. The virus is referred to as the Novel Coronavirus to signify that it is new to infecting humans after crossing the species barrier, possibly from bats. Because it is new as an infective agent, there is currently no pre-existing immunity to it and the challenge to develop both the vaccine and treatment is testing the best science and scientists in the world.

AECI has excellent products, services and people, and a sound business strategy. It is a resilient and robust Group with a proud history spanning well over 100 years. **My Board colleagues and I have every confidence that the Company remains well placed to deliver value for the benefit of all stakeholders going forward, notwithstanding the challenges faced globally and nationally at the present time.**



Khotso Mokhele

Chairman

23 April 2020

FROM OUR LEADERSHIP

CHIEF EXECUTIVE'S REPORT

MARK DYTOR
CHIEF EXECUTIVE

Dear stakeholders

We are proud of the Group's achievements in 2019 in circumstances that were extremely challenging in certain respects.

The delivery of our results would not have been possible without the continued support of all of you as our stakeholders. This includes our employees, customers, suppliers and many business partners, our lenders and our shareholders. I thank you. I also wish to acknowledge the dedication of the Board, the Group's management teams and my fellow Executive Committee members.

SAFETY

Since the safety and wellbeing of all our people will always be our first priority, it is most gratifying to report a meaningful improvement in the Group's safety performance. There were no fatalities in 2019.

Collectively, the TRIR of Schirm and Much Asphalt improved by more than 50% since December 2018. Intense focus on further progress will be maintained. The safety performance of AEL deserves special mention. The TRIR in December was 0,10, compared to 0,27 in 2018, which is on par with best-in-class among its peers.

In December the Group's TRIR was 0,38, from 0,58 in December 2018. Excluding Schirm and Much Asphalt, the TRIR was 0,22 (2018: 0,32).

GOVERNANCE

An ethical culture is fundamental to driving long-term business value and stakeholders' support of businesses. It underpins the approach to every aspect of the Group's operation and is embedded in our corporate values as they relate to responsible behaviour. **Among the significant initiatives undertaken in 2019 was roll-out of the revised Code of Ethics and Business Conduct and associated Guidelines** approved by the Board early in the year. The new Code is better aligned with international best practice, as is appropriate for a Group as geographically diverse as our own.

HUMAN CAPITAL

Initiatives to enhance the value proposition for all employees continue across the full human capital supply chain. One area in which there was significant progress in the reporting period was the deployment of a standardised global Human Capital Management System that consolidates employee data and payroll into a single system. This enhances informative business reporting, alignment and standardisation of processes.

By the end of 2019, roll-out had been successful in eight countries and deployment in the other 18 countries of Group operation has continued in 2020. It is planned that the process will be completed by end-2021. However, the effects of external factors, particularly the current outbreak of COVID-19, could restrict the ability of personnel to travel safely for the purposes of deployment. Continual reassessment will be necessary.

In terms of employee relations, centralised wage negotiations in several sectors in the National Bargaining Council for Chemical Industries in South Africa took place during 2019, on expiry of the two-year agreement reached for the years 2017/19 in the Chemical Industries sector.

The negotiating parties were fully committed to avoiding deadlocks in negotiations and it was most pleasing that another two-year agreement, for the years 2019/21, was concluded successfully.

BUSINESS PERFORMANCE

The Chairman has summarised the Group's performance and the factors that affected it, both positively and negatively. Among the positive influences were robust demand in the global mining sector and the weaker rand exchange rate against the US dollar. This benefited the rand value of results from the Group's Mining business, where 59% of total revenue is generated from foreign operations and exports.

The inclusion of results from Schirm, where earnings are in US dollar and euro, and those of Much Asphalt for the full 12 months also assisted the overall results. Both acquisitions performed better than in the prior year.

In South Africa, the unreliability of the power supply curtailed output in the mining and manufacturing sectors and low GDP growth contributed to depressed consumer demand.

The presentation of our results reflects the alignment of reporting structures with our Group's strategic growth aspirations, in key pillars. The revenue and profitability of each pillar is summarised below. The year-on-year improvement or deterioration from 2018's results is indicated in percentage terms.

MINING SOLUTIONS

This segment comprises Explosives (AEL Intelligent Blasting "AEL") and Mining Chemicals (Experse and Senmin).

VOLUME
⇩ **1,0%**

REVENUE
R11 537m ⇧ 4,8%

EBITDA
R1 923m ⇧ 25,6%

PROFIT FROM OPS
R1 305m ⇧ 2,4%

MARGIN
11,3% '18: 11,6%

TRADE WC
19,3% '18: 16,0%

Revenue increased by 5% to R11 537 million (2018: R11 013 million). Sales in Central Africa and West Africa were higher than in 2018, contributing to the increase to 59% of the segment's total revenue (2018: 56%) being generated from foreign operations and exports.

This demonstrated, again, the advantage of diversity in terms of the geographic footprint and that of customers as it relates to their mining methods and the broad range of minerals they mine.

Although the weaker average ZAR:US$ exchange rate boosted the result in rand terms, this positive impact was offset by the effects of lower ammonia prices compared to the prior year. EBITDA of R1 923 million was 25,6% up on the prior year's R1 531 million.

There was an excellent improvement in underlying profit from operations. Reported profit from operations increased by 2,4% to R1 305 million (2018: R1 274 million), affected by the R104 million once-off costs associated with a strategic realignment project in the Explosives business incurred in the first half of 2019. This amount had been recovered in full by year-end. I thank the business' customers for their support in making this possible. It is still anticipated that the project will facilitate annualised benefits of at least R200 million. The operating margin was 11,3% (2018: 11,6%). Excluding the once-off strategic realignment costs the operating margin was 12,2%.

Explosives (AEL)

In addition to an excellent safety result, the business' streamlined management team also enabled delivery of a solid financial performance in a year when overall bulk explosives volumes contracted by 0,6%.

In South Africa, volumes of these products declined a further 15,5% after the 7% decline recorded in 2018 impacted by the following:

- as reported in the half-year to June 2019, sales were discontinued to Optimum Coal, which remains in business rescue
- sales to a customer in Namibia decreased
- interruptions in power supply in December prompted certain South African customers to bring forward their year-end closures, resulting in lower than anticipated sales in the month.

As part of the strategic realignment project, the Anfex plant was closed and conversion to underground bulk emulsion explosives delivery systems ("UBS") was accelerated. The UBS technology improves safety in the delivery of emulsion explosives to narrow reef mines.

Year-on-year growth for the UBS offering was significant and the conversion momentum will be maintained in 2020.

Initiating systems volumes continued their downward trend as a consequence of further shaft closures locally as well as protracted strike action at a customer in South Africa's gold mining sector in the first six months. The 7,2% decrease in volumes followed the 12% decrease reported in 2018.

In the rest of the African continent, bulk explosives volumes increased by 7,7%. The strong gold price underpinned growth of the business in West Africa. The performance in Central Africa was solid as the demand for copper remained robust throughout the period. These price and demand trends continued into 2020 and bode well for the business in the coming year.

Deterioration in the socio-political climate in certain countries of operation was evident in 2019. Developments in this regard are monitored on a continuous basis to ensure that significant risks posed to employees, the supply chain and customers are identified and mitigated in a timely and effective manner.

In November, for example, nine of our employees and two contractors were injured when the convoy they were travelling in came under fire from rebel forces in Burkina Faso. Fortunately, there were no fatalities. We continue to work with our customers and other stakeholders in that county to implement further security measures to minimise the potential for future occurrences.

In the Asia Pacific region, a strong recovery in the second half-year offset a 7,7% decline in the first half. Profitability improved due to a more favourable product mix. AECI Australia's in-country presence was enhanced significantly through the deployment of four emulsion explosives mobile production units. Entry into the Western Australian market was secured with the first contract due to take effect in the first quarter of 2020. The businesses in both Australia and Indonesia are profitable and generated good operating cash flow.

In September 2018 AECI acquired an explosives business near Lorena, in the Brazilian state of São Paulo, for a cash consideration of US$6,3 million.

The transaction was realised through a judicial recovery (business rescue) process and was conditional on certain conditions precedent being fulfilled. One condition was the transfer of all operating licences to the AECI Group. The transfer was completed at end-February 2020 and the business is now being operated by the Group.

The US$6,3 million consideration is expected to be settled by 30 June 2020.

The acquisition, from Brazil's Dinacon, includes 100% ownership of a bulk emulsion and packaged explosives manufacturing plant, together with the explosives operating licences, as well as distribution and storage facilities. It is the first of its kind for AECI in Latin America ("LatAm") and is a good growth platform for the Group's Mining business into the rest of LatAm, in line with our intent to continue expanding the geographic footprint of the pillar.

South Africa's National Environmental Management Act: Air Quality Act, No. 39 of 2004, specifies Minimum Emission Standards ("MES") which came into effect on 1 April 2020. It was determined that certain manufacturing operations at AEL's Modderfontein facility would be unable to meet all the MES parameters immediately. AEL was granted postponement to 2025 of the compliance 2020 timeframes to mitigate its risk. However, a strategic decision was taken to accelerate the required investment, in line with our Sustainable Development aspirations. It is anticipated that the abatement projects will be completed in the third quarter of 2020. The total investment in these projects is R180 million, of which about R100 million was spent in 2019.

Mining Chemicals (Experse and Senmin)

Senmin delivered growth in revenue and profitability, with export volumes increasing by 12% and revenue by 22%. The utilisation of production facilities in Sasolburg improved and higher volumes of solid xanthates were sold to customers in the rest of the African continent, Eastern Europe and South America. Products in solid form are easier and safer to transport than liquids. Hence they are better suited for export sales. The new solid xanthates plant as well as the pre-existing facility are being de-bottlenecked for the production of additional volumes to meet current market demand. Sales of liquid xanthates in the local market declined as three mineral processing plants closed at customer sites.

Whilst lower demand for bulk explosives in South Africa's coal mining sector resulted in a marginal decline in sales volumes of surfactants for explosives manufacture, notable growth in exports to South America was achieved.

WATER & PROCESS (ImproChem)

VOLUME	⇧ 1,1%	
REVENUE	R1 452m	⇧ 5,5%
EBITDA	R229m	⇧ 38,8%
PROFIT FROM OPS	R190m	⇧ 58,3%
MARGIN	13,1%	'18: 8,7%
TRADE WC	19,1%	'18: 20,7%

There was a very pleasing turnaround in this business. Revenue increased by 5,5% to R1 452 million (2018: R1 376 million). EBITDA was 38,8% higher at R229 million (2018: R165 million) and profit from operations increased by 58% to R190 million (2018: R120 million). The result was enabled by the improved quality of the business, with customer and product rationalisation assisting the operating margin recovery to 13,1% (2018: 8,7%). Overall volumes grew by 1% after new tenders were won in the second half-year. Other enablers were the recovery of most outstanding debt for which R30 million had been provided for in the prior year, and the benefits of the business realignment project initiated late in 2018.

Strategic realignment project costs of R52 million were incurred in the first half-year. This amount was offset by benefits in at least the same amount in the second half. The project remains on track to deliver at least R100 million in annualised savings.

Export volumes were more than 10% higher, with a tender in Ghana awarded and fulfilled and increased sales to both Uganda and Rwanda.

The local business also performed well overall following market share gains and a recovery in volumes as drought effects dissipated in certain areas. Higher water flow rates result in increased turbidity and hence the need for higher dosages of purification chemicals.

The opportunity to improve water and food security for those areas which remain drought stricken, such as Hammanskraal in northern Gauteng, was another highlight of the year. It demonstrated unequivocally what can be achieved when government at all levels, business, communities and other stakeholders work together to address some of society's pressing challenges. I was privileged to lead the AECI delegation at the formal handover of the Hammanskraal project to the local communities. Further details in this regard, including the contributions of ImproChem and Nulandis, are available in this integrated report in the commentary on the Group's Socio-economic Development initiatives in 2019.

PLANT & ANIMAL HEALTH (Nulandis and Schirm)

VOLUME	⇧ 4,0%	
REVENUE	R4 783m	⇧ 8,1%
EBITDA	R376m	⇧ 51,0%
PROFIT FROM OPS	R203m	⇧ 70,6%
MARGIN	4,2%	'18: 2,7%
TRADE WC	14,8%	'18: 16,3%

A significantly better year-on-year performance was also achieved in this strategic pillar. Revenue increased by 8,1% to R4 783 million (2018: R4 423 million) largely as a result of a recovery in Nulandis. Schirm's results were only included for 11 months in 2018.

EBITDA improved by 51% to R376 million (2018: R249 million) and profit from operations by 71% to R203 million (2018: R119 million). The increase in operating profit was primarily due to a much improved result from Nulandis and a lower intangible asset write-off in respect of Schirm (R31 million versus R73 million in 2018). The margin was 4,2% (2018: 2018: 2,7%).

Nulandis' performance reflected a more normalised rainfall season in the Western Cape, which alleviated the severe drought effects experienced by the agricultural sector in the region in the previous year. However, in some inland provinces the late onset of summer rainfall saw some farmers delay planting, particularly maize.

In many instances farmers' capital remained constrained and this continued to exert pressure on their access to credit. Nulandis nonetheless succeeded in growing sales of its in-house range of products, which enabled margin improvement. The focus on further growth in this range will be sustained in 2020 as will the drive to expand further the already extensive strategic network of agents.

Farmers Organisation Ltd, in Malawi, also produced an improved result notwithstanding hurricane effects in the first quarter, ongoing market challenges and political instability in that country.

Biocult's products have been approved for use in Canada and commercial trials have commenced there. Biocult is a leading producer and distributor of Mycorrhizae in Africa, supplying its products to some of largest and most successful farms in South Africa, Namibia, Botswana and Kenya. Mycorrhizae is a natural product that promotes sustainable agriculture through soil health.

The delivery of Schirm's investment case has been delayed for reasons detailed in the Chief Financial Officer's report. Nevertheless, progress was made in important areas to enable an acceleration in delivery and this information is also detailed in his report. Most pleasing was the improvement in the safety performance at Schirm's German operations. Our SHEQ report commencing on page 48 provides insight into how this was achieved and how improvement initiatives will be sustained.

FOOD & BEVERAGE
(Lake Foods and Southern Canned Products ("SCP"))

VOLUME	⇧ 27,0%	
REVENUE	R1 466m	⇧ 17,5%
EBITDA	-R46m	⇩ -15,1%
	R110m*	⇧ 22,2%
PROFIT FROM OPS	-R88m	⇩ -218,9%
	R68m*	⇩ -8,1%
MARGIN	-6,0%	'18: 5,9%
	4,6%*	
TRADE WC	20,2%	'18: 23,2%

* Excl. impairment and once-offs.

Although revenue increased by 17,5% to R1 466 million (2018: R1 248 million), supported by a recovery in volumes in SCP's juice-based products and Lake Foods' Health & Nutrition and Commodities categories in particular, a loss of R46 million was incurred in EBITDA terms (2018: positive R90 million). The operating loss was R88 million (2018: profit of R74 million).

The main reason for the declines was the impairment of goodwill on the SCP investment. Lower trading margins in key customers' industries diminished SCP's ability to achieve the cash flow synergies identified at the time of acquisition. The value-in-use was reassessed at the reporting date. Its recoverable amount was R296 million compared to its carrying value of R441 million. Accordingly, the goodwill of R147 million was fully impaired. R9 million in inventory-related once-off operating costs was also incurred by SCP. Excluding this amount and the impairment, profit from operations was R68 million.

This pillar will be integrated into Chemicals in 2020 as part of the strategic realignment project outlined below. It does not have the critical mass required to maximise its performance as a standalone operating segment at this time.

CHEMICALS
(Chemfit, Chemical Initiatives, ChemSystems, Industrial Oleochemical Products, Much Asphalt, SANS Technical Fibers)

VOLUME	⇧ 25,8%	
REVENUE	R5 567m	⇧ 5,7%
EBITDA	R903m	⇧ 30,9%
	R669m*	⇩ -3,0%
PROFIT FROM OPS	R512m	⇩ -8,4%
MARGIN	9,1%	'18: 10,6%
TRADE WC	11,5%	'18: 13,0%

* Excl. Crest sale.

Revenue increased by 5,7% to R5 567 million (2018: R5 266 million) primarily due to the inclusion of Much Asphalt's results for the full year (nine months in 2018). EBITDA of R903 million was 30,9% higher year-on-year (2018: R690 million) but profit from operations was 8,4% lower at R512 million (2018: R559 million). The operating margin was 9,2% (2018: 10,6%)..

Excluding Much Asphalt, operating profit in the Chemicals portfolio declined by more than 20% as a consequence of:

- low GDP growth in South Africa and hence a depressed manufacturing sector, with several customers rationalising or ceasing their operations
- poor consumer demand in the retail sector
- margin pressure owing to local competition and imports
- shortages of certain key raw materials.

Strategic realignment project

This portfolio remains highly cash generative. A strategic project is underway to realign the portfolio to secure the relevance and sustainability of the business in an economic environment that is unlikely to improve in the short term. The costs of this strategic realignment are currently being finalised, as are associated internal processes. As with the other two realignment projects in the Mining Solutions and Water & Process, it is anticipated that the cash costs associated with this project will be recovered in full in the 2020 financial year.

Much Asphalt

Much Asphalt is excluded from the realignment project and will remain a standalone business in the Chemicals pillar.

On an annualised basis, improved results were achieved. The SprayPave business, which supplies bitumen emulsions, contributed significantly in this regard. Better volumes were achieved in South Africa's coastal provinces, in particular. Acceleration was noted in the advancement of work from the Department of Transport and metropolitan authorities.

There has been positive messaging from government at national and provincial levels as well as SANRAL in terms of contract letting. Should this acceleration materialise, it could be beneficial to the business from the second half of 2020.

PROPERTY & CORPORATE

Revenue from leasing activities and the provision of services at the Umbogintwini Industrial Complex increased by 7,3% to R471 million (2018: R439 million). The sale of land at Modderfontein yielded R61 million in operating profit. Corporate costs of R255 million were flat year-on-year.

AECI GROWTH AND INNOVATION OFFICE

The AECI Growth Office ("AECI.GO") made strong progress in increasing both awareness and the effectiveness of innovation in AECI. The mandate of the AECI.GO applies in two main areas: enhancing the delivery of the Group's current businesses ("Business of Today") and identifying disruptors and customer needs that will shape the Business of Tomorrow.

The Business of Today drive is targeted at employees. They submit their ideas via an online platform known as the BIGGER Idea. The platform, with its own mobile app, was relaunched in 2019. A number of Innovation Festivals were held at some of the Group's largest sites, in Gauteng and KwaZulu-Natal. These generated much enthusiasm among the employees who attended. App registrations and new ideas submissions exceeded 650 and 490 respectively. The expectation is that these contributions will enable R48 million annualised revenue and/or cost savings going forward.

Examples of progress in the Business of Tomorrow initiative include the SupPlant technology being rolled out by Nulandis. This opportunity was initially identified in 2017 by the AECI.GO. SupPlant is an intelligent farming and automation solution. Preliminary results from its initial roll-out have been very encouraging in terms of improved crop yields. Deployment on additional farms will continue in 2020.

Another opportunity investigated by this office was Nulandis' participation in a disruptive digital farming platform through collaboration with a third party or direct investment. This would connect Nulandis to the emerging farmer market, a largely unexplored area for the business. It is expected that the decision on whether to participate in the platform will be finalised in the coming year.

In 2017 AECI invested US$5 million in Origin Materials, a start-up based in California, USA. This company has pioneered the development of bio-based chemicals which can be processed into a large number of products for application in global markets. Progress on the establishment of a production facility has been slower than initially anticipated. However, we remain committed to exploring green chemistries and innovative technologies in line with our Going Green corporate value and as determined by the Company's risk appetite.

SUSTAINABLE DEVELOPMENT

A further evolution of practices and commitments in line with our BIGGER values is the development of a formal Sustainable Development ("SD") strategy, initiated in 2019. This will consolidate all current SD-related objectives and initiatives.

The strategy will be developed in 2020 with assistance from a third-party external specialist provider and an internal team comprising functional leads and Specialists from across the Group.

It is envisaged that the focus will be on the following main areas: Social, Environment, Safe Operations, and Business Performance. Progress has been made in establishing the baseline figures for key performance indicators that include waste generation, water usage, carbon dioxide emissions, energy usage, occupational safety and process safety.

We are proud, also, of work already done in the areas of Socio-economic Development, Employment Equity, Enterprise and Supplier Development, Inclusivity and Transformation.

Further details on the above are provided in the relevant sections of this integrated report.

It is our intention to produce a separate SD report, elaborating our strategy and associated goals, in the second half of 2020.

GROUP-WIDE REBRANDING

AECI's individual businesses make meaningful contributions to the lives of their stakeholders through the manufacture, supply and end-use of products and services across economic sectors that touch almost every aspect of daily life. This is a strategic advantage that will be leveraged further through, inter alia, lifting the brand profile of AECI as a whole. A significant move in this regard will be the consistent use of one brand by all businesses.

The revised brand will be implemented from the first half of 2020. Its pay-off line is "One AECI, for a better world", which also echoes the greater emphasis being placed on Sustainable Development in our growth strategy.

OUTLOOK AND FOCUS

The Chairman has commented on the outbreak of COVID-19 and its effects. The levels of anxiety and uncertainty created are unprecedented in recent history. The Group's Response Plan in mitigation of the risks posed by COVID-19 includes heightened awareness and application of hygiene measures in the workplace, strict control of travel by employees, continuous monitoring of the full supply chain and equally close monitoring of any shifts in major customers' credit risks. Adherence to established policies and guidelines in these and all other aspects of business activity is mandatory Group-wide as a matter of course.

To safeguard business performance at a time of the serious new challenges presented by the COVID-19 pandemic, AECI's management will focus on the priorities within the Group's control, as follows:

- maintaining the improvement trend in safety performance and continuing the implementation of the Zero Harm strategy
- progressing further the achievement of the investment case objectives in respect of Schirm and Much Asphalt
- ensuring the delivery of the expected annualised benefits associated with the strategic realignment projects in the Mining Solutions and Water & Process pillars
- executing the strategic realignment project initiated in the Food & Beverage and Chemicals pillars and recovering the cash costs thereof over the full year
- continuing to leverage the Group's existing geographic footprint to the further benefit of individual pillars and the Company as a whole
- continuing to explore and pursue growth opportunities identified through AECI.GO, and
- continued focus on disciplined cash management. This has become the priority since the 2019 year-end and will remain so until a level of normality is restored globally.

Mark Dytor
Chief Executive

23 April 2020

FROM OUR LEADERSHIP

CHIEF FINANCIAL OFFICER'S REPORT

MARK KATHAN
CHIEF FINANCIAL OFFICER

Dear stakeholders

This report is intended to provide a high level overview of the financial performance of our Group for the year ended 31 December 2019. It should be read in conjunction with the full AFS for the year.

FINANCIAL PERFORMANCE

It was very pleasing that AECI maintained the year-on-year growth trend in its financial performance for 2019. The results of the Mining Solutions and Water & Process segments were particularly satisfying in view of the realignment projects undertaken in the year by these businesses. The delivery of the outcomes was to expectation and the costs of R156 million incurred for the two projects were recovered over the full year.

Both the Chairman and the Chief Executive have already commented on the year's other high-light, namely the improvement in the Group's safety performance.

Group revenue improved by 6,4%, with growth in all operating segments. The two newer businesses (Schirm and Much Asphalt) contributed 2,5% of that growth. Revenue earned from foreign operations and exports was maintained at 40% of total revenue. Overall growth was gratifying in the context of internal and external pressures faced by individual businesses and the Group as a whole, especially since in certain instances these pressures resulted in sales volume declines.

Operating profit was 2% higher at R2 031 million (2018: R1 999 million), after accounting for a goodwill impairment of R147 million in Food & Beverage. The overall result was also negatively impacted by lower profits in this segment and in Chemicals.

EBITDA of R3 326 million represented a 26% year-on-year improvement. Key enablers were the impact of IFRS 16 (R249 million) and the profit on the disposal of our 50% share in the Crest Chemicals joint venture (R234 million). Excluding these amounts EBITDA would nonetheless have increased by 8% — a solid performance in the prevailing the macroeconomic environment. EBITDA growth of 21% was achieved in 2018.

EARNINGS PER SHARE

Headline earnings per share ("HEPS") increased by 10% to 1 150 cents, exceeding the previous highest-ever level of 1 045 cents earned in 2018. There was also a significant increase in basic earnings which, at 1 223 cents per share, was 30% higher (2018: 938 cents per share). Basic earnings included the profit on disposal of Crest Chemicals as well as profit on the sale of land in the second half of the year.

The acquisitions finalised in 2018 contributed 10 cents to HEPS, before the effects the additional depreciation and amortisation recognised in terms of IFRS 3 Business Combinations at the respective acquisition dates. Signs of improvement were noted in both the businesses even though the delivery of returns in line with their investment cases has lagged expectations. The HEPS effect of the acquisitions are shown below.

HEPS: EFFECTS OF ACQUISITIONS

	2019			2018			% change		
R millions	**Excluding acquisitions**	**Acquisitions**	**Reported**	Excluding acquisitions	Acquisitions	Reported	Excluding acquisitions	Acquisitions	Reported
Revenue	**20 947**	**3 852**	**24 799**	20 174	3 140	23 314	3,9	2,5	6,4
Profit from ops	**1795**	**236**	**2 031**	1 868	131	1 999	(3,9)	5,5	1,6
HEPS (cps)	**1 169**	**(19)**	**1 150**	1 096	(51)	1 045	6,6	3,4	10,0
PPA effects (cps)		**29**	**29**		57	57			
HEPS excl. PPA (cps)	**1 169**	**10**	**1 179**	1 096	6	1 102			

Schirm's results in the year were curtailed by the following:

- lower demand for agrochemicals in Germany
- some customers in Russia insourced their production volumes to avoid onerous duties on imports from the European Union imposed by Russian authorities. Some of the volumes have been replaced by a new contract with a blue-chip customer, effective from the first quarter of 2020
- underutilisation of the new synthesis plant resulting in cost under-recovery.

Good progress has been made on the transfer of production to the synthesis plant at Schönebeck. Once this is complete and the old plant has been closed, the achievement of targeted returns will be accelerated. Registration of the synthesis plant for the manufacture of a key products progressed well in several European countries.

Schirm's business in the USA delivered an excellent result, with higher volumes and margins achieved.

Much Asphalt delivered an improved performance on an annualised basis. Acceleration was noted in the advancement of work from the Department of Transport and metropolitan authorities. There has been positive messaging from government at national and provincial levels as well as SANRAL in terms of contract letting. Should this acceleration materialise, it should be beneficial to the business in the medium to longer term.

DIVIDENDS

The Board declared a final ordinary cash dividend of 414 cents for the 2019 financial year. This was 13% up on 2018's 366 cents and brought the total dividend for the year to 570 cents (515 cents in 2018), an 11% year-on-year increase. The dividend at this level represented a two times dividend cover for 2019.

EFFECTS OF COVID-19

In South Africa, a 21-day national lockdown commenced on 26 March 2020 in line with the COVID-19 pandemic mitigation measures announced by President Cyril Ramaphosa on 23 March 2020. Other governments across the world have adopted the same or a similar approach.

In terms of AECI's financial stability, we stress tested multiple solvency and liquidity scenarios prior to the lockdown period. No loan covenants were breached in any of those scenarios. **Notwithstanding the confirmation of the Company's robust financial position in terms of liquidity, the Board considered it prudent and in the best interests of AECI and all its stakeholders to postpone the payment of the dividend** declared on 24 February 2020 that was scheduled for 6 April 2020.

The Board is confident that the postponement of this payment, amounting to R448 million, together with the Company's undrawn committed banking facilities of approximately R2 400 million, will position AECI to remain well capitalised through these uncertain times.

A gross dividend of 52 cents per share was also declared and paid on the unlisted B ordinary shares granted to employees in their capacity as beneficiaries of the AECI Employees Share Trust.

NEW STANDARD AND ACCOUNTING POLICIES

The Group adopted IFRS 16 with effect from 1 January 2019. IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. Where the Group has agreements for, or including, the right to use assets, the obligations for future payments under these agreements have been recognised in the statement of financial position as lease liabilities with a related asset being recognised under non-current assets. The initial application led to R735 million of assets and an equivalent liability being recognised. The assets recognised in the Group were mainly properties and vehicles (primarily dedicated vehicles provided in terms of product transport contracts).

While the net asset value of the Group was largely unaffected, net debt and certain operating ratios were impacted. Net debt at year-end was 17% higher and gearing (defined as borrowings less cash, as a percentage of equity) was at 36%. Excluding the effect of IFRS 16, gearing was 31%. The lease cost expense previously included in profit from operations has been replaced by a depreciation charge (lower) and a finance cost.

This had a R28 million positive effect on operating profit an 8% positive effect on EBITDA and also resulted in a 16% increase in finance costs. The combined IFRS 16 effect, which will be ongoing, was a 24 cents reduction in HEPS.

FINANCIAL POSITION AND CASH FLOW

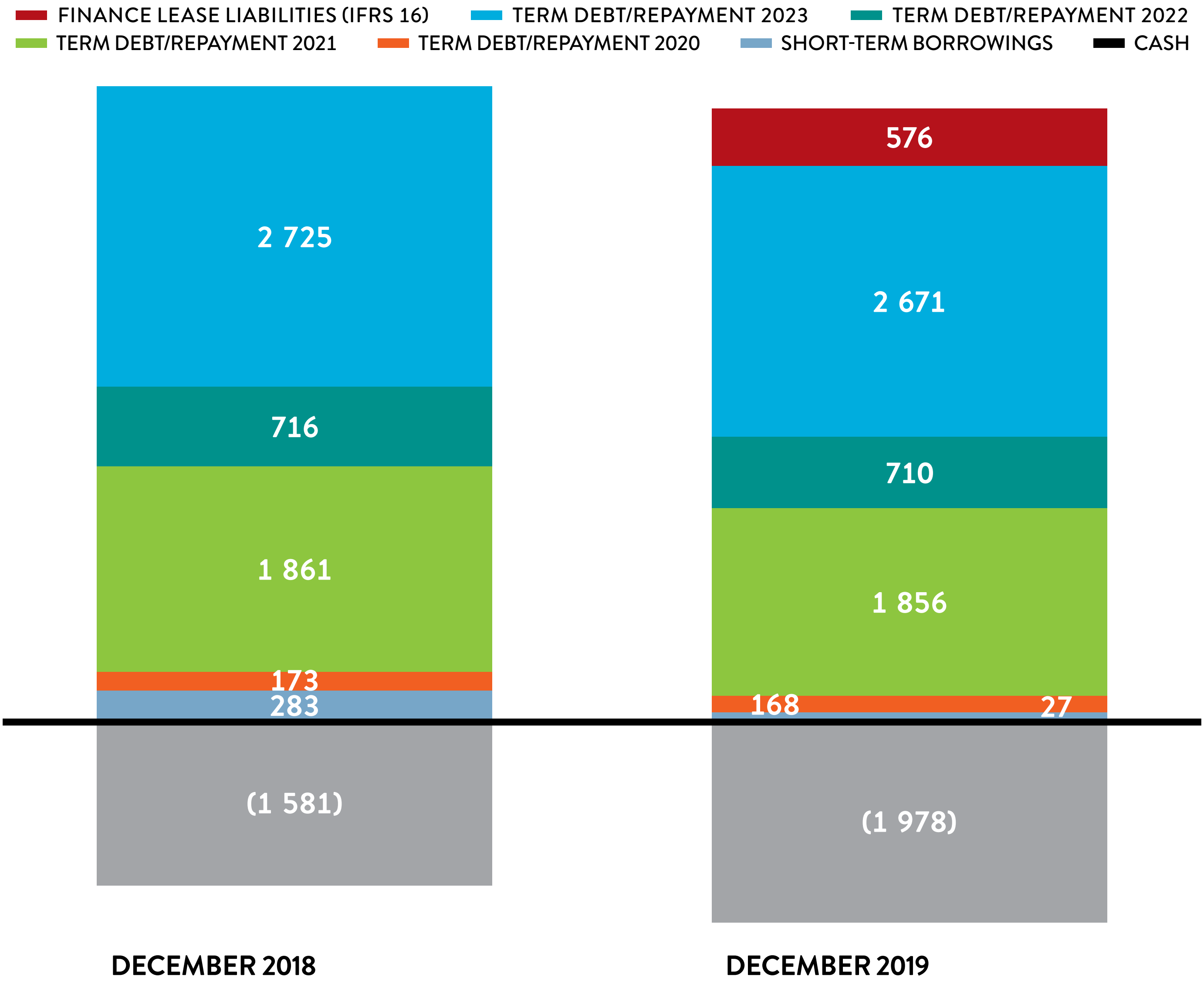
The Group reported the generation of cash flows of R1 868 million from its operating activities in 2019. This was lower than the R2 029 million reported in the prior year. Although the actual level of cash generated was significantly higher year-on-year, this was offset by increases in interest and tax paid and higher levels of working capital overall. The Group's interest cover was 7,8 times. As expected, interest paid increased significantly due not only to IFRS16 but also to the term debt in place for the full 12-month period.

Tax of R511 million was paid (2018: R529 million). The effective rate was 28% compared to 34% in the prior year. This change was attributable to lower foreign withholding tax in line with the jurisdiction mix of earnings. Dividends of US$19 million were repatriated from foreign operations.

Higher overall working capital included the effect of an upfront payment to a supplier to secure lower priced raw material. In addition, certain customers did not honour contractual payment terms. Although the Group's net working capital to revenue ratio was 17,2% at year-end (16,2% in December 2018) there was a pleasing improvement in inventory control, with a reduction in the gross value.

R833 million was invested in capital projects (2018: R847 million). Of the total investment, R159 million was for expansion projects, including the completion SANS Technical Fibers' single-stage polyester fibre plant in North Carolina, USA; asset deployments in the African continent to support and expand the footprint of the Explosives business; and deployment of mobile emulsion explosives production units in Australia.

NET DEBT ANALYSIS: PAYMENT PROFILE (Rm)



Sustenance capital expenditure included the statutory shutdown of No. 9 Nitric Acid plant at Modderfontein as well as R100 million for equipment in respect of air emissions abatement projects at that site. A further R80 million in this regard will be spent in 2020.

Net debt, which includes long-term and short- term debt and cash balances, was R4 billion at year-end. This amount included R576 million of lease liabilities accounted for under IFRS 16. See the analysis above.

Term debt was R5 237 million at 31 December 2019. It is repayable at the end of the term of each loan, with the major terms ending in 2021 and 2023. Short-term debt was approximately R195 million, with R168 million of that amount relating to the 2020 payment on one portion of that term debt. The Group's term debt comprises rand-denominated loans of R700 million and rand-denominated Senior Unsecured Floating Rate Notes of R800 million (listed on the JSE in terms of a Domestic Medium Term Note programme), US dollar-denominated floating rate loans of U$61 million, with tenors from two to five years, and euro-denominated fixed and floating rate loans of €68 million with a five-year tenor.

The Group manages its debt exposure on an ongoing basis, including regular stress testing of its forecasts against the covenants associated with term debt. These loan covenants describe thresholds for net debt to EBITDA (rolling 12 months), an EBITDA (rolling 12 months) to net interest and tangible net worth. This discipline includes solvency and liquidity testing in advance of any dividend declarations.

As in the prior year, all loan covenants were met and AECI's external credit rating from a South African credit rating agency was upgraded to a long-term A+ rating with a stable outlook. Focus on cash management and generation enabled the Group's financial performance in 2019. This focus has been enhanced further to ensure that obligations are met and AECI safeguards its financial position notwithstanding the new challenges presented by COVID-19.

BUSINESS COMBINATIONS AND DISPOSALS

In September 2018 we acquired an explosives business near Lorena, in the Brazilian state of São Paulo, for a cash consideration of US$6,3 million.

The transaction was realised through a judicial recovery (business rescue) process and was conditional on certain conditions precedent being fulfilled. One such condition was the transfer of all operating licences to the Group. This transfer was completed at end-February 2020 and the Group is now operating the business. The outstanding condition precedent relates to the transfer of property, which is expected to be fulfilled within 12 months.

It is expected that the consideration price will be settled by 30 June 2020.

At the end of November 2019 we concluded the sale of our 50% shareholding in Crest Chemicals to the joint venture partner, Brenntag (Holding) BV. The transaction valued the business at R780 million and the sale generated R390 million in proceeds against the carrying value of R196 million.

The proceeds were received in December 2019. An additional R40 million was received after the reporting date for working capital and cash adjustments. This resulted in a total profit for AECI of R234 million, which was recognised in full in 2019.

In March 2020 we concluded an agreement with Solenis Technologies South Africa (Pty) Ltd to sell our paper and pulp chemicals business, within the ChemSystems division. Closing of the transaction is subject to a number of conditions and a working capital adjustment. Finalisation is anticipated by 30 June 2020.

DEFINED BENEFITS

Further progress was made in de-risking AECI's retirement funds. Two of the four legacy funds settled the small number of pensioner members who were outstanding. The remaining assets of these funds were distributed to stakeholders. The distribution included the Conversion Reserve Account. AECI was allocated R224 million of the reserves and placed the amount in its Employer Surplus Accounts, to be utilised to fund employer contributions to the Group's defined-contribution funds. Application has been submitted to the Financial Services Conduct Authority ("FSCA") to appoint liquidators for the two funds. It is not believed that there are any matters holding up the appointment and the process will commence once the FSCA approves the liquidator. A highly regulated process is followed and is expected to take at least 18 months.

The other two legacy funds had received approval from the FCSA for transfers prior to 2019. In the current year they outsourced their pensioner members to Old Mutual. The small number of active members had already moved to the Group's defined-contribution pension fund. The pensioner members received most of the funds' surplus, uplifting their benefits significantly. AECI was allocated a total of R120 million by these two funds, to be used to fund contributions in the same manner as indicated above. The process will continue in 2020 and it is hoped that any remaining surplus can be distributed as additional pension benefits to the stakeholders during the year. The funds would be placed into liquidation thereafter.

The defined-benefit obligation recognised by Schirm in Germany increased significantly. This benefit is accounted for in other comprehensive income Macroeconomic conditions in Germany, resulted in a substantial reduction in the discount rate used to value those liabilities.

AECI's obligation relating to post-retirement medical aid has stabilised but is expected to remain in place for the foreseeable future, amortising naturally over time.

TREASURY SHARES

At the time of presenting our results for 2019, on 25 February 2020, I indicated that the Company was contemplating a potential transaction in respect of our treasury shares. I share additional information with you as follows:

AECI Treasury Holdings (Pty) Ltd ("TreasuryCo"), a wholly-owned subsidiary, holds 11 884 699 listed ordinary shares in the Company (representing 9,76% of the issued share capital). These shares are accounted for as treasury shares and are excluded from the number of shares of AECI's per share calculations and have no voting rights while held by TreasuryCo. In current circumstances we see no benefit or purpose in TreasuryCo continuing to hold the treasury shares and, instead, wish to cancel them.

There are a number of ways in which this could be achieved. However, given that TreasuryCo will be dormant following disposal of the shares to AECI, the most effective route appears to be the winding up or liquidation of TreasuryCo and a related distribution of its assets to AECI. This would effectively cancel the shares.

The rationale for the transaction is that it simplifies the Group structure and removes the limit placed on the extent to which AECI can consider share repurchases.

Specifically, the transaction:

- will not impact AECI's ability to issue shares in the future
- will not be dilutive to AECI's shareholders
- will have no impact on the voting rights of shareholders as no voting rights attached to the Treasury Shares can currently be exercised in terms of the Companies Act. Subsequent to the proposed distribution and cancellation of the shares, this status quo will remain
- is cash neutral from an AECI Group perspective, and
- the calculation of earnings per share and dividends per share are currently completed net of Treasury Shares. This status quo will remain.

The expert advice we have taken on the transaction indicates that it should have no adverse tax consequences on the Company or TreasuryCo due to the relief afforded to the transaction in terms of section 47 of the Income Tax Act, No. 58 of 1962, in South Africa.

We do not anticipate that the proposed distribution will have any adverse effects on the voting rights of AECI's shareholders or the economic interests they have in the Company's shares.

Shareholders will be asked to approve resolutions necessary to give effect to the proposed transaction at the AGM scheduled for 26 May 2020. See the Notice of AGM for detailed information in this regard.

ACKNOWLEDGEMENTS

I wish to thank the Audit Committee for its guidance and support in the year. In particular, I thank Godfrey Gomwe who served as Committee Chairman until November 2019.

I also take this opportunity to acknowledge the contribution of the Group's Reporting, Tax, Governance, Legal, Internal Audit, IT, Treasury, Investor Relations and Retirement Funds teams in all the businesses and countries in which we operate. Their continued diligence and professional oversight of the Group's finances, internal controls and related matters is appreciated by me, my Executive Committee colleagues and the Board.

Mark Kathan

Mark Kathan
Chief Financial Officer

23 April 2020

OUR PEOPLE

OUR HUMAN, INTELLECTUAL, SOCIAL AND RELATIONSHIP CAPITALS

AECI's Human Capital function provides a strategic service to the Group as a whole, across the full human resource value chain. It supports our growth aspirations in an environment of internal change as well as global shifts in external social, legislative and other frameworks.

The function's scope is not limited to the people agenda but includes broader responsibility for leadership in matters pertaining to our Intellectual, Social and Relationship capitals.

Highlights from 2019 and some objectives for 2020 in these areas are presented here.

TALENT ACQUISITION AND RETENTION

The recruitment, development and retention of excellent people is fundamental to Human Capital's value-add proposition. We have adopted a balanced approach to this. It relies on leveraging the skills and experience already available in the organisation while also attracting others with the desired capabilities that will position the Group for long-term sustainable growth.

Mechanisms in place to attract and retain suitable talent include:

› internal capacity-building through development programmes that enhance the talent pipeline in the short, medium and long term

› deployment of existing talent through promotions in the Group

› recruitment strategies targeted at specific external talent pools.

We have has a stable workforce, with turnover rates averaging less than 5% globally in the last five years. This safeguards adequate depth in many of the scarce and critical skills areas of the business although attracting new employees with the requisite specialist skills in the engineering, IT, and agrochemicals fields remains challenging.

To address this, the Talent Acquisition function continues to facilitate leveraging of existing skills Group-wide as cost-effectively as possible.

Another area still requiring progress is the recruitment and development of people with disabilities. Strategies to address this are in place and execution thereof will continue to be pursued in 2020 and future years.

In terms of attraction and retention methodologies, progress was made in 2019 in rolling out systems that improve the employee experience and hence the employer brand.

A more robust framework that standardises assessments for specific employee segments, thereby supporting informed talent acquisition and talent development practices, has also been a focus area.

Particular attention in 2020 will be given to facilitating transfers within the Group, thereby providing employees with further opportunities to expand their skills and advance their careers locally and internationally.

Informing not only the recruitment and retention of talent but also other relevant components of the Human Capital value chain are the results of the first-ever Group-wide Employee Culture Survey conducted in 2018. Key issues of interest and concern raised by employees related to the organisation's efforts to retain its people, employee recognition and reward, opportunities for personal and career growth and development in the employee value proposition, and leaders embracing the Company values.

Interventions to address feedback from the Survey have been initiated at Group and at individual business entity levels.

LEARNING AND DEVELOPMENT

Our value proposition as an employer of choice is critical to success in recruitment and retention. Learning and training play a pivotal role in this regard. Building skills and behaviours that promote a culture of continuous learning, leadership and diversity globally is significant for the achievement of strategic goals and objective.

Training programmes centre on a high performance culture to safeguard the timely availability of the Group's human capital requirements. Learning interventions aim to deliver well-rounded, competent employees who make contributions that provide them with personal growth and career development in the Group while facilitating increased productivity to their own benefit, the benefit of the communities and countries in which they live, and to the benefit to shareholders through business growth.

A banded approach to learning and development gives employees opportunities to participate in programmes appropriate to their levels of work but also to attend interventions at more advanced levels. Particular attention is given to improving the skills and competencies of employees from designated groups, in line with indigenisation imperatives.

Although participation in programmes has been limited largely to employees based in South Africa in the past, the expansion of the Group's geographic footprint requires that opportunities be extended globally in future. An amendment to the programmes' rules will be proposed in 2020 to formalise this.

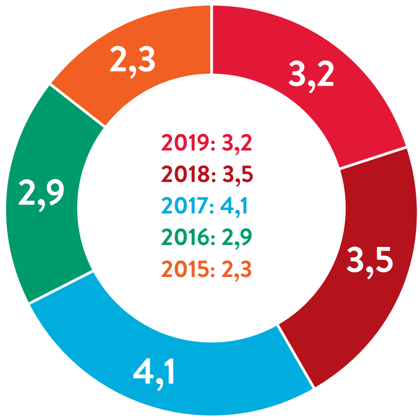
In 2019 there was a slight increase in the number of employees approved for study assistance year-on-year, with only a small decrease in expenditure. The percentage of employees from designated groups participating in study programmes was almost 89% of the total number of recipients.

Examples of the courses of study pursued by employees in 2019 were Masters in Business Administration ("MBA"), Bachelor of Arts Psychology in Human Resources, Bachelor of Science and Bachelor of Accounting Science Degrees, and National Diplomas in Electrical Engineering, Analytical Chemistry, Safety Management and Operations Management. One employee is studying towards a PhD Degree and five employees are studying towards MBA Degrees.

Skills Development remains a priority element in the amended B-BBEE Codes and it is vital that Group businesses in South Africa achieve the 40% threshold. The amendments to the Codes had a major effect on the Skills Development element after the inclusion of bursary expenditure as a separate requirement. Additional workshops related to this imperative were again

Investment in the current and prior four years is summarised below:

EXPENDITURE
(Rm)



NUMBER OF BENEFICIARIES: EMPLOYEE STUDY ASSISTANCE SCHEME, BY RACE AND GENDER

2015 TO 2019

	African		Coloured		Indian		White		Total by gender			
Year	M	F	M	F	M	F	M	F	M	F	Total beneficiaries	Investment (R millions)
2015	46	33	3	4	8	10	11	9	68	56	124	2,3
2016	89	59	5	11	11	15	12	14	117	99	216	2,9
2017	116	76	8	17	15	18	15	18	154	129	283	4,1
2018	106	78	4	13	16	16	13	16	139	123	262	3,5
2019	**110**	**75**	**6**	**17**	**17**	**17**	**9**	**21**	**142**	**130**	**272**	**3,2**
Total	**467**	**321**	**26**	**62**	**67**	**76**	**60**	**78**	**620**	**536**	**1 157**	**16,0**

INVESTMENT IN BURSARY SCHEMES

2017 TO 2019

Scheme	No. of beneficiaries			Designated group beneficiaries (%)			Female beneficiaries (%)			Investment (R millions)		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
External	35	33	**30**	94	93	**90**	42	36	**40**	4,4	4	**4,7**
Employee dependent	34	27	**22**	100	88	**91**	64	48	**73**	0,7	0,7	**0,6**
Total	69	60	**52**				**106**	84	**113**	5,1	4,7	**5,3**

SUMMARY OF CHIETA GRANTS

Type of grant (R millions)	2015	2016	2017	2018	2019
Mandatory	4,1	4,1	4,8	5,1	**5,5**
Discretionary	6,2	6,8	7,8	7,6	**8,9**
Total	10,3	10,9	12,6	12,7	**14,4**

presented by AECI Specialists, SAGE and EmpowerLogic to ensure that employee and expenditure data are properly captured on the SAGE BEE123 System and hence maximise the Group's overall score and the scores of its businesses.

Investment in the Group's External Bursary Scheme and the Employee Dependent Bursary Scheme is targeted towards achievement of the highest possible score for this amended requirement. Employee Study Assistance expenditure will be included in this category as part of SD in future.

Full-time students, primarily from designated groups and studying towards qualifications identified as critical and scarce skills, were sponsored through the **External Bursary Scheme**. Their fields of study included chemistry, agriculture, and chemical, mechanical and mining engineering. Graduates of the scheme are employed in the Group for a minimum of 12 months in line with their bursary work-back requirements and to provide them with industry experience, depending on the availability of suitable positions.

Three of the five Nelson Mandela University Chemical Process Technology bursary graduate students who completed their work-back periods in 2019 have been retained permanently. The second group of Chemical Process Technology Diploma students graduated in 2019 and they are completing their work-back periods. Another group of new graduates commenced work-back in February 2020 and two Mining Engineering students will do so in the foreseeable future.

R4,7 million was invested in 30 students in 2019, representing an increase of 17% on 2018's disbursement. The Group offered extended vacation work opportunities to bursary holders, resulting in stronger relationships between management and the students. It is envisaged that this will increase the retention rate of graduate beneficiaries, improve the return on investment and bolster the talent pipeline of future leaders and technical experts.

Financial support also continued to be provided through the **Employee Dependent Bursary Scheme** to dependents of employees in lower income brackets. The bursary recipient must register with an accredited educational institution for a tertiary qualification, irrespective of the course of study.

The number of bursary holders was lower year-on- year due to applicants not being accepted by the institutions they originally applied to. This resulted in a slight reduction in expenditure. Five students completed their studies in the year and 19 new applications were approved for 2020.

Examples of the qualifications of study pursued were B-Tech Mechanical Engineering, B-Tech Internal Auditing, B-Tech Water Care, National Diploma in Electrical Engineering, National Diploma in Civil Engineering, Bachelor Degree in Environmental Management, Bachelor Degree in Education, BCom Financial Accounting Degree and a Chef Foundation Programme.

Learning and development strategies are aligned with the Employment Equity Act and the Skills Development Act, No. 97 of 1998. The Workplace Skills Plans and Annual Training Reports of Group businesses in South Africa were submitted timeously to the Chemical Industries Education and Training Authority ("CHIETA"), as required by legislation. No issues of concern were identified.

Much Asphalt maintained its legislative compliance with the Construction Education and Training Authority by submitting the Workplace Skills Plan and Annual Training Report as required by the Skills Development Act. The business was awarded discretionary funding in 2019 for implementation and disbursement in 2020. SCP reports to the Services SETA and it, too, submitted its compliance documentation. AECI plans to centralise the submissions of both Much Asphalt and SCP in 2020.

Collaboration between ourselves and CHIETA stakeholders continued and the required criteria for funding applications have been implemented. The table on page 37 shows comparative amounts received in the last five years. These grants have aided us in implementing a host of programmes ranging from leadership development, apprenticeships, learnerships, internships and bursaries to various other learning interventions and skills programmes. Funding indicated for 2019 includes payments received to year-end.

The CHIETA partnership has also enabled AECI to provide 296 unemployed youth with workplace experience. 83 interns and graduates were able to obtain Science Technology Engineering and Manufacturing related qualifications ranging from Chemical Operations to the Analytical Chemistry, Bachelor of Science and Engineering disciplines.

TALENT MANAGEMENT

The development of leadership capability for a pipeline of future leaders is achieved, inter alia, through our partnership with the Gordon Institute of Business Science ("GIBS"). GIBS provides customised and accredited management interventions in the context of the AECI Leadership and Management Development Programmes. These Programmes are designed for leaders from junior to senior management levels, offering participants the most up-to-date knowledge.

The seventh intake of 112 participants enrolled in 2019. The success of the initiative was illustrated by the need to present the Foundation Management Programme for the third time to two groups of employees. Over six years, more than 790 employees have benefited from attending, with a gradual increase in designated participation at all levels. A number of employees based in other countries of operation have also participated.

At Senior and Middle Management levels, especially, participants are exposed to stretch assignments from individual and syndicate perspectives. Action Learning and Business Improvement Projects continued as part of Programmes. The results and outcomes of assignments are the identification of growth or improvement opportunities and the development of these for the benefit of the business. Efforts in the areas of Group-wide collaboration and innovation are examples of the good results yielded to date

Subject matter experts from across the Group presented at the Middle Management Development Programme in prior years. These engagements were extended to the Senior programme in 2019. The Chief Executive and the CFO also contributed their expertise, providing delegates with in-depth insight into the growth strategy for the short, medium and longer term.

In addition to the Programmes at GIBS, several other interventions were investigated and some of these will be implemented in the coming year. The specific focus is on facilitating the further development and retention of skills in disciplines that are fundamental to the achievement of AECI's growth objectives. They include Engineering, Manufacturing, Research and Development, and Supply Chain Management.

Executive coaching has been made available to certain employees at senior levels. Programmes were presented with specific emphasis on meeting the aspirations of a changing workforce. The growing representation of Millennials as a proportion of the total employee complement is one example of this. Also recognised was the need to highlight more strongly fourth industrial revolution competencies in leadership programmes.

Significant effort was invested in workforce planning and succession planning in the year. Group businesses assessed their existing plans and amended them, where required, after the leadership had reconfirmed the business strategy and the employment needs necessary for its delivery in the short, medium and longer term.

PROJECTS AND PROGRESS IN 2019

Some of the learning and development activities launched or progressed by individual Group businesses are summarised in the commentary that follows. These were in addition to generic training needs addressed by employees attending a variety of training programmes presented or coordinated by the Group's centralised Learning and Development department, and subject-specific interventions such as training on the revised Code of Ethics and Business Conduct.

MINING SOLUTIONS

Explosives

This is our largest business. In line with AEL's goals to develop and improve employee skills so as to enhance business processes, specific training interventions were implemented. These included Explosives Technology, Exploratory Sales Process, Blasting Refresher Course, Multiskilling and Learnerships for permanent employees. Other interventions were in the areas of Customer Support, Mobile Manufacturing Units, Mobile Charging Units and Detonators.

Employees from inter alia Botswana, the Democratic Republic of Congo, Ghana, Tanzania and Zambia received on-the-job training in the use of new production equipment from Regional Trainers based in South Africa.

A First Line Manager Development Programme was developed in partnership with the University of the Witwatersrand and rolled out at the Nitrates complex, Modderfontein. The high attrition rate of experienced employees in 2018/19 and the further mitigation of safety-related risks necessitated fast-tracking the development of selected employees. The Programme will continue in 2020 to upskill employees in terms of competencies such as conflict management, performance management, setting goals and basic finance skills.

Additionally, 12 employees (Blasters and Technical Officers) participated in AEL's Junior Management Programme designed to develop the first line management skills of Technical Specialists.

Employees from manufacturing environments attended courses to facilitate cross-training in a number of disciplines and tasks. Once trained, employees can be reassigned between production areas and this improves their overall knowledge and understanding of workflows. A total of 2 528 employees benefited in 2019, as indicated below.

Learnership programmes were offered to unemployed young people. These programmes ranged from Chemical Operations to Business Administration, Freight Handling, apprenticeships and internships. Four Freight Handling learners were subsequently offered permanent employment, as were three apprentices.

A Business Administration learner was permanently employed by another AECI business on completion of her NQF Level 4 learnership.

A new Graduate Development Programme was also implemented. Five Engineering (Chemical, Mechanical and Electrical) and five Mining Engineering graduates participated, adding to the sustainable pipeline of suitably qualified Engineers for the future.

EXPLOSIVES
2019 TRAINING INTERVENTIONS

557	SHE-related
42	Advanced driving
13	Surface and Underground product application
215	Convey dangerous goods
26	Handle dangerous goods
147	Defensive driving
6	Explosives Engineer
10	Mobile Manufacturing Unit
14	Overhead crane
26	Professional driving
36	Working at heights
57	Employee Relations training
52	Computer training
1 327	Human Capital Management Solution

The National Certificate for Rock Breakers (Surface Excavations) NQF Level 3 learnership was made available for 42 employees in Limpopo, Northern Cape and Mpumalanga. Not only will this qualification support the pipeline of talent for blasting-related occupations but it also ensures compliance with the requirements of South Africa's Mine Health and Safety Act, No. 29 of 1996, for persons conducting rock-breaking operations. Learners acquiring this qualification will have a better understanding of their role and will have the competencies necessary to execute their duties consistently and effectively.

AEL again hosted a Student Day to create awareness of career opportunities and establish relationships with Mining Engineering students as prospective employees of the future. The event was attended by 224 students from the Universities of the Witwatersrand, Pretoria, Johannesburg, the North West University and UNISA.

Mining Chemicals

Both Experse and Senmin offer Chemical Operations learnerships for employed and unemployed learners.

Experse offered work-back opportunities to two Chemical Process Technology Diploma students from Nelson Mandela University. One supervisor was nominated to participate in a Generic Management NQF Level 4 learnership. He is part of a second group of junior Line Managers to do so.

Senmin offered 26 unemployed youth Metallurgical, Analytical and Chemical Engineering Diploma internships. Five full-time employees were enrolled on the Sales and Marketing NQF Level 4 learnership. It is anticipated that this will add to the pipeline of skilled people able to add further value to customers' operations.

WATER & PROCESS

ImproChem afforded two learners living with a disability the opportunity to pursue Human Capital NQF Level 5 qualifications and Chemical Engineering students needing to complete their qualifications through internships were given workplace experience on customer sites. Analytical Chemistry students were taken on as interns in ImproChem's own laboratories.

A total of 11 permanent employees are participating in the Sales and Marketing NQF Level 4 learnership and three are participating in the Generic Management NQF Level 4 equivalent. In addition seven employees commenced their Business Administration NQF Level 4 learnerships.

The fulfilment of the required work-back period of an external bursary scheme recipient was also facilitated and it is anticipated that he will be permanently employed in 2020.

PLANT & ANIMAL HEALTH AND CHEMICALS

One learner at Nulandis has been retained to participate in a Human Capital NQF Level 5 learnership. Nulandis also provided workplace experience for two Soil Science graduates.

Two employees from Chemfit were enrolled on the Sales and Marketing NQF Level 4 learnership. In-service training for students studying towards Diplomas and in need of experiential training to complete their qualification requirements continued to be offered at the operations and laboratory in Burgersdorp.

In total, 11 employees from Chemical Initiatives, IOP and Much Asphalt are attending the Generic Management NQF Level 4 learnership being presented at the Umbogintwini Training Centre.

Generic training needs were addressed by employees attending diverse training programmes presented or coordinated by Group Learning and Development.

FOOD & BEVERAGE

A bursary student who completed her Diploma in Biotechnology will be completing her internship at Lake Foods in 2020. A number of employed and unemployed learners attended the Chemical Operations learnership.

One employee from Lake Foods completed the Sales and Marketing NQF Level 4 learnership and Adult Education and Training interventions were provided for four permanent employees.

PROPERTY & CORPORATE

The Umbogintwini Training Centre is made available for supplementary teaching for learners enrolled in the Programme for Technical Careers. This not-for-profit organisation provides learners with the opportunity to supplement or upgrade their Matric results, including those in mathematics and science.

Four apprentices from Acacia Operations Services were indentured with the CHIETA for the Electrical and Instrument trades, bringing the total number of apprentices to seven. One unemployed disabled learner has been retained to participate in a Human Capital NQF Level 5 learnership.

PERFORMANCE MANAGEMENT

The emphasis over the past three years has been on embedding the practice and process of managing performance across the Group and driving utilisation of the performance management system launched in 2017.

Group Human Capital is designing a new Performance Management System that will integrate with the newly implemented Human Capital Management Solution ("HCMS"), called AECI-connect. Increased emphasis will be placed on collaborative and continuous performance improvement. It is planned that the new system will go live at the end of 2020 in time for planning for the 2021 financial year.

HUMAN CAPITAL MANAGEMENT SOLUTION PROGRAMME

The first phase of the HCMS Programme went live in March 2019. The aim of the Programme was to redesign the entirety of our Human Capital Operating Model across all businesses.

The new system launched with a range of primary functionalities such as an Employee Central Core, Position Management, Time Off, Job Profile Builder, and Global Benefits management, with integration to payroll, in an intuitive and easy-to- access way for employees and management.

The single source of employee data supports informative business reporting, alignment and standardisation of processes. This is facilitated by an operating model that allows the Human Capital function to concentrate on strategic business partnering — all underpinned by good governance.

By the end of 2019 roll-out had been successful in eight countries and deployment in the other 18 countries where we operate has continued in 2020. It is planned that the process will be completed by end-2021. However, the effects of external factors such as the current outbreak of COVID-19 could restrict the ability of personnel to travel

PSYCHOSOCIAL

› Psychological and lifestyle support

› Education and awareness of assistance opportunities

FINANCIAL

› Financial management support

› Financial wellness awareness and education

PHYSICAL

› Annual medical assessments

› Healthy lifestyle awareness and education

› Lifestyle support

INTELLECTUAL

› Professional development opportunities

› Collaboration opportunities

› Intellectual education and awareness

SOCIAL

› Inclusive and interactive events, activities and opportunities

› Social wellness education and awareness

ENVIRONMENTAL

› Work environments that are safe, healthy and facilitate productivity

› Environmental wellness awareness and education

safely for the purposes of deployment and continual reassessment will be necessary.

As international phases continue to roll out, the benefits will be enhanced in terms of consolidating and streamlining data sets, processes, and governed payrolls. The new platform enables the management of all employee basic administration and payroll components from an integrated platform. It is supported by a team of Specialists and operationalised by the new Human Capital Shared Service structure that provides administrative and payroll services to all businesses globally. The HCMS Programme was launched with scalability and flexibility in mind. A range of additional, essential features to the system for the future benefit of all employees can be added as required and when appropriate.

The roadmap for 2020 includes SAP Analytics Cloud for Human Capital, integrating further the information from various platforms as well as Learning Management and Performance Management. This will assist employee engagement and development, thereby bolstering the employee value proposition. On-boarding has also been approved as part of the roadmap for the next 12 months and design commenced in January 2020.

The implementation of the Programme won silver at the SAP Quality Awards in 2019. It followed a presentation to the SAP Quality Awards Panel which reviewed the processes and scope of the implementation approach, particularly in terms of coverage and quality. The panel was impressed by:

› comprehensive readiness (e.g. user acceptance training across all functionality, parallel payroll runs between multiple legacy systems and wage type migration summaries)
› global design, integrating multiple payroll systems
› good governance.

Above all, giving every computer and non-computer user the same access to the system as well as setting up Common Access Points were deemed truly people empowering. We were recognised as one of the first companies to drive such high levels of engagement.

EMPLOYEE WELLNESS

Because our people are our greatest asset, we acknowledge and appreciate the importance of their overall health and wellness and that of their families. To this end the Group's Wellness Programme is under regular review to confirm its relevance in changing circumstances. The overriding objective is to support employees and encourage them to adopt behaviours and utilise services and structures that can make them and their families happier, healthier and more productive at work and in their personal lives. The Programme is designed to address all facets of an employee's health and wellness. Key elements of the Programme and highlights for 2019 are summarised here.

Access to the Wellness Programme has been available mainly to employees in South Africa historically. Given the wide expansion of the Group's footprint, particularly in the last two years, its extension is under review.

EMPLOYEE ASSISTANCE PROGRAMME ("EAP")

The EAP is the core of the Wellness Programme. Short-term, voluntary and confidential counselling and lifestyle support is available to employees and their dependents through this service which aims to improve individuals' ability to cope with circumstances that may affect both their work and personal lives.

Collaboration in the Group is and will continue to be a fundamental aspect of the Wellness Programme. Key partners include Learning and Development and Occupational Health. **The approach is to offer holistic support, with focus on the areas outlined to the left,** to improve overall health and wellness.

ADDRESSING GENDER-BASED VIOLENCE

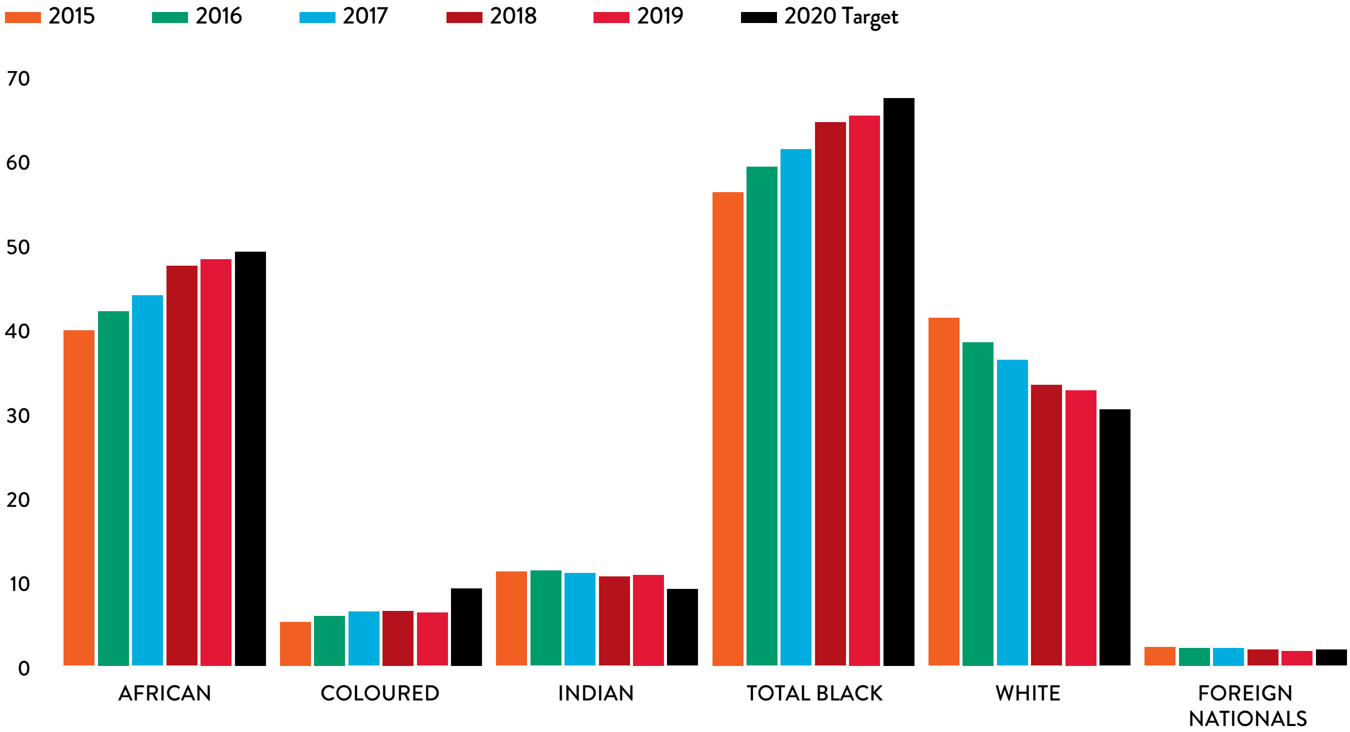
In light of the seriousness of this issue and the alarming escalation in related incidents, AECI reaffirmed the right of every employee to work in an environment that is free from all forms of discrimination and harassment. Awareness workshops were conducted at a number of sites in 2019, reaching 514 employees directly. Further reach and roll-out are planned for 2020. The workshops sought to educate employees on what constitutes harassment and sexual harassment, to highlight the seriousness of these issues and to curb and change a harasser's behaviour.

TRANSFORMATION AND DIVERSITY

We are committed to the transformation agenda globally. In line with this, integration of the Human Capital value chain to optimise

REPRESENTATION BY RACIAL GROUP AT ALL MANAGEMENT LEVELS

2015 TO 2019 PERFORMANCE AND 2020 TARGETS (%)



progress against related goals and objectives continued in 2019. In South Africa, inclusivity and diversity in line with the Employment Equity Act and B-BBEE Codes of Good Practice remain of paramount significance.

The Group is a Level 2 B-BBEE Contributor and we are dedicated to upholding its long-term performance in this regard.

The overall demographic representation, per the prescribed Economically Active Population statistics, maintained the improvement trend noted since 2014. As was the case in 2018, progress was made at Junior and Middle Management occupational levels, in particular.

EMPLOYMENT EQUITY ("EE")

The Group's three-year EE Plan started in September 2017 and it will end in August 2020. A new plan for the next three years will then be developed in consultation with stakeholders. It will include new transformation numerical targets, goals and quantitative objectives. Input from Much Asphalt, which was acquired in 2018, will be consolidated in the new AECI Group EE Plan.

In 2019, progress in relation to the second year of the Plan was submitted to the Director General of the Department of Employment and Labour on time, after consultation with all stakeholders.

The business realignment processes undertaken in the Mining Solutions and Water & Process operating segments in 2019 resulted in some unavoidable retrenchments which negatively affected the overall employee complement in numerical terms, at all levels. The reduction also impacted the Group's ability to achieve some of its set numerical targets across all categories.

Interventions implemented to facilitate the creation of an inclusive and diverse workplace were, among others:

- a Women Empowerment Programme, launched in August 2019. August is Women's Month in South Africa. The Programme's global relevance was enhanced in 2020 with the celebration of International Women's Day, in March
- other interventions initiated in support of diversity prior to 2019 continued:
  - Leadership and Management Development Programmes
  - Learnerships/apprentices and internships
  - targeted recruitment plans focused on designations which have insufficient representation in relation to set numerical targets and goals.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("B-BBEE")

The B-BBEE Codes of Good practice were promulgated in May 2019 and took effect from December 2019. The amended elements of the scorecard are Skills Development and Enterprise and Supplier Development. The process of alignment with the new requirements progressed and implementation was possible in part. **Full implementation is anticipated in the coming year.**

One of the elements included in the calculation of B-BBEE Contributor scores is Ownership. The Company's B-BBEE ownership transactions were approved by shareholders in 2012.

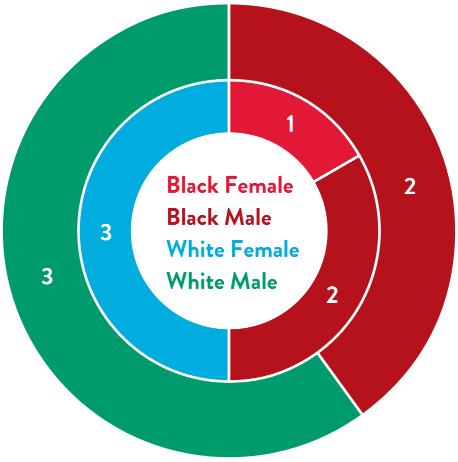
Included in the B-BBEE shareholding is the **AECI Employees Share Trust ("EST")**. Since inception, the EST has paid a total of R16,8 million to beneficiaries, in the form of cash dividends. An interim dividend of 0,156 cents and a final dividend of 0,366 per B Ordinary share were declared by AECI for the 2019 financial year and will be

REPRESENTATION BY OCCUPATIONAL LEVEL, RACE AND GENDER – YEAR-ON-YEAR COMPARATIVES

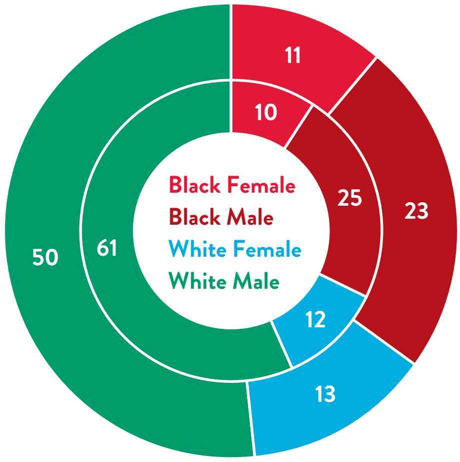
The graphs below summarise AECI's demographic representation by occupational level, race and gender in the current and prior reporting periods, in the Group's South African operations.

2019* OUTER CIRCLE **2018*** INNER CIRCLE

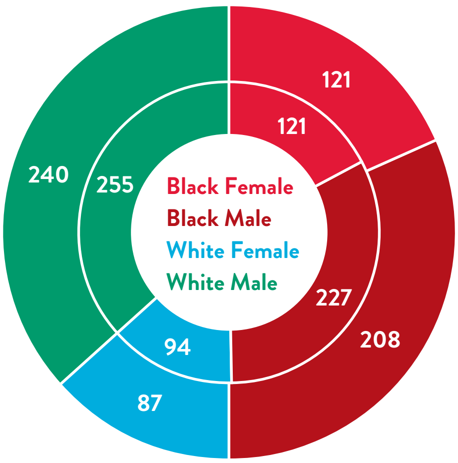
TOP MANAGEMENT
40%



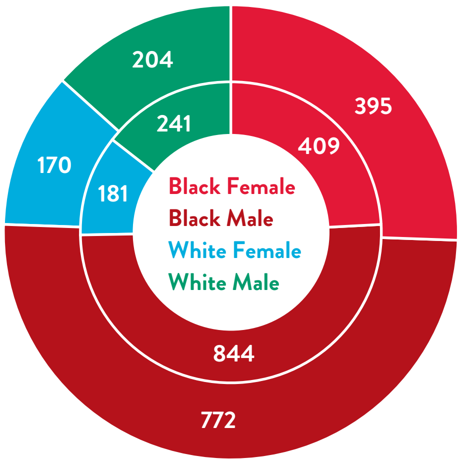
SENIOR MANAGEMENT
47%



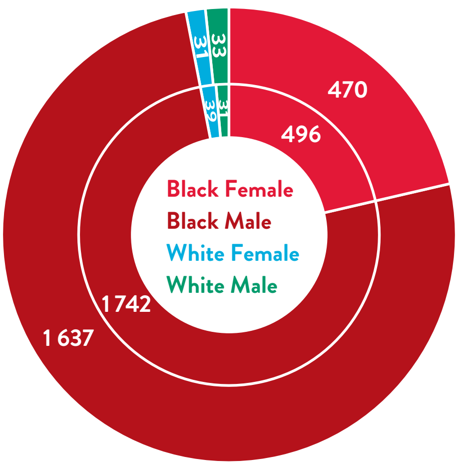
MIDDLE MANAGEMENT AND PROFESSIONALS
62%



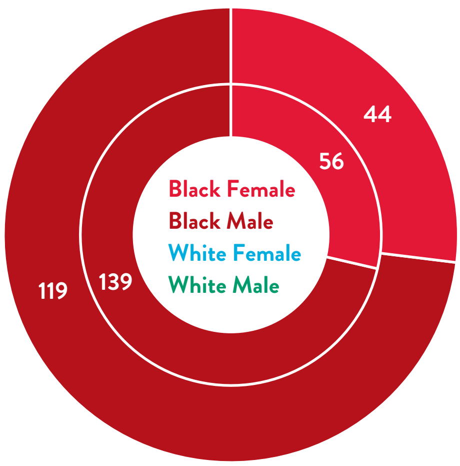
JUNIOR MANAGEMENT AND SKILLED
85%



SEMI-SKILLED AND DISCRETIONARY DECISION-MAKING
98%



UNSKILLED AND DEFINED DECISION-MAKING
99%



* Indicates limited assurance. See page 56.

paid in 2020. The EST has approximately 5 500 beneficiaries.

The AECI Executive Committee also approved the allocation of additional shares to beneficiaries who are eligible to receive these owing to promotions but who had not already received their additional allocations. As a result a further 2 006 652 shares were allocated to 968 beneficiaries.

ENTERPRISE AND SUPPLIER DEVELOPMENT ("E&SD")

The Good Chemistry Fund ("the Fund") was launched in 2017 with a committed capital amount of R30 million. The Fund is aligned with our E&SD strategy to promote South Africa's Black Owned Exempt Micro Enterprises and Qualifying Small Businesses, thereby enabling preferential procurement in AECI's sourcing. It is governed by an independent Board that oversees its management according to the principles embodied in the amended B-BBEE Codes of Good Practice and in line with the Fund's mandate.

Since its inception the Good Chemistry Fund has disbursed R11 million to five enterprises. 18 new jobs have been created directly through AECI's E&SD initiatives over the past two years.

2019 highlights

Support for Road Bulk Services ("RBS") continued. This business has doubled its revenue since receiving R5 million in expansion capital from a co-investment between AECI and Shell SA, in 2018. Nine jobs have been created. RBS is a long haul transporter of hazardous goods. The business was established in Durban in 2014. Chemical Initiatives, which manufactures sulphur-based products at the Umbogintwini Industrial Complex, played a pivotal role in on-boarding RBS into the E&SD programme and became this beneficiary's first customer.

Further investments totalling R8,5 million were also made in Maano Chemicals ("Maano"), Afrobotanics, Phophi Raletjana Farming and Express Business Services Cleaning Services ("EBS").

It is most pleasing that Maano has developed from a chemicals trading business to a chemicals manufacturer, now employing six people. In 2019 it received R6 million through co-investment by the Fund and the Identity Development Fund ("IDF"). The latter is an organisation that leads in developing innovative financial products in South Africa and integrating these with non-financial support.

In line with our commitment to empower women particular efforts have been made to on-board women-owned businesses into the funding profile. Afrobotanics and EBS Cleaning Services are Black Women Owned. Afrobotanics is a supplier of African hair care products to the retail market and received R14,4 million through co-investment between the Fund and the IDF.

In addition, this business has received mentorship and support in the areas of technical and financial guidance on formulations, quality standards, inventory management and production planning.

EBS is a cleaning chemical blending business and a cleaning services provider with 19 full-time employees. There is opportunity to migrate this enterprise into AECI's SD Programme.

The development of South Africa's Black emerging farmers market is another focus. Phophi Raletjana, from Limpopo, was identified in 2018 as the business case for developing a relevant financing model. Phophi has been a successful participant in the Potatoes SA ("PSA") mentorship programme and was named PSA's Enterprise Development Farmer of the Year in 2018.

Through a collaborative partnership between PSA and AECI, an E&SD support programme was designed for him. He was given access to a revolving credit facility in the amount of R4 million. This funding was enhanced further through the provision of technical support on a monthly basis, including a comprehensive crop spraying programme and digital crop monitoring by Nulandis, as well as continued mentorship from PSA. The expertise and support provided through the farming cycle delivered a health crop which was sold into the open market in December 2019. Other start-up farmers in Limpopo have since been identified as potential future beneficiaries of the Fund.

Individual Group businesses continued to support a number of other projects in their own capacities, with particular attention given to local community development and micro business development through specialised support. Over and above investments by the Good Chemistry Fund, R16 million was disbursed to E&SD beneficiaries in 2019. Examples were as follows:

- Acacia Real Estate made available premises for a number of small businesses, including the South African Chemical Technology Incubator. This is a not-for-profit business incubator in the Small Enterprise Development Agency's incubation programme. It is dedicated to supporting the growth of very early stage technology-based businesses in the South African chemical sector
- Chemfit, in Burgersdorp in the Eastern Cape, continue to provide financial support and mentorship to a local waste recycling business
- Much Asphalt made available credit facilities, discounts and diesel for several small distributors of asphalt products.

In AECI's B-BBEE scorecard received in 2019, 89% of the possible E&SD scoring points were credited. This was achieved through collaborative efforts by Group businesses and a well-executed preferential procurement plan driven by the Group Strategic Sourcing function.

In response to the 2018 Mining Charter requirements for local content on goods, a process is underway with the South African Bureau of Standards to verify the local content of the Group's offering to the mining sector. We are first among our peers in embarking on this process, which is expected to be completed by the end of 2020.

EMPLOYEE RELATIONS

The primary responsibility of the Employee Relations function is to engender a culture of mutual respect and the amicable resolution of conflicts in the workplace, and to facilitate a similarly respectful relationship among all relevant stakeholders.

Employee Relations supports a culture of fairness and transparency among all employees (irrespective of race, gender, nationality, religion and sexual orientation). We subscribe to the principles of the International Labour Organization's (ILO) conventions. Human Capital policies are intolerant of any form of unfair discrimination, harassment, child labour, intimidation or bullying in the workplace.

The function plays a lead role by ensuring that:

- sound employee relationships are maintained and that there is harmonious atmosphere in the workplace
- employee morale and job satisfaction are enhanced by this harmony

2019 REPRESENTATIVE TRADE UNIONS

RECOGNISED TRADE UNIONS IN OTHER COUNTRIES AS AT 31 DECEMBER 2019

Country	Recognised union
BOTSWANA	Botswana Mine Workers Union
DEMOCRATIC REPUBLIC OF CONGO	Union Nationale des Travailleurs du Congo Confederation Democratique du Travail
GHANA	Branch Union of Ghana Mine Workers Union ("GMWU") General Transport Petroleum & Chemical Workers Union Professional and Management Staff Union of the GMWU
INDONESIA	SPTP Sangatta
MALI	Union Nationale des Travailleurs du Mali ("UNTM")
ZAMBIA	National Union of Commercial and Industrial Workers ("NUCIW")

SOUTH AFRICA: UNION MEMBERSHIP AS AT 31 DECEMBER 2019

Trade union	No. of bargaining unit members	No. of non-bargaining unit members	No. of temporary employees	Total
CEPPWAWU	320	77	0	**397**
GIWUSA	433	502	0	**935**
SACWU	476	222	1	**699**
SOLIDARITY	8	46	0	**54**
UASA	0	7	0	**7**
NON-MEMBER	258	1711	459	**2 428**
TOTAL	**1 495**	**2 565**	**460**	**4 520**

- employment policies and practices meet relevant statutory and regulatory conditions across the geographic footprint
- a culture of fairness and transparency among all employees continues to mature, while at the same time maintaining strong collective relationships and agreements with stakeholders.

The overriding philosophy is to inform, engage and entrench employees' confidence that they will always be treated in a fair and equitable manner.

LABOUR LEGISLATION

South Africa's Minister of Employment and Labour has amended the provisions of the Basic Conditions of Employment Act and the Unemployment Insurance Act through the Labour Laws Amendment Act, No. 10 of 2018. The new legislation provides for parental, adoptive and parental commissioning leave. Our Leave Policy is being aligned accordingly for compliance with these changes and requirements.

OPERATIONAL REQUIREMENTS DISMISSALS

To improve business robustness for future growth, strategic realignment projects and restructuring processes were undertaken in certain operating businesses in South Africa in the year. These initiatives were necessitated by, inter alia, changes in the trading environment and product and service price considerations. Regrettably, a number of retrenchments were necessary. Various section 189(3) consultation processes were thus initiated and concluded, resulting in a total of 247 employees being retrenched in the Group.

The Employee Relations team played a leading role in ensuring that these processes were well coordinated and that there was proper, open and honest communication with all stakeholders (unions, employees and the Commission for Conciliation Mediation and Arbitration) at all times before, during and after the consultations.

TRADE UNION REPRESENTATION

Trade unions have a fundamental role to play in effective collective bargaining, which is an important mechanism for regulating employee relations and determining employees' remuneration and benefits. All employees and active job seekers have the right to join and be active in trade unions or other representative bodies of their choice and they are legally protected against discrimination by employers for doing so.

The AECI Group recognises this right to freedom of association and to bargain collectively. Representative trade unions are one of our key stakeholders.

At the end of 2019, 34% of employees in South Africa were affiliated to recognised union organisations. This ratio was lower than the 46% reported in 2018 owing mainly to the restructuring and retrenchment processes already described. The combined ratio for all other countries of operations was 33%, significantly lower than the 59% reported in the prior year. The main shift was in the business in West Africa where, although unions are recognised by law, employees have a choice to elect a representative among their own to represent them. Several employees elected to do so. See page 45 for additional information on representative unions and membership.

WAGE NEGOTIATIONS

Centralised wage negotiations in several sectors in the National Bargaining Council for Chemical Industries in South Africa took place during 2019, on expiry of the two-year agreement reached for the years 2017/19 in the Chemical Industries sector.

The negotiating parties were fully committed to avoiding deadlocks in negotiations and it was pleasing that another two-year agreement, for the years 2019/21, was concluded successfully.

SOCIO-ECONOMIC DEVELOPMENT ("SED")

Although we will formalise our overarching Sustainable Development strategy and goals in 2020, as already indicated elsewhere in this integrated report, relevant principles of sustainable development have underpinned our SED Programmes for a number of years. These principles drive practices and decision making.

The SED Programmes are currently aligned with and contribute towards the achievement of six of the United Nations' 17 social development goals ("SDGs") as indicated below. Sustainable development as a business imperative is also inherent in the B-BBEE Codes of Good Practice. Further, it is foundational in other frameworks such as ISO 26000, which provides guidance on how businesses and organisations should operate in a socially responsible manner.

Some achievements for each of the targeted SDGs in 2019 are highlighted at https://www.aeciworld.com/pdf/sustainability/sed-programmes-2019.pdf.

Our SED investments are channeled via three funds, namely:

- the AECI CSI Fund
- the AECI Community Education and Development Trust ("CEDT"), and
- the Tiso AEL Development Trust.

Each of them has its own Board of Trustees and the Social and Ethics Committee oversees activities in this very important area on behalf of the Board.

The funds' areas of focus address both international and national development agendas. These include quality basic education, the protection and conservation of natural resources, inclusivity, food security, skills development and caring for orphans and vulnerable children.

Further information on each fund, including objectives and funding criteria, are available at https://www.aeciworld.com/sustainability-sed-programmes.php.

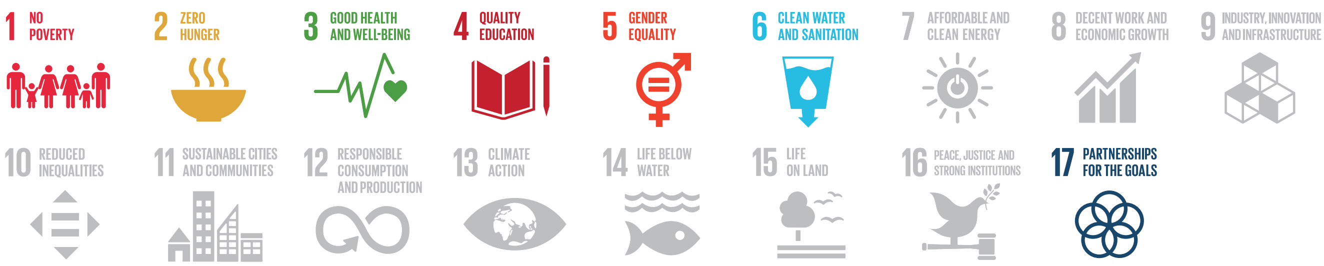
In the past two years good progress has been made in the following areas, in particular:

- the sustainable upliftment of communities, with social responsibility recognised as an important vehicle for addressing inequalities in areas in which the Group operates
- collaboration between the funds' centralised administration and Group businesses, as well as their customers, thereby maximising the reach of available resources
- participation in employee volunteerism campaigns, which reflects the Engaged and Responsible tenets of AECI's BIGGER values
- improved awareness among stakeholders of AECI's contribution.

The SED Programmes have matured from charitable grant-making to making long-term sustainable strategic investments. It was gratifying that progress made to date was acknowledged when AECI won Trialogue's CSI Strategic award in 2018. This annual award formally recognises investments that are to the mutual benefit of communities and business.

Our SED investment in 2019 was R31,3 million, further entrenching the established trend of investing more than the mandated 1% of net profit after tax. The amount included cash investments made both locally and internationally and value in kind donations. Also very pleasing was AECI being recognised for its efforts to empower women in communities and its investment in young girls, at the Gender Mainstreaming Awards in the year. See https://www.aeciworld.com/pdf/sustainability/newletter-gender-awards.pdf.

Since 2015, R135,5 million has been disbursed in uplifting communities neighbouring our operations or those engaged by our customers across all of South Africa's provinces. A summary is presented on the facing page.



Year	Tiso AEL Development Trust (R millions)	AECI Community Education and Development Trust (R millions)	AECI CSI Fund (R millions)	Total (R millions)	No. of beneficiaries impacted
2015	2,70	5,40	10,00	18,10	180 000
2016	0,90	11,20	8,90	21,00	128 000
2017	7,90	17,70	9,40	35,00	450 000
2018	8,60	14,70	6,80	30,10	305 000
2019	7,80	12,30	11,20	31,30	311 000
Total	27,90	61,30	46,30	135,5	1 374 000

WATER AND FOOD SECURITY, HAMMANSKRAAL

A report released by the South African Human Rights Commission in August 2019 confirmed that water in the Hammanskraal area, in northern Gauteng, was not fit for human consumption and did not comply with South Africa's drinking water standards. The AECI Executive Committee urged the CEDT and Group businesses to intervene through the provision of clean drinking water for schools in settlements such as Temba, Ramotse and Morolong Village. Absenteeism rates at those schools were high as a result of learners falling ill from drinking poor quality water.

An inadequate water supply also meant that toilets could not be flushed and posed a further hygiene and sanitation risk. This meant that learners' right to basic education and clean drinking water was compromised.

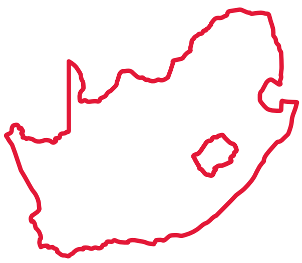
The CEDT, ImproChem and Nulandis stepped in. ImproChem contributed a world-class water filtration solution that is benefiting five schools, a clinic and the wider community in the area. Nulandis provided food gardens at each school, as well as plant and soil health products and training in their application for optimal results

The CEDT, in partnership with Gift of the Givers, the Wild Life and Environment Society of South Africa and others provided boreholes and water education programmes at each location. Approximately 5 000 beneficiaries were impacted directly.

Partnerships between corporate South Africa and government at all levels have a fundamental role to play in addressing some of the highly complex challenges faced by communities across the country. The Hammanskraal water and food security project demonstrates our ability to participate in such partnerships through the combined capabilities and expertise across entities in our business portfolio.

The Honourable Pam Tshwete, South Africa's Deputy Minister of Human Settlements, Water and Sanitation, officiated at the project handover on 19 November 2019. See the video at https://www.youtube.com/watch?v=rQSXzfOJGxg and the pictures on the facing page.

IMPACT IN 2019



132 000
MALES

179 000
FEMALES

68
PARTNERS

28
COMMUNITIES

311 000
BENEFICIARIES

OUR SAFETY, HEALTH, ENVIRONMENT AND QUALITY ("SHEQ") STRATEGY AND PERFORMANCE

Our approach to the management of SHEQ is informed by a single Vision, a Group SHEQ Policy, a standardised SHEQ Framework and supporting procedures. AECI is a signatory to the global Responsible Care® programme and incorporates the corresponding Management Practice Standards into its approach.

The Vision is stated as follows: "We aspire to operate sustainably, without harm to people, the environment and the communities in which we operate."

"Our Zero Harm integrated approach to the management of Occupational Safety, Process Safety, Occupational Health, the Environment, Product Transportation, Responsible Care® and Quality is based on the fundamentals of Accountable Leadership; Engaged and Empowered Employees; Risk-based SHEQ Management; and Continuous Improvement."

GOVERNANCE

The SHEQ Policy, the SHEQ Framework and supporting procedures, and the SHEQ strategy have been endorsed by the Chief Executive. He is assisted by the AECI Executive Committee, and guided by the Social and Ethics and the Risk Committees, on behalf of the Board, in the discharge of his duty to oversee implementation thereof and to monitor performance.

SHEQ is the first item on the agenda at monthly Executive Committee meetings and at every Board meeting. In April 2019 a special Board meeting was convened and the agenda focused on the Group's approach and practices in regard to environmental management. A detailed action plan was formulated and progress against this has been added as a standing item on the Board meeting agenda.

By the end of 2019 good progress had been made in addressing items relating to compliance with current and anticipated future environmental standards Group-wide. A key item in this regard is the project underway at Modderfontein for compliance before the end of 2020 with Minimum Emission Standards that took effect on 1 April 2020.

SHEQ MANAGEMENT SYSTEMS

Using a risk-based approach, our businesses are required to align their SHEQ Management Systems with the relevant external standards against which third-party audits may be undertaken. Over the medium to long term, all Management Systems will be realigned to the AECI SHEQ Framework and prioritised in line with the needs and risks of each business.

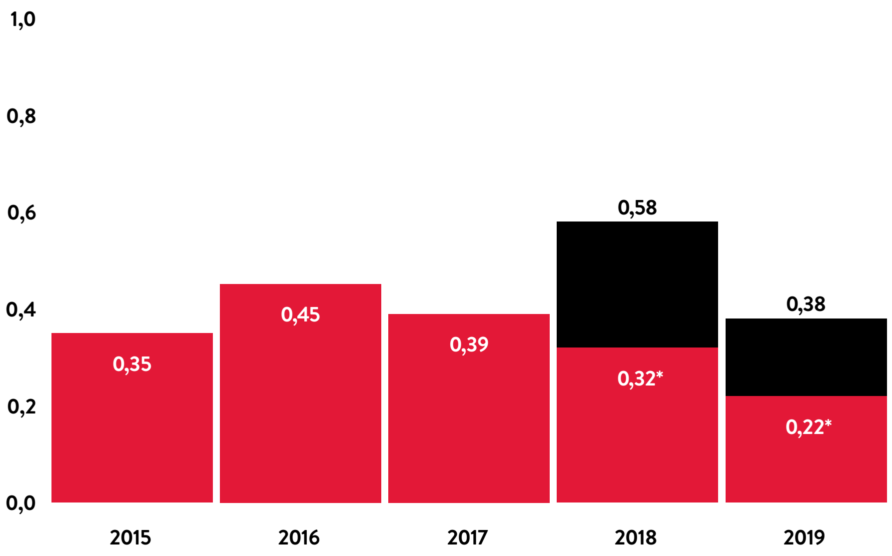
The most commonly adopted external standards are:

- ISO 45001 – Occupational Health and Safety Management
- ISO 14001 – Environmental Management
- Risk Based Process Safety Management
- ISO 9000 – Quality Management
- ISO 22001/FSSC 22000 – Food Safety and Quality
- ISO 50001 – Energy Management
- Responsible Care®.

ASSURANCE

As in previous years, the Managing Director of every Group business has submitted a Letter of Assurance to the Chief Executive, describing the main SHEQ-related risks faced by the business and the controls in place to manage these. Every Managing Director also confirms that the business is in compliance with AECI's SHEQ Standards and Policy. Where such confirmation cannot be given, the level of non-compliance is described and details of the plans in place to achieve compliance are provided.

SAFETY: TRIR



* Excludes acquisitions.

2019 PERFORMANCE

EMPLOYEE SAFETY AND HEALTH

Occupational safety

The primary indicator for occupational safety and health performance in AECI is the Total Recordable Incident Rate ("TRIR"). It measures the number of incidents per 200 000 hours worked and is based on the US OSHA CFR 1904 Guideline. **The TRIR for the Group improved from 0,58* in 2018 to 0,38* in 2019. This reflects 22 fewer Recordable injuries year-on-year.**

There were no* on-site fatalities in 2019 (one* fatality in 2018). Avoiding fatalities is and will always be the top priority. Two life-altering injuries occurred in 2019 (three such injuries in 2018). Both injuries resulted in thermal skin burns which caused permanent scarring. Fortunately, both the injured employees have returned to work with full fitness to work after having received the best available care. The elimination of life-altering injuries is recognised as a priority and is a milestone on the Zero Harm journey.

Product transportation

Our businesses operate in several countries in Africa and hence an extensive and complex supply chain. The frequency and severity of Product Transportation incidents on roads throughout the continent remains a serious concern.

In 2019 two* Major and two* Serious incidents were recorded. Tragically, a driver was killed in one of the Major incidents and a pedestrian was killed in the other. Although neither of the incidents were Company-related, improvement in this area will remain a key focus.

Occupational health

Improvement in occupational health performance was another key focus area across the Group generally and at Schirm in Germany in particular. The results of the roll-out of the Zero Harm strategy across the organisation and implementation of the improvement plan at Schirm were pleasing.

Zero Harm: progress against strategy

The Zero Harm strategy, developed in 2017, provides the roadmap for the Group's journey to realising its Zero Harm aspiration. Interim milestones are reviewed annually. **The strategy comprises 10 main themes, for implementation over the medium term.** Highlights of progress made in 2019 were as follows:

- implementation of a standardised approach to SHEQ Management, documented in the SHEQ Framework approved in 2018 (the full document is available at https://www.aeciworld.com/sheq-framework.php)
- implementation of standardised Life Saving Behaviours which focus on the prevention of life-altering and fatal incidents
- standardisation of the Group's approach to SHEQ Risk Management with a keen focus on material unwanted events and critical controls
- standardisation of the Group's approach to Incident Management with the development of a single procedure
- development and implementation of specific Process Safety Management standards
- integration of Schirm and Much Asphalt into the Group's SHEQ Management organisation and systems, and
- development and roll-out of the Group's revised approach to Going Green, with focus in five principal areas.

Improvement at Schirm

Schirm was acquired in 2018 and its safety performance, defined as the rate of injuries, was identified as an area requiring urgent intervention. Following review of the performance and key practices at Schirm, a bespoke improvement plan was developed jointly by teams from South Africa and Germany. **It is pleasing to report the significant improvements noted since inception of the plan that targeted the following main items:**

- leadership and cultural alignment to Zero Harm
- adoption of AECI norms for recording and classifying incidents, and ensuring the high visibility of performance indicators among all staff
- stretch targets for safety improvement and accountability for the results
- fit-for-purpose SHEQ organisation
- formal SHEQ meetings and structured site inspections involving management at all levels, including the Managing Director
- specific operational safety improvement projects
- enhanced incident investigation, root cause analysis and learning.

Other achievements

- five of our businesses achieved or sustained a TRIR of Zero in 2019. They were Acacia Real Estate, ChemSystems, Lake Foods, SCP and Nulandis
- Much Asphalt which, like Schirm, was acquired in 2018 also improved its TRIR performance substantially
- AEL's TRIR was 0,10. This world-class performance reflected a 71% year-on-year improvement
- AEL Zambia, which has less than 250 employees, completed 2 000 000 hours of work without an injury in June

* Indicates limited assurance. See page 56.

› AEL's business in Ghana completed 5 000 000 hours without a Recordable injury in December, having already celebrated five years without a Lost Time injury in September.

Occupational health

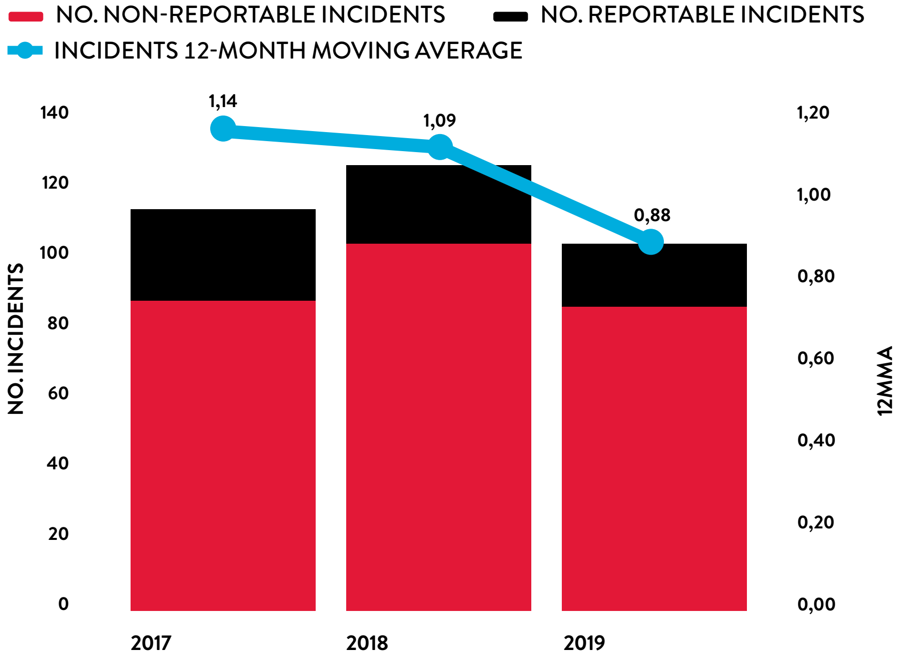
The occupational illness rate was 0,02*, with two new Reportable occupational illnesses diagnosed in the year. Both were Noise Induced Hearing Loss cases. The comparative rate in 2018 was 0,0*. Improvement is required in this area as well as in workplace ergonomics, to prevent musculoskeletal and repetitive strain injuries and illnesses.

The primary purpose of the occupational health programme is to protect and promote the health of all workers by preventing and controlling work-related illness and injury, and safeguarding their working ability and functional capacity. Employees have the right to a safe and healthy environment. Our occupational health programme plays an important role in protecting this right by understanding and managing the risks related to occupational stressors in the workplace.

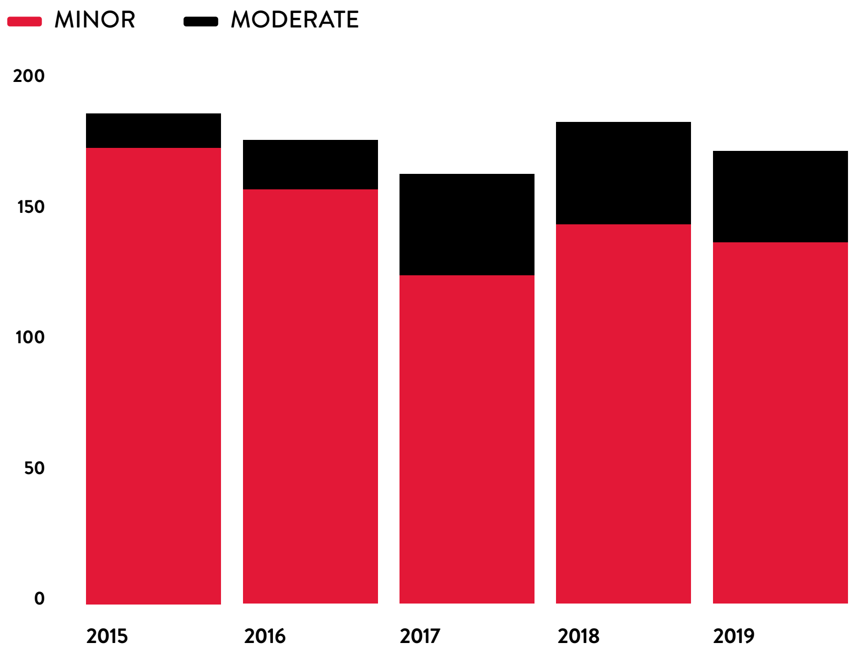
In all countries in which we operate and as permitted by local legislation, we work with external health and hygiene service providers to assess the risks associated with each occupation. The Occupational Risk Exposure Profile forms the basis against which pre-employment and periodic medical surveillance is conducted. This confirms whether an employee is fit for duty and that any restrictions noted are managed effectively.

Occupational illnesses, unlike injuries, typically arise from long-term exposure to specific stressors. In AECI the most common illness is Noise Induced Hearing Loss. Occupational work-related asthma, which results from exposure to respiratory sensitisers and irritants, is another important area. Due to the repetitive nature of certain tasks in a number of manufacturing environments, work-related musculoskeletal disorders and repetitive strain injuries also present a potential challenge. This matter will receive increased attention going forward in the South African businesses subsequent to the promulgation of the Ergonomics Regulations that came into operation on 6 December 2019 in terms of the Occupational Health and Safety Act, No. 85 of 1993.

PROCESS SAFETY TOTAL INCIDENT RATE



NUMBER OF ENVIRONMENTAL INCIDENTS



PROCESS SAFETY MANAGEMENT ("PSM")

Full-year reporting on process safety incidents took place for the third consecutive year. Although the reporting culture in the Group is still evolving, it was gratifying to note that the number of Reportable (Tier 2) incidents decreased to 17 from 21 in 2018 and 25 in 2017. The total number of incidents also decreased. Importantly, there were no Tier 1 (Major) incidents.

An analysis of the incidents that were Reportable owing to thresholds being exceeded highlighted two distinct findings: five of the incidents (or a third of total incidents) resulted in Lost Time Injury and another five called for the activation of "shelter in place". This requires workers in the immediate area to move to dedicated gathering rooms until the area is deemed safe. The loss of primary containment of

* Indicates limited assurance. See page 56.

a hazardous substance, which drives the core purpose of process safety, occurred in all 10 incidents.

Our risk-based PSM system matured further with the addition of two new standards, viz. Asset Integrity and Process Hazard Analysis. Operational Readiness and other standards will be added in 2020. Work to build capacity through PSM-specific training of operational and SHEQ personnel Group-wide will also be accelerated.

AECI plays a leading role in the development of PSM in South Africa through its involvement with CAIA.

Another area that will receive attention in 2020 is a review of compliance with the revised Major Hazard Installation Regulations in South Africa.

ENVIRONMENT

Environmental incidents

The AECI Group processes and transports hazardous materials in the ordinary course of business. Loss of containment is an inherent risk to the receiving environment and, consequently, responsible environmental management is embedded in our organisation in terms of our values, SHEQ Policy and strategy.

It is pleasing to report that there were no* Major or Serious environmental incidents in the year, either on-site or off-site (no* Major or Serious environmental incidents in 2018). Tracking of off-site product transportation incidents commenced in 2018 and continued through 2019. Of the 32 Moderate incidents recorded 18 related to product transportation, indicating this is an area of concern.

Environmental incidents are reported to external stakeholders through structures such as Modderfontein's Community Awareness and Response Committee, Stakeholder Forums and Licence Advisory Forums. Incidents are also reported to the relevant authorities, when required, and to the AECI leadership as already described.

Of the Moderate and Minor incidents that occurred in 2019, the most significant are described below:

- Acacia Real Estate, Umbogintwini: approximately 40m^3 of waste water leaked onto the beach from a site storm water drain
- AEL:
  - DRC — a third-party truck transporting ammonium nitrate from Modderfontein overturned after colliding with another vehicle, resulting in approximately 8t of product being spilt
  - Modderfontein
    - a pump failure on an effluent plant resulted in loss of containment and a spill into the storm water drain
    - damage to the site was caused by an out-of-control grass fire
    - ammonium nitrate prill was spilt as a result of a breakdown on a conveyor. The spilt product was diluted with water. A portion of this water was discharged into the storm water system in error instead of being transferred to on-site treatment facilities. Approximately 30t of product was recovered from the storm water system and disposed of
  - Zambia — 10 bags of ammonium nitrate fell from a third-party transport contractor's truck when it collided with another vehicle
- Chemical Initiatives, Umbogintwini:
  - approximately 880kg of sulphuric acid leaked from the outlet pipe on a tanker
  - higher than usual sulphur dioxide readings were detected by on-site monitoring equipment during plant start-up subsequent to an unplanned shutdown on the sulphuric acid plant. Two members of the neighbouring community reported that they had detected a strong sulphur odour
- Crest Chemicals: a flow bin containing 1,4t of ferric chloride fell onto the road from the back of a third-party transporter's truck. The flow bin cracked on impact and product was spilt over a distance of 500m
- Lake Foods, Cape Town: an overflow from an effluent tank drained into the storm water system
- SCP: subsequent to a collision between two trucks, fruit juice concentrate was spilt on the road
- Senmin, Sasolburg: a pipeline blockage caused a plant inefficiency that resulted in an emission smelling of sulphur. This was reported by a member of the community.

In all of the incidents, clean-up was conducted and there was no lasting, material impact. The odour complaints were addressed with the individuals concerned.

The number of Minor environmental incidents decreased slightly from 2018 to 2019 whilst there was a small increase in the number of Moderate incidents. 56% of the Moderate incidents recorded related to the transportation of products by third parties.

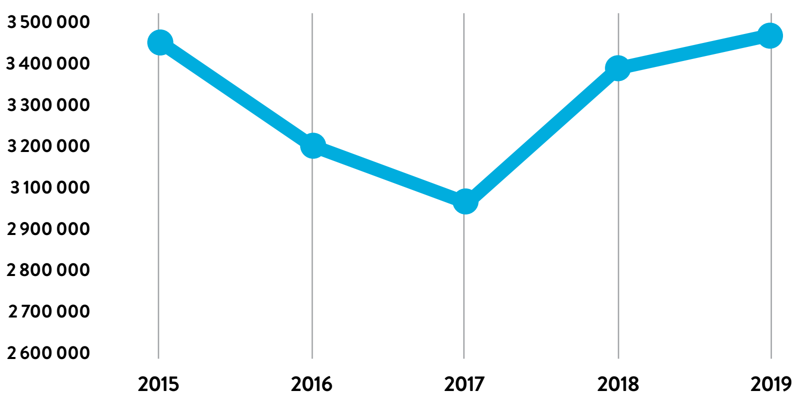
RESOURCE EFFICIENCY

Water

Water usage by operations increased by 3,2% to 3 454 437m^3* (2018: 3 346 996m^3*) owing mainly to the inclusion of Schirm and Much Asphalt's data for the full 12-month period. These businesses were incorporated into the Group in February and April 2018, respectively.

The five-year consumption trend shows decreased usage in 2016 and 2017, when projects to reduce and reuse water were initiated. Increases in the 2018 and 2019 years were attributable to the expansion of the Group, as described above.

WATER CONSUMPTION (m^3)



* Indicates limited assurance. See page 56.

Hazardous waste

The generation of hazardous waste was 25,2% higher at 13 134 tonnes* (2018: 10 492 tonnes*), owing mainly to a correction in data from Schirm's German operations for the prior year. The upward change in the five-year waste generation trend was also attributable to the acquisition of these operations.

Waste recycled

6 280 tonnes of waste were recycled in 2019 (2018: 7 346 tonnes). Reporting practices for calculating this indicator were strengthened, resulting in a 14,5% decrease in recycled volumes being reflected.

Carbon footprint

The term "carbon footprint" is defined as the total greenhouse gas emissions caused directly and indirectly by an individual, organisation, event or product, and is expressed as tonnes of carbon dioxide equivalent ("CO_2e"). AECI's carbon footprint was calculated using the United Nations' Intergovernmental Panel on Climate Change Guidelines for National Greenhouse Gas Inventories and the Greenhouse Gas Protocol's Corporate Accounting and Reporting Standards, as developed by the World Business Council for Sustainable Development.

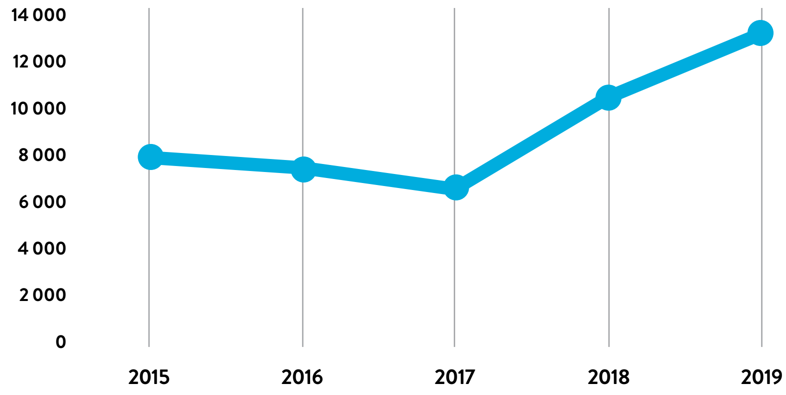
All of the Group's operations were included in the calculation of the carbon footprint for the full year other than the two joint ventures, which were excluded in December. Crest Chemicals was sold and, for Specialty Minerals SA, operational control was transferred to the joint venture partner.

Total CO_2 emissions increased by 25%. Scope 1 emissions increased by 19% due to increased production at AEL's Nitric Acid plants at Modderfontein, resulting in higher N_2O emissions, as well as the inclusion of Much Asphalt's data for the full year.

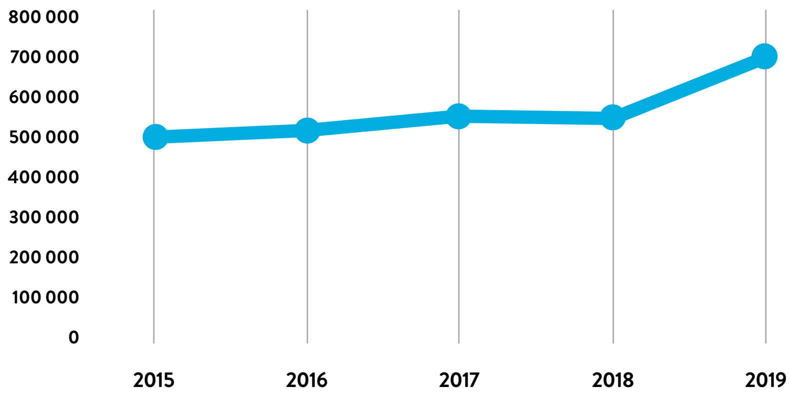
The latter also contributed to the 33% increase in Scope 2 emissions, as did higher purchases of steam by Senmin in Sasolburg.

The target is to reduce Scope 1 CO_2 emissions per tonne of nitric acid produced by 15% by 2022, using 2019 as the baseline. This reduction will be enabled by the installation of abatement equipment during 2020. It is anticipated that Scope 2 emissions will decrease by between 10% and 15%, off an adjusted baseline, due to energy efficiency projects implemented as part of the Going Green programme.

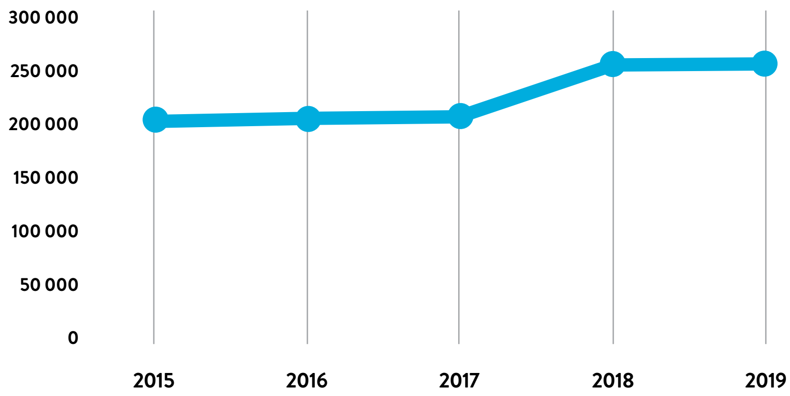
HAZARDOUS WASTE GENERATED (tonnes)



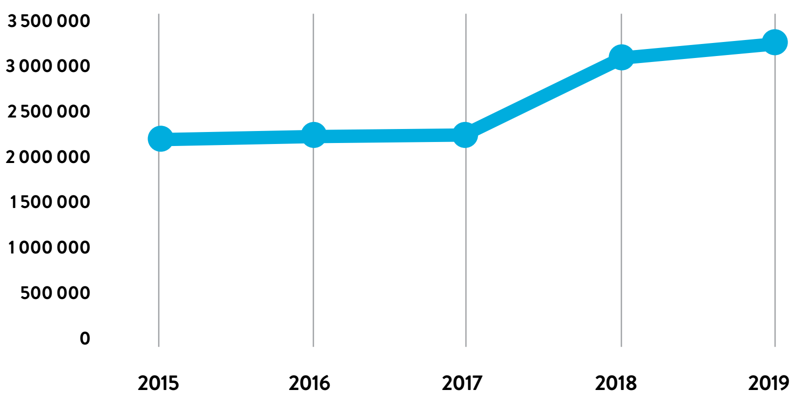
TOTAL CO_2 EMISSIONS (tonnes)



ELECTRICITY CONSUMPTION (MWh)



ENERGY (GJ)



* Indicates limited assurance. See page 56.

Scope 2 emissions were mainly from electricity consumption and steam purchased. The Group consumed 260 763 MWh* of electricity (2018: 258 617 MWh*). This represented a 1% year-on-year increase, again owing to the acquisitions concluded in 2018. Total energy usage was 3 269 369 GJ * (2018: 3 121 388 GJ *).

Five-year electricity and energy consumption trends are included on page 52.

LAND REMEDIATION

A land remediation programme to measure the impact of historical operations in South Africa and to mitigate these appropriately, as required, commenced 25 years ago. Our largest manufacturing sites were established more than 100 years ago.

The first large scale remediation project commenced in Somerset West, Western Cape, in 1995. The final portion of remediated land was signed over to the property developer at that site in November 2019 and signalled the end of the 25-year project. The property, which previously accommodated large chemicals and explosives manufacturing operations, is in redevelopment for among other land uses modern residential properties and hospitals. It houses a cheetah sanctuary and a walking trail has been established for the benefit of the wider local community.

The approach to land remediation has been moulded over time. It is guided predominantly by a risk-based approach, specifically the risk to human health. This is monitored through health and environmental risk assessments.

Ongoing residential and commercial development close to manufacturing sites brings with it increased risk. To this extent, our Land Remediation Strategy for South Africa was revised in 2019. The Strategy has the support of regulators and focuses on management activities in specific areas, predominantly in KwaZulu-Natal and Gauteng. The Strategy's guiding principles remain the protection of human health and the environment, as well as the use of good science, proven concepts and the best available appropriate technologies.

Specific work in 2019 included the start of a process to assess and characterise the nature of contamination in two areas at Modderfontein. On completion of the assessments a suitable management plan will be proposed in both instances.

RESOURCE EFFICIENCY: PERFORMANCE BY OPERATING SEGMENT

	Mining Solutions	Water & Process	Plant & Animal Health	Food & Beverage	Chemicals	Property & Corporate	**Total 2019**	Total 2018	% (Increase)/ decrease
Water usage (m^3)	1 813 892	80 022	478 496	58 944	911 363	111 720	**3 454 437***	3 346 996*	(3,2)
Hazardous waste generated (t)	1 194	467	6 445	683	3 801	544	**13 134***	10 492*	(25,2)
Waste recycled (t)	856	11	0	171	5 234	8	**6 280**	7 346	14,5
Carbon footprint									
Scope 1 emissions (tonnes of CO_2e)	274 606	673	6 085	2 642	67 735	15 239	**366 980***	308 216*	(19,0)
Scope 2 emissions (tonnes of CO_2e)	197 487	4 816	37 581	5 989	91 753	4 371	**341 997***	254 234*	(33,0)
Total emissions (Scopes 1 and 2 tonnes of CO_2e)	472 093	5 489	43 666	8 631	159 488	19 611	**708 977***	562 450*	(25,0)

South Africa's Carbon Tax Act, No. 15 of 2019, came into effect on 1 June 2019. It is payable on businesses' Scope 1, direct greenhouse gas emissions provided certain thresholds are met. The design of the tax permits tax-free allowances of up to 95% of the total greenhouse gas emissions in the first phase. For the first year companies will be taxed on emissions for the period June 2019 to December 2019, payable to the South African Revenue Services in July 2020.

AECI businesses are subject to taxation on two activities specified in the Technical Guidelines released, by the Department of Environment, Forestry and Fisheries, namely Stationary Combustion and Nitric Acid Production. More than 80% of AECI's total direct, Scope 1 emissions will be subject to the tax. There is no corresponding tax requirement in any other jurisdiction of Group operation.

TOTAL FOR THE GROUP

	2019	2018	% (Increase)/ decrease
Water usage (m^3)	**3 454 437***	3 346 996*	(3,2)
Hazardous waste generated (t)	**13 134***	10 492*	(25,2)
Waste recycled (t)	**6 280**	7 346	14,5
Electricity consumption (MWh)	**260 763***	258 617*	(0,8)
Energy usage (GJ)	**3 269 369***	3 121 388*	(4,7)

* Indicates limited assurance. See page 56.

Stakeholder engagement is vital to the success of the Land Remediation Strategy and associated programmes. We engage formally with regulatory authorities and share information with interested and affected parties on a regular basis.

In 2019 a hydro census was undertaken in the residential communities neighbouring the Umbogintwini Industrial Complex. Prior to sale and redevelopment the areas in question accommodated chemicals manufacturing operations, with the resultant potential for land and ground water contamination. The census, which included a door-to-door survey to determine where residents source their potable water, was part of the ongoing remediation programme in terms of which possible exposure to contaminants is managed. A number of new boreholes were identified in the census and personal engagement was held with individual owners to confirm their understanding of the potential risks.

AECI participated in a waste conference in the year, hosted by the Department of Environment, Forestry and Fisheries. Representatives from the Group presented papers and showcased remediation work from across the organisation. At the gala dinner, we received an award for our contribution to sustainable land remediation and management.

COMPLIANCE AND ENFORCEMENT

A significant increase in visibility by a number of regulatory bodies was evident in South Africa in the year. There were several planned and unannounced visits to our operating sites by representatives at national, local and municipal government levels and enforcement agencies. Their focus was primarily on compliance with environmental permits, licences and legal requirements. It is pleasing to report that no non-compliance matters arose from any of the visits.

Compliance is monitored internally on an ongoing basis and is shared with AECI's leadership structures in line with the SHEQ governance structures and processes.

We are committed to compliance with the 2020 Minimum Emissions Standards ("Standards"), as specified in South Africa. These Standards took effect on 1 April 2020. Capital expenditure of R100 million (of a total R180 million) was invested in operations at Modderfontein in 2019 to ensure that compliance will be achieved. Due to the timing of certain projects, postponement of compliance with some Standards until 2025 was applied for and granted. However, a strategic decision was taken to accelerate our related efforts and we intend to be fully compliant before the end of 2020.

A Water Use Licence ("WUL") is in place for Modderfontein. The WUL includes an array of parameters which are monitored across the site's incoming, in process and discharge systems. Due to the site's location there are several external influences on water quality throughout the system. These include other industries, municipalities and residential and commercial properties. For several years AEL, as the Group's largest operator at Modderfontein, has worked towards full compliance with those parameters of the WUL that are within its control. Compliance with certain other parameters was deemed to be highly impractical and, accordingly, an application for an amendment to the WUL was submitted in June 2019. The authorities' response to the application is awaited.

The primary discharge from the AEL facility is into the Modderfontein Spruit and the associated water course in the Modderfontein Reserve. The latter is the second-largest private park in Gauteng and is extremely popular among cyclists, runners and nature lovers. Therefore, monitoring and control of water quality in the Reserve is particularly rigorous.

Numerous water-related projects are underway to reduce consumption, increase reuse and improve the quality of discharge across the Group. This will be a primary component of the Sustainable Development Strategy, in line with the SDG goals as already indicated in this report.

INVESTOR-RELATED INITIATIVES

We participates in two main sustainability-related investor initiatives, namely the CDP Climate Change and Water Programs. Both are global programmes, administered in South Africa by the National Business Initiative.

We participated in the CDP Climate Change Program for the tenth consecutive year and achieved a score in the "B" performance band — a score higher than the sector and regional average. We also participated in the CDP Water Program for the fifth year, and maintained a score in the "B" band, again higher than the sector and regional average. See https://www.aeciworld.com/sustainability-cdp-wdp-submissions.php for AECI's submissions.

Owing to its current market capitalisation, AECI is not eligible for inclusion in the FTSE JSE Responsible Investment Index at this time.

GOING GREEN

In line with our aspiration to operate sustainably, without harm to people, the environment or communities, a new Going Green programme was launched in 2019. Work in this regard will be accelerated in 2020.

The aim is to minimise environmental impact and drive a beyond compliance mind-set in the Group's own operations and across the value chain. This will boost AECI's visibility as a Company of Choice.

The new programme is summarised as follows:

ROLE

- Drive environmental solutions towards a sustainable future

SCOPE

- Reduce the current environmental footprint
- Use natural resources responsibly
- Explore innovative solutions to environmental challenges

PLAY YOUR PART IN ENSURING A SUSTAINABLE FUTURE

PURPOSE

- To drive innovative environmental solutions in current and future operations
- To create awareness of Going Green among internal and external stakeholders
- To drive a culture of good environmental practice and a beyond compliance mind-set in the workplace
- To improve market competitiveness through Green Chemistry and best available technology in AECI's products and services
- To reduce AECI's environmental impact through measurement and target setting
- To improve the visibility of the Going Green programme among external stakeholders
- To align Going Green with the United Nations Sustainable Development Goals. This is part of AECI's broader Sustainable Development Strategy in development and due for finalisation in 2020.

All employees are encouraged to participate in the Going Green initiative by identifying ways in which AECI's environmental impact can be minimised in the following key focus areas (KFAs):

WATER | WASTE | CARBON DIOXIDE EMISSIONS | ENERGY | GREEN CHEMISTRY

SUSTAINABLE DEVELOPMENT

The development of a dedicated strategy for sustainable development is currently underway. The strategy will include key focus areas aligned with the United Nations Sustainable Development Goals and improvement/reduction targets, to be achieved by 2025, are being developed. Below is a summary of some of the key focus areas being considered. Detailed commentary in this regard will be presented in our Sustainable Development report later in the year.

KFA	SCOPE	RELEVANT SDG
Water	Potable and extracted water	SDG 6: Clean water and sanitation (6.4 Substantially increase water use efficiency)
Effluent discharge	Discharge to sewer, rivers and sea	SDG 6: Clean water and sanitation (6.3 Improve water quality by reducing pollution)
CO_2	Scope 1 emissions Scope 2 emissions	SDG 13: Climate action (13.b Support mechanisms for dealing with climate change)
Hazardous waste	Generated waste to landfill	SDG 12: Responsible consumption and production (12.5 Substantially reduce waste generation)
Energy	Electricity, coal, diesel, gas, heavy fuel oils, paraffins, steam and liquefied petroleum gas	SDG 7: Affordable and clean energy (7.2 Increase share of renewable energy)
Occupational safety	All workers	SDG 3: Good health and wellbeing (3.9 Reduce deaths and illnesses from chemicals and pollution)

INDEPENDENT ASSURANCE PROVIDER'S

LIMITED ASSURANCE REPORT ON SELECTED KEY PERFORMANCE INDICATORS

To the Directors of AECI Ltd

We have performed our limited assurance engagement in respect of the key performance indicators for the year ended 31 December 2019.

The subject matter comprises the key performance indicators disclosed in accordance with management's basis of preparation, as prepared by the responsible party, during the year ended 31 December 2019.

The terms of management's basis of preparation comprise the criteria by which the Company's compliance is to be evaluated for purposes of our limited assurance engagement. The key performance indicators are as follows:

Sustainability indicator description and metric
Environmental indicators
Number of environmental incidents (total, Major and Serious)
Total water usage (m^3)
Hazardous waste generated (t)
Carbon footprint — Scope 1, Scope 2 and total of Scopes 1 and 2
Total electricity usage (MWh)
Total energy usage (GJ)
Health and safety indicators
Total Recordable Incident Rate ("TRIR")
Work-related fatalities
Occupational illness rate (excluding operations based in Germany)
Product transportation incidents
Employment Equity indicators (expressed as the total number of people for each category)
Black males, Black females, White males and White females per category of Top Management, Senior Management, Middle Management and Professionals, Junior Management and Skilled, Semi-skilled and Discretionary Decision-making and Unskilled and Defined Decision-making

DIRECTORS' RESPONSIBILITY

The Directors being the responsible party and, where appropriate, those charged with governance are responsible for the key performance indicator information, in accordance with management's basis of preparation.

The responsible party is responsible for:

› ensuring that the key performance indicator information is properly prepared and presented in accordance with management's basis of preparation;

› confirming the measurement or evaluation of the underlying key performance indicators against the applicable criteria, including that all relevant matters are reflected in the key performance indicator information; and

› designing, establishing and maintaining internal controls to ensure that the key performance indicator information is properly prepared and presented in accordance with management's basis of preparation.

ASSURANCE PRACTITIONER'S RESPONSIBILITY

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historic Financial Information*. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement with the aim of obtaining limited assurance regarding the key performance indicators of the engagement.

We shall not be responsible for reporting on any key performance indicator events and transactions beyond the period covered by our limited assurance engagement.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* ("IRBA Code"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Deloitte applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

SUMMARY OF WORK PERFORMED

We have performed our procedures on the key performance indicator transactions of the Company, as prepared by management in accordance with management's basis of preparation for the year ended 31 December 2019.

Our evaluation included performing such procedures as we considered necessary which included:

› interviewing management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process for the selected key performance indicators;

› assessing the systems and processes to generate, collate, aggregate, validate and monitor the source data used to prepare the selected key performance indicators for disclosure in the reports;

› inspecting supporting documentation and performing analytical review procedures; and

› evaluating whether the selected key sustainability performance indicator disclosures are consistent with our overall knowledge and experience of sustainability processes.

Our assurance engagement does not constitute an audit or review of any of the underlying information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and, accordingly, we do not express an audit opinion or review conclusion.

We believe that our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the key performance indicator information has been properly prepared and presented, in all material respects, in accordance with management's basis of preparation.

CONCLUSION

Based on our work described in this report, nothing has come to our attention that causes us to believe that the key performance indicators are not prepared, in all material respects, in accordance with management's basis of preparation.

Deloitte & Touche

Deloitte & Touche

Registered Auditors

Per Mark Victor

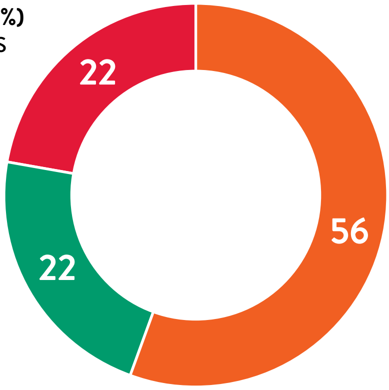
Partner

23 April 2020

OUR LEADERSHIP
NON-EXECUTIVE DIRECTORS

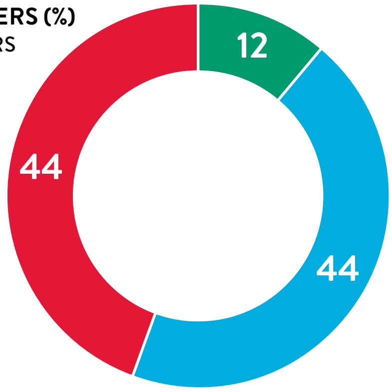
BOARD TENURE (%)
AVERAGE 6,1 YEARS

0–3 years
3 – 6 years
6 – 9 years
+9 years



AGES OF MEMBERS (%)
AVERAGE 42 YEARS

35 – 40 years
40 – 50 years
50 –60 years
+60 years



BOARD GENDER DIVERSITY (%)

78
MALE

22
FEMALE

BOARD RACIAL DIVERSITY (%)

AFRICAN, COLOURED, INDIAN 67

WHITE 33

Steve Dawson

55

BSC (Hons), MBA, Australian Institute of Company Directors

Steve joined the Board in January 2020 and he is member of the Risk and Investment Committees, and the Mining Solutions Financial Review and Risk Committee ("FRRC"). He was most recently Managing Director and Chief Executive Officer of Axieo, in Australia. Axieo provides, among others, agricultural, food and nutrition ingredients, industrial raw materials, road chemicals and water treatment products. Steve previously held senior global positions at Incitec Pivot Limited and prior to that, Dyno Nobel. Earlier in his career, he worked in South Africa's mining sector as well as at AECI's Explosives business.

Khotso Mokhele

64

BSc (Agriculture), MSc (Food Science), PhD (Microbiology)

Khotso joined the Board in 2016 and took up his position as Chairman a year later. He is also Chairman of the Nominations and Investment Committees and a member of the Remuneration Committee. Khotso is Chancellor of the University of the Free State, Chairman of Tiger Brands, Lead Independent Non-executive Director of the MTN Group and a Non-executive Director of Hans Merensky Holdings.

Fikile De Buck

59

BA Economics and Accounting, FCCA

Fikile joined the Board and the Audit Committee in 2019, and the Social and Ethics Committee in 2020. She will assume chairmanship of the latter Committee in May 2020. Fikile is an Independent Non-executive Director of Harmony Gold Mining Company, where she chairs the Audit and Risk Committee and is a member of the Social and Ethics, Remuneration and Nominations Committees. She also serves in a Non-executive capacity on the Board of Mercedes-Benz South Africa, where she chairs the Audit Committee and is a member of the Social and Ethics Committee.

Walter Dissinger

57

MEng (Industrial)

Walter joined the Board in January 2020 and he is a member of the Risk and Investment Committees, and the Integrated Chemicals FRRC. Walter is an Independent Non-executive Director at a number of international companies in Brazil, including Evora SA and Tenda Atacado. He was CEO of Votorantim Cimentos S.A. ("Votorantim") in Brazil until his retirement in 2019. Votorantim operates in the construction materials industry and is among the largest international companies in the sector. Before leading Votorantim, Walter filled senior positions at BASF in South America and Europe. In the latter years of his more than 20-year career with that company, his focus was on the agricultural products, health and nutrition businesses.

Godfrey Gomwe

64

BAcc, MBL, CA(Z), CD(SA)

Godfrey joined the Board in 2015. He is Chairman of the Remuneration Committee and a member of the Audit, Nominations and Investment Committees, as well as the Chairman of Mining Solutions FRRC. Godfrey has extensive experience as an Executive in the metals and mining industries. He served as Chief Executive of Anglo American Thermal Coal and was also responsible for Anglo American's manganese interests in the joint venture with BHP Billiton. Godfrey is an Independent Non-executive Director of Orion Minerals and Econet Wireless Zimbabwe and serves on the Boards of a number of non-listed entities.

Jonathan Molapo

51

BA (Economics)

Jonathan joined the Board in 2018 and is a member of the Social and Ethics Committee. He is CEO of Astron Energy. He has over 22 years of experience in the petroleum industry. Jonathan previously served as Africa CEO for Puma Energy Holdings, following an 18-year career at Total where he fulfilled senior leadership roles including GM: Logistics and Supply, MD for Ghana, and VP for Central and East Africa between 2011 and 2015. He also served as Executive Chairman of a number of Total Affiliates.

Allen Morgan

72

BSc, BEng (Elect), Pr Eng, CD(SA)

Allen joined the Board in 2010. He is Chairman of the Risk Committee, a member of the Audit, Investment and Social and Ethics Committees. He chairs the Integrated Chemicals FRRC and is a member of the Mining Solutions FRRC. Allen spent his working life at Eskom and served as that company's Chief Executive from 1994 until his retirement in 2000. He will retire from the AECI Board at the next AGM of the Company's shareholders, scheduled for 26 May 2020.

Rams Ramashia

62

Bluris, LLB, LLM

Rams joined the Board in 2010 and chairs the Social and Ethics Committee. He will step down as Chairman in May 2020, when he assumes chairmanship of the Risk Committee, of which he is a member. He also serves on the Nominations and Remuneration Committees. Rams is a Non-executive Director of Anglo American South Africa where he is a member of the Risk and Audit Committee and chairs the Social and Ethics Committee. Further, he is Chairman of Rand Refinery and chairs that company's Nomination and Remuneration Committee. He is also a Board member at the Mineworkers Investment Company where he serves on the Remuneration Committee. Rams is a practising advocate of the High Courtand a member of the Pretoria Society of Advocates.

Philisiwe Sibiya

43

CA(SA)

Philisiwe joined the Board in 2018. She chairs the Audit Committee and will chair the Integrated Chemicals FRCC from May 2020. She is also a member of the Remuneration Committee. Phili is the Chair and CEO of Shingai Group, an investment holding company. She was the former CFO of MTN South Africa and CEO of MTN Cameroon. She is a Non-executive Director at Investec PLC and Investec Ltd — Investec Group.

OUR LEADERSHIP
EXECUTIVE COMMITTEE AND GROUP COMPANY SECRETARY

Mark Dytor*
58
HNDP (Metalliferous Mining), PMD (UCT)

Mark assumed his role as AECI's Chief Executive in 2013, having been appointed to the Board earlier that same year. After joining Chemical Services Limited ("Chemserve") as a Sales Representative in 1984, and after managing two Chemserve companies, Mark was appointed to Chemserve's Executive Committee in 1998 and subsequently to its Board. He is Chairman of AEL Intelligent Blasting.

*Executive Director

Mark Kathan*
49
CA(SA), AMP (Harvard)

Mark is AECI's Financial Director and CFO, which positions he took up in 2008. Prior to joining AECI, he held a senior finance position at Nampak and served on that company's Group Executive Committee. In addition to overall responsibility for the Finance and Treasury functions, and playing a leading role in M&A activities, Mark oversees AECI's Corporate Communications and Investor Relations, Legal and Secretariat, Internal Audit and IT functions as well as its Retirement Funds. He is Chairman of the Group's offshore businesses, namely SANS Technical Fibers and Schirm.

Edwin Ludick
55
BCom (Hons), PMD (UCT)

Edwin is Managing Director of AECI Intelligent Blasting and Chairman of Experse and Senmin, the Group's Mining Chemicals businesses. He joined Chemserve as a Human Resources Manager in 1991 and went on to serve on that company's Executive Committee and Board before joining AECI's Executive Committee in 2010. Edwin has served as Managing Director and Chairman at a number of Group entities.

Dean Mulqueeny

53

NHD Analytical Chemistry, Global Executive Development Programme (GIBS)

Dean joined Chemserve as a Sales Representative in 1990 and held several sales positions before going on to serve as Managing Director of three Group businesses from 2004. He left AECI in 2011, returning in 2015 as a member of the then AECI Chemicals Executive. He was appointed to the AECI Executive Committee in 2018 and has specific responsibility for the current AECI Water business as well as delivery of this pillar's strategic growth plans. Dean is also Chairman of Much Asphalt.

Dean Murray

51

NDip Chemical Engineering, Global Executive Development Programme (GIBS)

Dean joined the Group as Managing Director of Chemiphos when Chemserve acquired that business in 2006. In 2007, he was appointed Managing Director of Lake International. Dean joined the then AECI Chemicals Executive in 2013 and the AECI Executive Committee in 2018. He is Chairman of Nulandis and several Chemicals businesses.

Candice Watson

38

BA (Hons), MBA, Dip. General Management

Candice joined AECI as Group Human Capital Executive in 2020. She is an experienced Human Capital leader, having developed her functional and leadership skills across industries that include FMCG, logistics, financial services and IT. In her most recent role she was Human Resources Director at British American Tobacco Southern Africa. Here she was responsible for leading the people agenda through execution of talent strategy and organisational effectiveness initiatives to enhance business performance and the leadership succession pipeline. She was responsible for repositioning the organisation as an employer of choice through various initiatives, including having the company certified as a Top Employer in Africa through the Global Top Employers Institute.

Nomini Rapoo

56

BCom (Law), UED, LLB, Admitted Attorney of the High Court, Certificate in Corporate Governance

Nomini joined AECI in 2011 as Group Company Secretary. In addition to her commercial and legal Degrees, she has qualifications and experience across a spectrum of disciplines including risk and compliance management, internal audit, legal services and corporate governance.

DETERMINING AND MITIGATING OUR MATERIAL ISSUES

By understanding and properly managing its risks, AECI provides greater certainty and security for its employees, customers, suppliers and other stakeholders. Its decisions are better informed, more decisive and geared at moving the Company with greater confidence towards the achievement of its goals and strategic objectives. An effective risk management process increases the probability that AECI will be able to minimise its downside risks and also capitalise on the upside of risks.

The AECI Board recognises that risk management is an integral part of the Group strategy-setting process and that leadership and oversight in risk management is the Board's responsibility. These principles are the foundation for AECI's risk philosophy which recognises that managing risk is fundamental to the generation of sustainable shareholder value and the enhancement of stakeholders' interests. Risk management is integral to the culture of the organisation. It is driven and monitored in line with the Board's mandate and commitment. The Risk Committee plays a leadership role in this regard.

Although risk can never be fully eliminated, great effort is made to ensure that the potential effects of significant risks are properly identified, understood and mitigated to safeguard shareholder value and sustain the Company's prosperity. Management is responsible for the ongoing refinement and application of standards and processes in this regard, at individual Group business level and for the organisation as a whole.

Management drives the assessment and monitoring of risks specific to the business as well as those relating to the broader context in which the Group operates. The latter risks relate to among others country-specific political and economic landscapes, other macro issues such as the impact of climate change, industry, labour and financial market trends and their drivers.

Work includes the analysis of research materials and benchmarking studies by institutions such as the World Economic Forum, the World Bank, the World Health Organization, Willis Risk Alert and in-country sources. These sources serve as an early warning system or a mechanism for identifying future risks and opportunities.

In 2019 focus was maintained on understanding and managing risk in new territories and markets of operation, informing the Group's expansion strategy. The underlying objective is to optimise the Group's positioning in terms of its ability to capitalise on opportunities, in line with the philosophy of not only concentrating on downside risk.

Activities and processes are underpinned by the Group Risk Management Policy Statement and the Group Enterprise Risk Management Framework ("Framework"). This Framework is based on the principles of the International Guideline on Risk Management (ISO 31000) and King IV in South Africa, where guidelines are provided for the systematic, consistent and professional approach required for effective management.

On the basis of the internal risk assessment process and the outcomes of feedback from stakeholders, AECI identifies the high level material issues that could influence the delivery of its strategy and growth objectives both positively and negatively. These are set out on pages 65 to 67.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY ("SHEQ")

The safety and wellbeing of all employees, contractors, suppliers, customers, communities and the environment is of paramount importance and fundamental to the sustainability and growth of the Group's operations. Accordingly, adherence to the SHEQ Policy and supporting standards is not negotiable. World-class practices and performance go well beyond Risk Management considerations and, as such, this extremely important area is dealt with separately in this integrated report.

In the matrix presented on page 64, the risk of catastrophic safety, environmental or plant-related incidents is presented as having potentially severe consequences but low likelihood since mitigation of all aspects of this risk is always top of mind throughout the Group and in every aspect of operation.

SHEQ management systems, though considered to be robust, are reviewed for further enhancement on a continuous basis.

COVID-19

In March 2020, a Task Team was established to manage the response to the pandemic. The Team's strategic intent includes inter alia:

"To prevent or reduce, as far as possible, the infection of our employees, their families, coworkers and others who may come into contact with them.

"To reduce the risk of COVID-19 becoming a community, national or international disaster."

See https://www.aeciworld.com/covid-19.php for the Response Plan.

The risks posed by the effects of the pandemic currently override all others at global level.

KEY ACTIVITIES IN 2019

The Risk Management function was incorporated into the Group Internal Audit department in the year. This structural change has enhanced the alignment of their respective methodologies.

Operational risk workshops were held at a number of businesses to embed the risk management process further, thereby improving the risk maturity of the Group as a whole. The workshops were scheduled based on risk prioritisation and the strategic needs of individual entities. Similar workshops will be undertaken in 2020, with the objective of formalising operational resilience plans at key sites. Business Continuity Management was also a focus area. A comprehensive review in this regard has commenced.

In the latter part of the year AECI commissioned an independent assurance partner to review the Enterprise Risk Management process. Opportunities for improvement highlighted in the review are being considered and will be actioned as appropriate.

MANAGEMENT OF INFORMATION TECHNOLOGY ("IT") RISK

King IV places responsibility for IT governance with the Board and the AECI Board has given the Chief Financial Officer overall responsibility for overseeing IT governance structures and processes. IT operations are managed by the Chief Information Officer who reports to the CFO. An IT Steering Committee ("Committee") is chaired by the CFO. Its membership comprises the Chief Information Officer and all of the AECI Executive Committee. IT Specialists from across the Group are also in attendance, as warranted. The Committee has a well-defined charter and assists the CFO in the discharge of his duties as they pertain to IT-related activities and compliance with applicable laws, rules and standards.

AECI has adopted the IT Governance Institute's model as a framework. It also employs the guidelines set out in the Control Objectives for IT and related infrastructure Library. This enables the establishment and maintenance of effective internal controls, continuity and risk management. A new Group-specific framework of IT policies has been developed and adopted, taking into consideration the business imperative, current legislation and IT trends.

The Company's Internal Audit function provides assurance to management, the Audit Committee and the Risk Committee on the effectiveness of IT governance.

KEY ACTIVITIES IN THE YEAR

During 2019 significant progress was made globally as follows:

- migration of the majority of business systems to an Enterprise Cloud. This enabled decommissioning of most of the Group's legacy data centres
- continued consolidation, standardisation and centralisation of business processes, systems and information across the Group in line with the Global Enterprise Architecture
- enhancement of AECI's cyber security capabilities as defined in its Cyber Security Framework and high-level Cyber Incident Response process
- successful execution of a comprehensive disaster recovery test
- roll-out of a software-defined network technology commenced. This facilitates dynamic and programmatically efficient network configuration in support of the Cloud computing strategy.

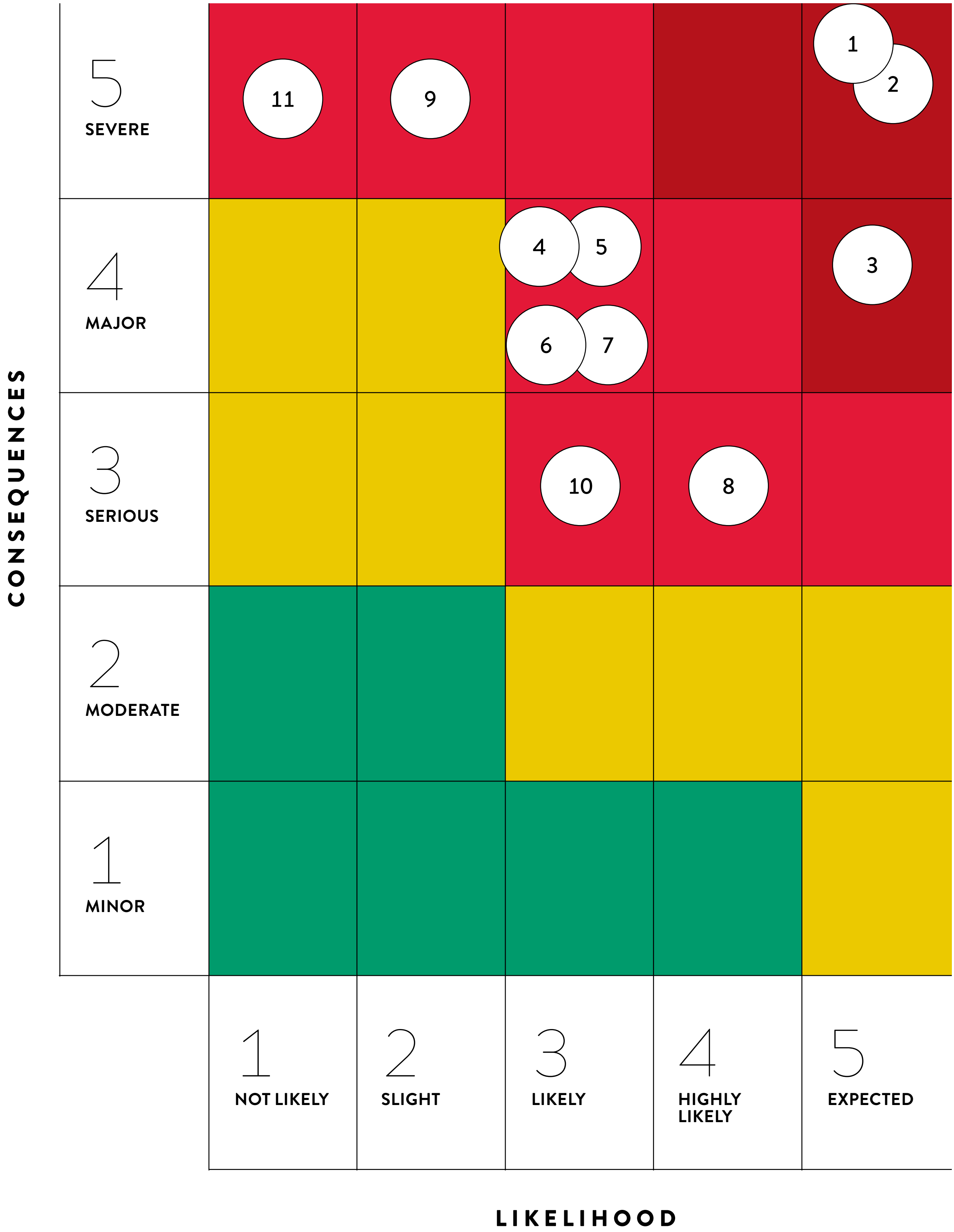
NEXT STEPS

In 2020, the IT function's focus will be on the following:

- further decommissioning of legacy applications no longer aligned to the digital strategy
- enhancing the governance, risk management and compliance of business applications
- commissioning a sole service provider for a software-defined Global Area Network for the Group
- migrating the IT environments of Schirm and Much Asphalt to the Group's standard
- designing and commissioning IT solutions to support the business in the areas of SHEQ, human capital management, financial shared services, working capital reduction, supply chain efficiencies, inter-Group collaboration and data analytics.

Attention to all aspects of security to protect systems and data remains a priority.

MATERIAL ISSUES: MATRIX AND COMMENTS



MATERIAL ISSUES

RANKING	YEAR-ON-YEAR CHANGE*	DESCRIPTION	COMMENTARY AND MITIGATION
1		Unstable electricity supply in South Africa and elsewhere on the continent.	**Commentary** South Africa: rotational power cuts were instituted from 4Q19 and are expected to continue for the foreseeable future. The effects thereof are negative for the country as a whole, including the entire supply chain in the mining and manufacturing sectors. African continent: supply interruptions have resulted in output by customers in the mining sector being curtailed in certain instances. **Mitigation** AECI's critical manufacturing sites in South Africa are classified as National Key Points and hence exempt from total interruption of electricity supply. However, compliance with requests by authorities to reduce consumption has the potential to restrict output. Back-up generators are in place in some areas. **Ongoing mitigating actions** Alternative energy sources are under consideration and the way forward will be better defined in the Sustainable Development strategy being formulated. In addition, AEL is registering as an Independent Power Producer to enable the business to function off the grid.
2		Country risk (political, operational, security and travel risks in countries in which the Group operates).	**Commentary** Global: uncertainty created by shifts in world trade relations persists. African continent: conditions in several African countries are conducive to maximising opportunities for growth. In others, challenges such as socio-political unrest remain or have escalated. **Mitigation** Mitigation measures include execution of the Group's geographic diversification strategy. The close monitoring of in-country risks on a continual basis has been strengthened. The Group Foreign Investment Committee monitors related risk elements of investing in foreign markets. South Africa: see (3) below.
3		Major contraction in the South African economy subsequent to the sovereign credit rating downgrade.	**Commentary** An unreliable electricity supply, an unacceptably high unemployment rate and limited foreign investment are among the factors that have elevated this risk year-on-year. It is encouraging that government, business and other stakeholders have begun addressing these and other national imperatives, including restoring the credibility and effectiveness of state-owned enterprises. However, no step-change improvement is expected in the short term. The COVID-19 pandemic effects and their duration are most likely to have an adverse impact on recovery timelines. **Mitigation** The Group's geographic diversification strategy mitigates this risk, as does the benefit of its diversity in terms of markets served. Ongoing portfolio management reviews/realignment initiatives ensure the best possible cost base and maximise inter-Group synergies. Stringent cash management controls are binding across all operations.

MATERIAL ISSUES CONTINUED

RANKING	YEAR-ON-YEAR CHANGE*	DESCRIPTION	COMMENTARY AND MITIGATION
4	Not reported in 2018	Inadequate supply of water of the requisite quality, leading to production interruptions in South Africa.	**Commentary** This issue was previously considered in the overall materiality assessment of the effects of disruptions in the supply of services from key suppliers. The potential consequences of water supply interruptions are now considered to be more severe than previously and hence the item has been identified separately. **Mitigation** Ongoing maintenance and upgrading of infrastructure is critical for most manufacturing operations. AECI has strengthened its relationships with relevant authorities in South Africa to partner with them on specific projects. AEL has introduced recycled process water into its manufacturing facilities at Modderfontein. The water treatment solution has been provided by ImproChem. **Ongoing mitigating action** The Group is also working towards zero effluent discharges from key sites in the longer term and will then be in a position to offer this solution to other upstream and downstream industry players.
5		Compliance risk, including compliance with tax and environmental laws and regulations (litigation, penalties, criminal prosecution and reputational damage caused by a lack of understanding of the applicable legislative universe).	**Commentary** An increase in compliance-related activity by authorities has been noted in all jurisdictions where AECI operates. **Mitigation** › a Transfer Pricing Policy is in place, it is under ongoing review and is applied consistently Group-wide › established tax consultants are engaged for out-of-country tax matters › compliance project/training has been rolled out in other African countries of operation › good progress has been made at Modderfontein, in particular in terms of executing capital projects to ensure compliance with environmental laws and standards › world-class technology and processes are applied in all remediation activities.
6	Not reported in 2018	Catastrophic/prolonged IT related threats (including cybercrime, data breaches and system outages).	**Commentary** Cyber-related risks are elevated globally and are likely to remain so as the world becomes ever more interconnected. **Mitigation** In mitigation, the robustness of AECI's systems has been enhanced significantly in recent years and further improvements are expected. **Ongoing mitigating action** Global best practice and industry expert input are considered on a continuous basis.
7		Intellectual property risk (relating to the infringement or theft of the Group's intellectual property rights).	**Commentary** The protection of intellectual property remains very important for AECI owing to the specialised nature of a significant portion of its product and service offering. **Mitigation** The Group's rights are safeguarded through, inter alia, stringent internal controls and restraint of trade agreements with former employees, as required/appropriate.

MATERIAL ISSUES CONTINUED

RANKING	YEAR-ON-YEAR CHANGE*	DESCRIPTION	COMMENTARY AND MITIGATION
8	Not reported in 2018	Loss of skills and corporate knowledge due to emigration from South Africa.	**Commentary** An acceleration in emigration, particularly at senior level, has been noted in the last two years. **Mitigation** Mitigation measures in place include extensive learning and development programmes for employees at all levels, formal succession planning and the ability to offer employees diverse career opportunities owing to AECI's extensive geographic footprint.
9	↔	Credit risk for major and medium-sized customers (leading to loss of income).	This risk remains in a number of jurisdictions. **Mitigation** Robust mitigation measures are in place. These include but are not limited to consistent application of the Accounts Receivable Policy, commissioning and analysis of credit reports for all major customers, and appropriate go-to-market models.
10	↓	Extreme or unpredictable weather events (failure to mitigate and adapt to the effects of climate change, leading to drought or floods, water shortages and reduced mining and agricultural output).	**Commentary** Extreme weather events and unreliable rainfall patterns disrupt customers' operations in sectors such as surface mining, agriculture and public water. Although the global effects of such extreme events remain, the associated risk declined year-on-year in the Group's risk ranking process. **Mitigation** Extreme weather events and unreliable rainfall patterns disrupt customers' operations in sectors such as surface mining, agriculture and public water. Although the global effects of such extreme events are indisputable, the associated risk declined year-on-year in the Group's internal risk ranking process. Advances were made in the following areas: › global supply chain for raw materials › delivery to customers of products and services that assist them in adapting to changing climatic conditions (e.g. drought-resistant products and intelligent farming solutions in the agricultural sector) › closer engagement with customers in the agricultural sector to improve the quality and speed of response to their needs when extreme events occur.
11	Overarching	Catastrophic safety, environmental and/or plant incident.	See page 62 for commentary.

* The increase/decrease in year-on-year ranking, as well as the addition of items not included in 2018's integrated report, may indicate changes in the high level materiality of some matters rather than an absolute change in the importance attached by the Group to any single matter.

OUR GOVERNANCE MODEL, STRUCTURES AND PROCESSES

The AECI Board views strong principles of integrity and ethical business practices as being non-negotiable for sustaining excellence in all areas and disciplines across the Group, for the benefit of all stakeholders in the short, medium and long term.

The Board is the ultimate custodian of corporate governance. It provides the Company with independent, informed and critical judgement and leadership on material decisions reserved for itself. The Board also supports management in the execution of strategy. A keen understanding of the opportunities and key risks facing the Group is always at front of mind. The overriding objective is to effect continuous improvement in governance matters, with the specific aim of going beyond minimum compliance imperatives wherever appropriate.

The Board, assisted by its Committees, monitors alignment with global best practice in support of effective and ethical leadership, sustainability and good corporate citizenship. This underpins the Directors' ability to execute their statutory and fiduciary responsibilities and their duty of care obligations.

The decision-making role of the Board is exercised through the formulation of fundamental policy and strategic goals in conjunction with management, whereas the oversight role concerns the review of management's decisions, the adequacy of systems and controls and the implementation of policies. The Board continues its iterative journey of aligning its governing processes to the new amendments of the JSE Listings Requirements, other legislative changes in countries in which AECI operates, and general best practices and governance codes, including King IV in South Africa.

A summary of adherence to King IV appears on pages 75 and 76 and full details on adherence to this Code are available at https://www.aeciworld.com/pdf/king-iv/king-iv-full-march-2020.pdf.

THE BOARD OF DIRECTORS: STRUCTURE AND COMPOSITION

AECI has a unitary Board structure, led by an Independent Non-executive Chairman, eight other Independent Non-executive Directors and two Executive Directors. The Board charter, revised in 2019, as well as the terms of reference of the Nominations Committee, detail the procedure for appointments to the Board. Such appointments are formal and transparent and a matter for the Board as a whole. A copy of the Board charter, the terms of reference of the Nominations Committee and those of other Committees are available at https://www.aeciworld.com/governance-policy-documents.php.

BOARD CHANGES DURING THE YEAR

Graham Dempster and Zellah Fuphe resigned from their positions as Non-executive Directors in September and November, respectively. The Board remains grateful for their contribution during their tenure.

Fikile De Buck joined the Board on 1 June 2019 and both Steve Dawson and Walter Dissinger were appointed with effect from 1 January 2020. These Directors' abridged biographies and their Committee responsibilities are disclosed on pages 58 and 59.

The appointments in 2019 were undertaken to safeguard the Board's ability to discharge its fiduciary duties with the specific aim of strengthening the Board with global industrial skills, balanced against race and gender diversity in line with policy.

Additional appointments will continue to be evaluated to reinforce capacity and capability further in the interest of the Company and its stakeholders.

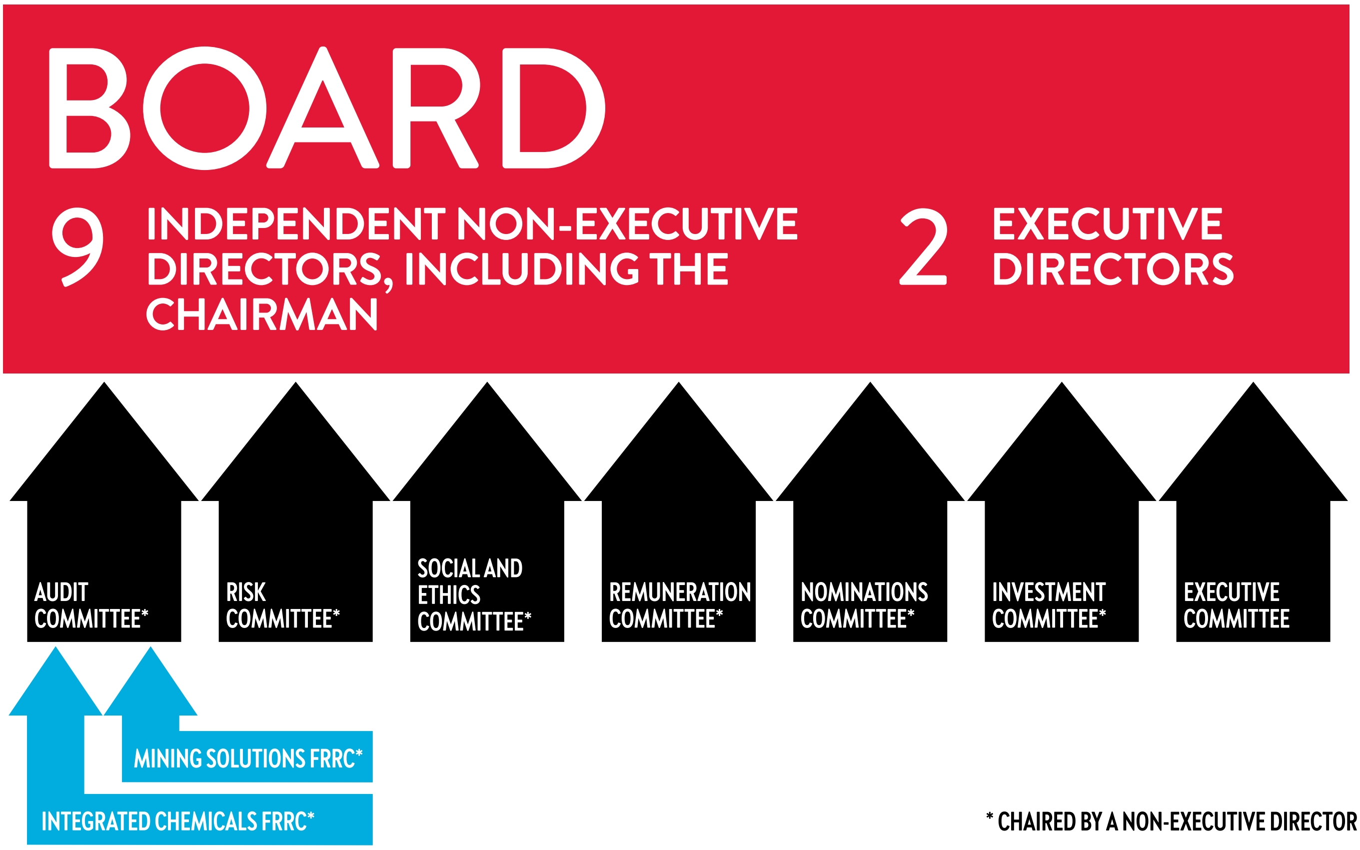
GOVERNANCE FRAMEWORK

The Company's governance framework is defined as "freedom supported by a framework".

The intention of this framework is to enable entrepreneurial flair and performance improvement by Group businesses while simultaneously ensuring that governance and regulatory obligations are met. A robust process is in place to confirm that the framework supporting the governance of the Group remains relevant, efficient and clear and aligns the expectations of the Board, management and the stakeholder community as a whole.

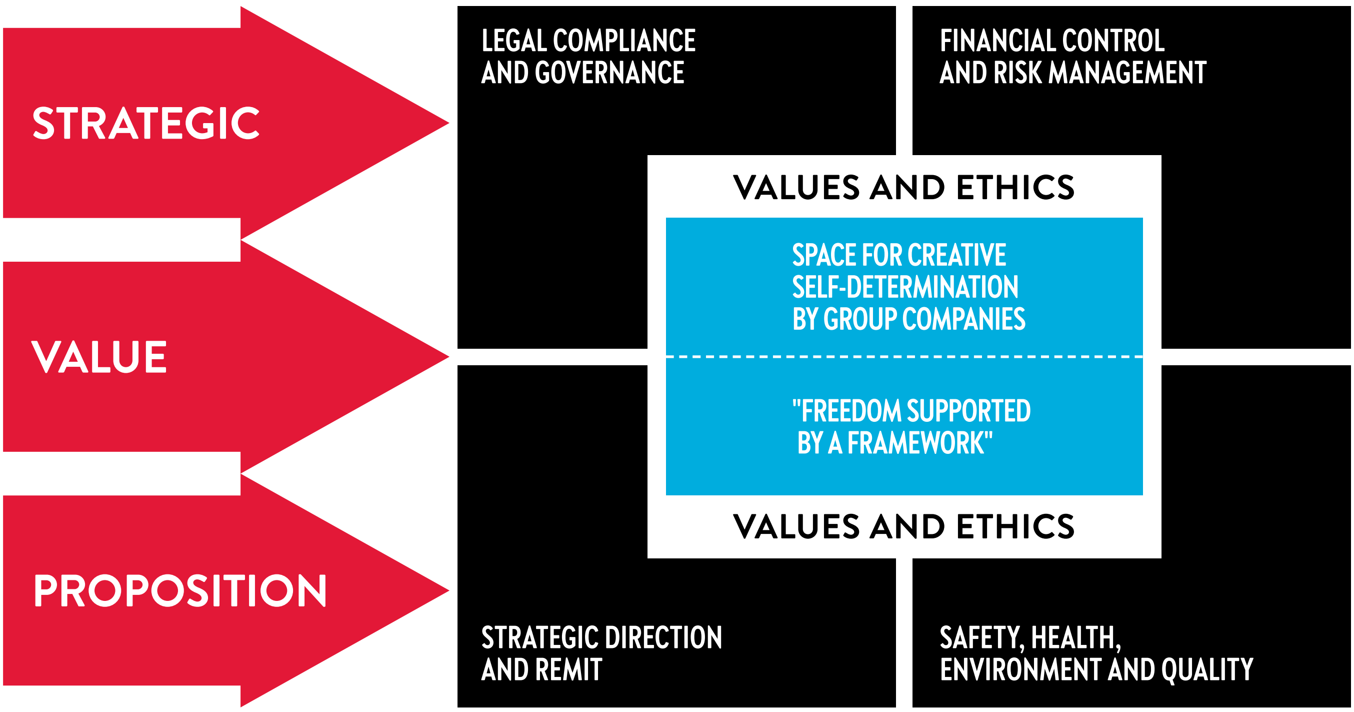
The implementation of and adherence to the governance framework is monitored by the Board and it pleasing to report excellent overall adherence and compliance in the Group in the year under review.

BOARD AND COMMITTEE STRUCTURE



* CHAIRED BY A NON-EXECUTIVE DIRECTOR

GOVERNANCE FRAMEWORK
"FREEDOM SUPPORTED BY A FRAMEWORK"



TENURE AND ROTATION

In terms of the revised Board charter, the Company undertakes to submit for retirement those Board members who are more than 70 years of age (in the context of the Company's needs and in agreement with the impacted Directors).

Generally, Non-executive Directors may serve for up to nine years, subject to retirement and re-election by rotation as set out in the Company's MOI. Extensions of this period may be granted, provided the Nominations Committee remains satisfied that the Director's independence has not been compromised. The independence assessment is conducted on a case-by-case basis, with all Board members participating in the review process.

Allen Morgan has served on the Board for almost 10 years. He will retire at the AGM in May 2020. His colleagues thank him for his significant contribution during his tenure. In the next reporting period the Board will assess the independence of any other Non-executive Directors with a tenure above nine years and will report accordingly.

DIVERSITY AND SUCCESSION

The Board recognises that effective oversight and decision-making require a range of perspective and voices and, as a result, it embraces the benefits of having a diverse membership. Diversity is viewed as a critical component of robust decision-making sustainability and competitiveness. An inclusive culture is encouraged, where members are heard and engaged free from any bias, discrimination or harassment. Balanced membership in terms of demographics, underpinned by relevant skills, business acumen, geographic and academic experience and understanding of optimal composition ensures that the Board is able to discharge its duties to maximum effect.

The Board is aiming to achieve its gender diversity target of 30% by the end of 2020. The Board Gender and Race Diversity Policy is available at https://www.aeciworld.com/pdf/policies/2019/policy-board-gender-and-race-diversity-final.pdf.

TERMS OF EMPLOYMENT OF DIRECTORS

Executive Directors are employees of the Company and have standard terms and conditions of employment. Their notice periods are six months. They do not receive any special remuneration or other benefits for their additional duties as Directors. The Board, through its Nominations Committee, has had detailed discussions with the two Executive Directors regarding succession planning for all key roles, including their own. The Board is satisfied that the potential risk associated with the continuity of leadership at this level has been mitigated adequately.

The Board, on the recommendation of the Remuneration Committee, determines the remuneration of Executive Directors, Executives and other Senior Managers as guided by the remuneration philosophy of the Company.

None of the Non-executive Directors are Company employees. Non-executive Directors' remuneration is arrived at after an annual benchmarking exercise performed by the Executive Directors and the approval by shareholders of the proposed fees, on the Board's recommendation.

DIRECTORS' MANAGEMENT OF CONFLICT OF INTERESTS

AECI has a Conflict of Interests Policy (embedded in the Group's Code of Ethics and Business Conduct and associated Guidelines) which provides guidance and procedures for Directors on managing and dealing with potential conflict of interests situations. The same Policy applies to all Group employees. The Group Company Secretary is charged with maintaining a comprehensive register of Directors' declarations of interests and this is submitted for updating by the Directors before each Board meeting. All Directors duly completed and updated this register in 2019 and no conflicts of interests were reported or recorded.

INDUCTION AND ONGOING DEVELOPMENT OF DIRECTORS

As is the case with all Directorate appointments, the incumbents who joined the Board in 2019 are in the process of undergoing a Group-specific induction programme. This includes one-on-one meetings with Executives, Senior Managers and the Managing Directors of operating entities.

Earlier in the year the Non-executive Directors appointed in 2018, accompanied by the Chairman of the Board, undertook visits to key operational sites to learn more about the business. These sites are in Modderfontein and Chloorkop (Gauteng), Sasolburg (Free State), Umbogintwini (KwaZulu-Natal) and Cape Town (Western Cape).

With regard to formal training, the Group Company Secretary is charged with sourcing and organising relevant training for Board members, based largely on the specific needs of each Director. No formal training was requested in 2019 but the Group Company Secretary continued to provide articles on key trends, changes in the Group's regulatory universe and topical industry issues.

BOARD AND COMMITTEE PERFORMANCE EVALUATION

The Board undertook its annual effectiveness evaluation, in line with its charter. This was a self-assessment process as the Board agreed that an external process will be pursued every third year. The evaluation in 2019 focused specifically on assessing the performance of the Chairman of the Board and the Chairmen of Board Committees.

As was the case in the evaluation undertaken in 2018, succession planning was highlighted as an important area. The monitoring of related plans and their implementation has become a standing item on the Nominations Committee's agenda. Additional enhancement measures will be pursued and deployed in the coming year.

Also highlighted for further attention was stakeholder engagement. As a step towards addressing this, the Group appointed an experienced Strategic Relationships Manager in 2019 to bolster its interaction with some key stakeholders.

The 2018 evaluation had identified the need for the Board to reinforce its oversight of information technology ("IT"). The Risk Committee has been mandated to monitor related progress. The governance of IT is a standing agenda item not only for the Risk Committee but also for the Executive Committee's monthly meetings. Significant progress was made in the IT field in 2019, as detailed in other sections of this integrated report.

BOARD RELATIONSHIPS WITH STAFF AND EXTERNAL ADVISORS

To the extent that they may require such access to make informed decisions, Board members have unrestricted access to the Company's records, information, documents and property. They also have unrestricted access to Executives, Senior Managers, Internal Audit and the External Auditor to consult on any aspect of the Company's operations.

Furthermore Board members may collectively or individually, at the expense of the Company, consult external professional advisors on any matter of concern to themselves or the Company after having advised the Chief Executive or the Chairman.

BOARD MEETINGS

The Board met six times in the year. One of these meetings included a session to discuss the development and execution of Company strategy. Two special meetings were convened. The agenda for the first of these focused on the Group's approach and practices in regard to environmental management. Additional information is provided in the SHEQ report. The second focused on progress made in the strategic business realignment projects undertaken in the year, as explained by the Chief Executive and the CFO in their respective reports.

Meeting dates for the Board and its Committees, and details of attendance, are available via the link https://www.aeciworld.com/pdf/board-meetings/2019/board-meetings.pdf. Between Board meetings, the Executive Directors kept the Board up-to-date on emerging material matters that could not be deferred until the next formal Board meeting.

The Non-executive Directors meet the day before each Board meeting so as to raise matters of interest and concern, without the Executive Directors being present. This practice contributes to the overall maturity of governance and allows the Board to have unfettered discussions. The Chairman of the Board is charged with the responsibility of conveying any related discussions to the Executive Directors, as warranted.

The Chairman, assisted by the Chief Executive and the Group Company Secretary, is responsible for setting the agenda for each Board meeting. The full Board has the opportunity to provide input. Board meetings are scheduled well in advance and the Group Company Secretary ensures that all Directors are provided with the information required timeously to enable them to prepare for meetings and formulate their views on matters.

BOARD COMMITTEES

The Board has established a number of Committees to assist it in fulfilling its duties and objectives.

Committees usually meet before each Board meeting and the Chairmen table at the Board meeting a report of their Committees' proceedings. The minutes of each Committee meeting are included in the full Board information pack.

All Committees are satisfied that in 2019 they carried out their responsibilities in compliance with their mandates and terms of reference. A summary in this regard is presented below.

BOARD COMMITTEES: SUMMARY OF WORK IN 2019, AND SUMMARISED DUTIES AND RESPONSIBILITIES

AUDIT

The Committee's report to stakeholders details the discharge of its mandate. See page 104.

Both the Internal and External Auditors have unrestricted access to the Chairman of the Committee and it is standard operating procedure for them to meet privately with the Committee. The Committee is comprised of three Non-executive Directors. The Chief Executive, the Chief Financial Officer and the Internal and External Auditors attend meetings of the Committee by invitation. The Chairman of the Board has a standing invitation for attendance. Owing to the market and geographic diversification of the Group, two Financial Review and Risk Committees assist the Audit Committee (viz. Mining Solutions and Integrated Chemicals).

There were five meetings in 2019.

Principal duties and responsibilities

- monitor the adequacy of financial controls and reporting
- review audit plans and adherence to these by assurance providers
- ascertain the reliability of the internal and external audit processes
- ensure that financial reporting complies with IFRS, the Companies Act and the JSE Listings Requirements
- nominate the External Auditor.

SOCIAL AND ETHICS

The Committee discharged its mandate by assisting the Board in overseeing the entrenchment of the Group's revised Code of Ethics and Business Conduct, understanding the Group's compliance profile with regulatory provisions in jurisdictions of operation, understanding and influencing the Group's SHEQ performance and monitoring the impact of the Group's operations on communities and the environment. Proper management of this impact is fundamental to maintaining the Group's licence to operate.

See page 108 for the Committee's report to stakeholders, including details on membership and attendance at the three meetings held.

Principal duties and responsibilities

Monitor the Company's compliance with section 72(8) of the Companies Act, read together with regulation 43. Focus is on the following:

- recommendations on corruption of the Organisation for Economic Co-operation
- Employment Equity Act, No. 55 of 1998 in South Africa
- Broad-based Black Economic Empowerment Act, No. 53 of 2003
- labour and employment principles in line with global best practice
- safety, health and environmental issues and performance.

RISK

The Committee discharged its mandate by assisting the Board in managing and mitigating the Group's material risks and ensuring that there is an integrated approach to the overall management of both strategic and operational risks, as well as the upside of risk.

In 2019 this Committee comprised four Non-executive Directors and all the Executive Committee members. Three meetings in were held.

Principal duties and responsibilities

- oversee the overall management of risk, operational resilience and business continuity
- monitor Company decisions to ensure alignment with the risk appetite

› ensure that proper controls and mitigations are in place to prevent risk where possible
› oversee IT governance and related risks
› oversee the compliance management processes.

NOMINATIONS

The Committee assisted the Board in reviewing the Board structure, size and composition and related succession planning, taking account of inter alia race and gender diversity. The Committee is comprised solely of Non-executive Directors, with the Chairman of the Company serving as Committee Chairman. The Chief Executive and CFO attend by invitation. Four meetings were held in 2019.

Principal duties and responsibilities

› consider suitable nominations for appointment to the Board and ensure succession planning for Executives and make appropriate recommendations based on qualifications, experience, race and gender
› oversee the appointment of Board members to serve on various Committees
› oversee the performance evaluation of the Board and its Committees to facilitate continual governance improvements.

REMUNERATION

The Committee assisted the Board by continuing to oversee fairness, responsibility and transparency in the remuneration of employees. This Committee is comprised solely of Non-executive Directors. The Chief Executive and the CFO attend by invitation, as required. Four meetings were held in the year.

Principal duties and responsibilities

› establish the Group's remuneration philosophy
› determine the remuneration framework for Executives and Senior Managers
› consider, review and approve Group policy on Executive remuneration and communicate this and the implementation thereof to stakeholders in the Company's integrated report.

INVESTMENT

The Committee assisted the Board in overseeing and monitoring key transactions to measure them against the delivery of shareholder value in line with the business investment case. The Committee met once in the year and comprised three Non-executive Directors, with the Chairman of the Company serving as Committee Chairman. The Chief Executive and the CFO attended by invitation.

Principal duties and responsibilities

› assist and advise Executives on acquisition opportunities or significant projects that fall outside of the ordinary course of business
› make recommendations to the Board regarding material transactions or acquisition opportunities available to the Company
› monitor the progress, performance and impact of material transactions/acquisitions and report on these to the Board.

EXECUTIVE

The Executive Committee managed the day-to-day operations of the Group in terms of its mandate and authority derived from the Board, in line with the Delegation of Authority Framework. Meetings were held monthly.

The Chief Executive works with an Executive Committee to assist him in this task. The Executive Committee is the highest executive decision-making structure in the Group. Central to its role is the formulation and implementation of the Group's strategy and policy direction. It ensures that all business activities are aligned in this respect and that the business strategy is implemented accordingly.

GROUP COMPANY SECRETARY

The Group Company Secretary oversees the portfolio of secretariat, legal services, risk and compliance management. She attends all Board and Committee meetings as secretary, other than those of the Remuneration Committee.

The Board as a whole and individual Directors have access to the Group Company Secretary who provides guidance on how they should discharge their duties and responsibilities in the best interests of the Company.

In 2019 the Group Company Secretary oversaw the ongoing education and training of the Company's new Directors (as already described) and assisted the Board and its Committees in preparing annual plans, agendas, minutes, and terms of reference as warranted.

In line with the JSE Listings Requirements, the Board undertook the annual performance appraisal of the Group Company Secretary as part of its annual effectiveness assessment. The assessment reviewed the performance of the incumbent, taking into account the quality of support received and guidance provided to the Board and management during the year. All parties were satisfied with the quality of support received as well as the competency and experience demonstrated by the incumbent, Nomini Rapoo. Her abridged biography is available on page 61.

The Group Company Secretary is not a Director of the Company nor any of its subsidiaries and, accordingly, maintains an arm's length relationship with the Board and its Directors.

FULFILMENT OF BOARD RESPONSIBILITIES

ACCOUNTABILITY AND INTERNAL CONTROL

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

The External Auditor is responsible for auditing the financial statements of the Company and its subsidiaries and for expressing its opinion on these statements to shareholders. In addition, the External Auditor is responsible for confirming whether the financial statements meet the requirements of the Companies Act and IFRS.

In 2019 this Auditor also carried out certain agreed upon procedures pertaining to the Group's half-year results to 30 June.

Following discussions with the External Auditor the Directors consider that, in preparing the financial statements, the Company has consistently used appropriate accounting policies supported by reasonable and prudent judgement and estimates. All applicable international financial reporting standards have been followed.

GOING CONCERN

The Directors formally reviewed the budgets and forecasts of the businesses and concluded that the Group will continue in business for the foreseeable future.

They also conducted liquidity and solvency tests as required by the Companies Act. Accordingly, the going concern basis of accounting remains appropriate.

COMPLIANCE

The Board and its Committees monitor the implementation of AECI's Compliance Framework and related processes so as to effect ongoing improvements. Competition laws, anti-bribery, anti-corruption, health, safety and environmental laws and regulations identified as significant compliance risk areas remain a focus. The Board, via the Risk Committee, has implemented risk mitigations and controls for these matters, aiming to have a balanced approach to compliance and taking into account the Company's obligations, rights and related costs.

The compliance universe is refined continually, considering all related developments in the regulatory context in all jurisdictions where the Group has business operations. The focus in the year was on reviewing the Compliance Framework as well as the Code of Ethics and Business Conduct. The process of installing a compliance tool (Exclaim) was finalised and good progress was made in entrenching it. This will be rolled out further across the international footprint in due course. The review of the Group's compliance processes and approach has been rescheduled to 2021 to allow for full roll-out of the revised Group Compliance Framework.

REGULATORY INTERACTION

Interactions with regulators in South Africa on key ongoing matters are summarised in the table below. The outcomes of these matters are not expected to have a material effect on either the operations of the Group or on the results as presented.

As reported in 2018, an application for a Petroleum Products Licence for a loading and storage facility at the Durban Harbour has been submitted. The outcome of the application process is awaited.

ETHICAL BUSINESS CONDUCT

Governments, business, civil society and individual citizens are highly interconnected and interdependent. This makes a company's actions and its interaction with its stakeholders, both internal and external, very significant and the need to balance diverse stakeholders' expectations shapes the way the Group conducts its business. In an environment of increasingly empowered communities and individuals, social activism and a trust deficit, transparency and accountability are non-negotiable.

An ethical culture is fundamental to driving long-term business value and stakeholders' support of businesses. In 2019 the Board approved a revised Code of Ethics and Business Conduct (the "Code") to better reflect AECI's geographical diversity and align with international best practice. By year-end, good progress had been made in training employees to improve their understanding of the Code's principles and required practices. Approximately 2 300 employees completed their training online and others will do so in the coming year. Roll-out of the revised Code included its translation into Spanish, German, Portuguese, French, Bahasa Indonesian and Chichewa to make it accessible to employees in other countries.

Further training on competition law matters was provided for 667 related employees. The Compliance team continues to monitor the application of these instruments across the Group

A copy of the revised Code and the associated Guidance Notes are available at https://www.aeciworld.com/pdf/policies/2019/code-of-ethics-and-guidance-notes-september-2019.pdf.

ETHICAL RISKS IDENTIFIED AND WHISTLE-BLOWING

The Group's ethical risk mitigation processes include a whistle-blowing service, management reports and the like. Education and communication relevant to these risks are a cornerstone of preventative processes.

The whistle-blowing service, Tip-offs Anonymous, is managed by an independent third party (Deloitte) and serves as a primary tool utilised by employees in diverse countries of operation to register concerns regarding non-compliance with policies, fraud and any other matters relating to acceptable business conduct.

In 2019, the reports received were investigated by the Internal Audit function and shared with the Board. Details are summarised on page 74.

Corrective measures included retraining on the principles and requirements of the Code and disciplinary action was taken where necessary. This included dismissal where the circumstances so warranted.

REGULATORY INTERACTION

AUTHORITY	PURPOSE OF VISIT	OUTCOME
Department of Employment and Labour	The B-BBEE Commissioner raised queries regarding the recognition of shares held by AECI's Broad-based Black Ownership schemes for the Ownership element of AECI's B-BBEE Scorecard.	The query has been addressed.
National Air Quality Officer	A meeting was held to finalise applications for the postponement of compliance with the 2020 Minimum Emission Standards for certain operating plants in Modderfontein. In terms of South Africa's National Environmental Management Act: Air Quality Act, the new Standards took effect on 1 April 2020.	Postponement of compliance to 2025 was applied for and granted to allow for abatement projects to be completed. Completion is nonetheless expected in the third quarter of 2020.
Transnet National Ports Authority	A number of engagements were held to finalise a new written lease for a storage facility in Durban Harbour.	Progress has been slow due to revisions to the authority's strategy for the precinct. It is currently anticipated that the lease will be finalised during 2020.

TIP-OFFS ANONYMOUS: SUMMARY OF INVESTIGATIONS

Complaint type	Number	Status: Valid allegation	Status: Not confirmed/ invalid	Outcome when valid
New calls				
Fraud	3	1	2	Dismissal
Theft	1		1	
Bribery				
Unethical behaviour/conflict of interests	2		2	
Inappropriate behaviour/irregularities	7	1	6	Final written warning
Non-compliance	3		3	
Unauthorised use/abuse of Company property	2	1	1	Final written warning
Appointment irregularities	1		1	
Abuse of Company time				
Dishonesty				
Nepotism	1		1	
Favouritism	1		1	
Victimisation	3		3	
Sexual harassment	1	1		Dismissal
Total	**25**	**4**	**21**	

On an annual basis, as required by the Code, Group employees who have outside interests are required to declare them. Employees are also required to declare any gifts that they may have accepted or given above a stated monetary value equivalent, entrenching further the Group's ethos of doing business ethically.

DEALING IN SECURITIES

In terms of the Dealing in Securities and Price Sensitive Information Policy in place, there is a "closed period" that endures from the end of a financial reporting period until the publication of financial results for that period. Additional closed periods may be declared from time to time if, in the Board's opinion in consultation with the Executive Directors, circumstances so warrant.

During closed periods Directors, Prescribed Officers and other designated employees are prohibited from dealing in the Company's securities, either directly or indirectly. Identified employees are advised to this effect.

The Group Company Secretary advises all the Directors of the closed periods.

The Policy has been shared with all affected individuals to ensure full compliance. A copy is available at https://www.aeciworld.com/pdf/policies/dealing-in-securities-and-price-sensitive-information-policy.pdf.

The Group also has in place an Information Disclosure and Communications Policy designed to record AECI's procedures with regard to communicating with the media, the investment community, securities professionals and other stakeholders to avoid the selective disclosure of material information and govern the disclosure of price-sensitive information to the public in a broad, comprehensive and lawful manner. This Policy has been brought to the attention of all employees and must be adhered to by them.

DIRECTORS' AND PRESCRIBED OFFICERS' LIABILITY INSURANCE

The Company has in place Directors' and Prescribed Officers' liability insurance which provides some cover against legal action by third parties.

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Company's Chief Executive, Chief Financial Officer and members of the Executive Committee conduct timely presentations on the Group's performance and strategy to financiers, institutional investors, financial analysts and the media.

Presentations, corporate actions and reports on performance, as well as any other information deemed relevant, are published on the Company's website. Shareholders and other stakeholders are advised of such newly-published items via SENS. Other information on the Company, such as inter alia its management team and sustainability information, is also available on the website.

All Non-executive Directors are invited to attend the Company's financial and business-specific presentations.

The Company publishes and reports on details of its corporate actions and performance, including its half- and full-year financial results, in print and electronic media as specified by the JSE Listings Requirements from time to time. AECI's Corporate Communications function disseminates relevant information to the media.

SUMMARY OF OUR ADHERENCE TO KING IV

A King IV gap analysis can be viewed via the website link www.aeciworld.com/governance-king-compliance.php.

PRINCIPLE	APPLIED	COMMENT
Principle 1: The Governing Body ("GB")* should lead ethically and effectively.	✓	See Ethical Business Conduct on page 73. The Code was revised to better reflect the global nature of Group operations and to align with international best practice. Having been approved by the Board, roll-out and training on the revised Code commenced. This process will continue in 2020.
Principle 2: The GB should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	✓	The GB, via its Risk and Social and Ethics Committees, monitors and supports practices and behaviours in line with an ethical culture (e.g. the engagement on reports from Tip-offs Anonymous). See Ethical Business Conduct on page 73.
Principle 3: Responsible corporate citizenship.	✓	From both the compliance and corporate social investment perspectives the GB, via its Social and Ethics Committee, focuses on health, safety and environmental issues, and on socio-economic development investments. It supports management in driving the adoption of and compliance with best practices. See the Committee's report on page 108.
Principle 4: The GB should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	✓	The GB undertakes a formal review of the Group's strategic direction each year. Management is charged with the implementation of strategy and reports back at each Board meeting. The KPIs of Executives include non-financial indicators and are aligned with related remuneration. The Board conducts solvency and liquidity tests for the Group, as required by the Companies Act.
Principle 5: The GB should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its long, medium and short term prospects.	✓	The GB approves the reporting framework, inclusive of content. The financial statements and selected non-financial information in the integrated report are subject to audit and/or assurance by independent parties. The Audit Committee will undertake a formal review of its practices in 2020 to ensure alignment with emerging best-in-class considerations
Principle 6: The GB should serve as a focal point and custodian of corporate governance in the organisation.	✓	See the link www.aeciworld.com/governance-policy-documents.php. Board charter and terms of reference for each Committee. The structure enables the proper balance of power and authority at Board level.
Principle 7: The GB should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	✓	All AECI's Non-executive Directors are independent. The GB, via its Nominations Committee, is mindful of diversity objectives in its appointment and succession planning processes, in line with policy. The focus going forward will remain on enhancing the gender balance. In 2019, the Board undertook its annual effectiveness evaluation process. This internal process highlighted succession planning and stakeholder engagement as key areas for attention. See page 70 — Board and Committee performance evaluation.
Principle 8: The GB should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and effective discharge of duties.	✓	The GB has established Committees with clear mandates to support its work, and these report back to the GB at each Board meeting. See page 71 — Board Committees.
Principle 9: The GB should ensure that the evaluation of its own performance and that of its Committees and individual members support continued improvement in its performance and effectiveness.	✓	The GB conducts an evaluation of its performance annually. See Principle 7 above.
Principle 10: The GB should ensure that the appointment of and delegation of management contribute to role clarity and effective exercise of authority and responsibilities.	✓	The Chief Executive's appointment is approved by the Board via its Nominations Committee and his performance is evaluated by the Chairman of the Board and ratified by the full Board. The Group Company Secretary is appointed by the Board via the Chairman and the CFO. The Secretary's performance is evaluated by both of them and ratified by the Board via the Remuneration Committee.
Principle 11: The GB should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	✓	The process of setting strategy is aligned to the risk management evaluation — see page 62.

* In AECI, the Board is the GB.

SUMMARY OF OUR ADHERENCE TO KING IV CONTINUED

PRINCIPLE	APPLIED	COMMENT
Principle 12: The GB should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	✓	Focus has been on establishing a proper governance framework for IT, taking into account the business imperative, current legislation and IT trends. The emphasis has now shifted to improving the delivery of value to the business through strategic alignment, and mitigating the risks of IT by entrenching accountability in the Group's businesses. Improvement is ongoing and the GB acknowledges the progress made.
Principle 13: The GB should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation's ethical and good corporate citizenship.	✓	The compliance universe is refined continually, considering all related developments in the regulatory context in all jurisdictions where the Group has business operations. A software tool has been installed to assist compliance across a large and diverse footprint. Much of the focus has shifted to monitoring and further improvement, as required.
Principle 14: The GB should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of the organisation's strategic objectives and positive outcomes in the short, medium and long term.	✓	As in prior years, the Remuneration Committee reviewed the Remuneration Policy and its implementation to ensure that long-term objectives of the Company's incentive schemes remain aligned with the delivery of shareholder value. The review in the year included in-depth analysis of the fair application of remuneration practices across race and gender. Shareholder engagement on key policy matters continued. See the Remuneration report commencing on page 77.
Principle 15: The GB should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation's external reports.	In progress	Internal and external assurance parties provide the requisite assurance on the accuracy of financial and selected non-financial indicators of performance. The Group is in the process of embedding and strengthening the strategic and operational risk environment. This process is critical to laying a solid foundation for the development of a formal combined assurance model.
Principle 16: The GB adopts a stakeholder inclusive approach that balances needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	✓	See stakeholder engagement model on page 10 and Socio-economic Development on page 46.

OUR REMUNERATION POLICY AND HOW WE APPLY IT

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GLOSSARY OF TERMS

Term	Description
CPI	Consumer price index.
DoL	Department of Employment and Labour, South Africa.
DS	Deferred shares scheme which was replaced with the revised Performance Share scheme in 2017.
EGU	Earnings-growth units. A cash-settled scheme which tracks growth in HEPS.
EVP	Employee value proposition.
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 LTIP or the LTIP.
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.
TGP	Total guaranteed package.
Total remuneration package	Basic salary, fixed cash allowances, Company contributions to benefit schemes, variable pay (STI, LTI).
TP	Trading profit.
TSR	Total shareholder return.
VWAP	Volume weighted average price.

REMUNERATION REPORT

1. CHAIRMAN'S STATEMENT

During a busy and productive 2019, the Committee undertook a detailed review of key areas linked to AECI' Remuneration Policy, including a clear directive for shareholder engagement and consideration of feedback in ongoing discussions on incentives and performance. In addition, fair and ethical remuneration remained a focus and the Committee reviewed steps taken to close the wage gap, reduce the difference in pay across gender and race, as well as the equitable distribution and provision of benefits such as medical aid and retirement funding.

It was an honour to take up the role of Chairman of the AECI Remuneration Committee in October 2019, after the departure of Graham Dempster. Graham elected to resign as a Non-executive Director of AECI owing to other responsibilities and directorships. Under his guidance the Committee adopted a fresh and invigorated approach to remuneration issues and shareholder engagement. I am pleased to confirm that this approach was sustained in 2019 and will continue to underpin the Committee's principles. I extend my thanks to Graham for his service and guidance as Chairman. Further, I welcome Philisiwe Sibiya who joined the Committee in July.

As reported in prior years, the Committee has increased its level of review and assessment of the ethical, fair and transparent remuneration practices for the AECI Group. In this vein, reports presented to the Committee now include data relating to improvements or commentary on progress to close the wage gap over time, with a keen focus on gender and race remuneration equity. In the year under review, the Committee also requested detailed feedback on steps taken to address areas of concern noted in those reports. Further, reports included detail around the distribution and take-up of benefits as offered by AECI, such as medical aid, to ensure a fair and consistent approach across all employment levels.

In 2018 there was a sharp improvement in votes in favour of the Remuneration Policy and the implementation thereof compared to 2017. We are pleased that further improvement was recorded at the AGM in May 2019. I thank shareholders for their ongoing support. Notwithstanding the AGM results, through various channels of engagement certain institutional shareholders have continued to express concern in relation to the incentive schemes for Executives and Senior Managers. We seek to analyse and understand the details of these concerns with those shareholders and aim to continue engaging with them in the coming year.

Our remuneration policies and practices are progressive and the Committee will continue appropriate engagements and implement changes where appropriate.

Godfrey Gomwe
Chairman

23 April 2020

VOTING ON REMUNERATION RESOLUTIONS AT THE AGM

Percentage vote (%)	For	Against	Abstain*
2019			
Ordinary Resolution No. 7.1: Remuneration Policy	97,66	2,34	0,01
Ordinary Resolution No. 7.2: Implementation of Remuneration Policy	98,91	1,09	0,01
Ordinary Resolution No 8: Amendment of Company's LTI Plan	99,10	0,90	0,01
Special Resolution No 1: Directors' fees and remuneration	99,24	0,76	0,01
2018			
Ordinary Resolution No. 7.1: Remuneration Policy	88,95	11,05	0,15
Ordinary Resolution No. 7.2: Implementation of Remuneration Policy	89,96	10,04	0,33
Ordinary Resolution No. 8: Amendment of Company's LTI Plan	100,00	0,00	0,15
Special Resolution No. 1: Directors' fees and remuneration	100,00	0,00	0,15
2017			
Ordinary Resolution No. 7.1: Remuneration Policy	55,33	44,67	2,24
Ordinary Resolution No. 7.2: Implementation of Remuneration Policy	77,19	22,81	2,38
Special Resolution No. 1: Directors' fees and remuneration	100,00	0,00	0,16

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

2. POLICY

1. REMUNERATION COMMITTEE

The Remuneration Committee ("Committee") is comprised of four Non-executive Directors all of whom, including the Chairman, are Independent. Meetings of the Committee are held four times a year and additional meetings may be held when deemed necessary. The Chief Executive and the Chief Financial Officer are invited to attend to discuss the remuneration of Executives and Senior Managers and to contribute to other discussions as warranted. The Group Executive: Human Capital and the Group Compensation and Benefits Manager attend the meetings to provide technical and logistics support. No attendee may participate in or be present at any discussion or decision regarding their own remuneration. Members of the Committee in the period were:

- GW Dempster (Chairman until resignation on 30 September 2019)
- G Gomwe (Chairman from 1 October 2019)
- KDK Mokhele
- R Ramashia
- PG Sibiya (appointed on 19 July 2019)

The responsibilities of the Committee are in accordance with its Board-approved terms of reference, which comply with King IV. A copy thereof is available via the link https://www.aeciworld.com/pdf/policies/2019/remuneration-committee.pdf. The Board is satisfied that the Committee's composition is appropriate with regard to the necessary balance of knowledge, skills and experience of its members.

The Committee met six times in 2019. Details of attendance are available at https://www.aeciworld.com/pdf/board-meetings/2019/board-meetings.pdf. The key agenda items and actions for each meeting are indicated below.

2019 meeting dates	Key agenda items	2019 meeting dates	Key agenda items
22 February	› Approval of STIs for 2018. › Authorisation of 2019 LTI awards. › Approval of Remuneration report. › Shareholder engagement feedback review.	**20 May**	› Review of succession planning and people development report. › Review of Executive remuneration benchmarks. › Review of Remuneration Analysis with a focus on gender and race. › Approval of minimum shareholding requirements rules.
12 March (special meeting)	› Approval of 2019 STI scheme principles. › Review of 2019 LTI base performance conditions.	**19 July**	› Review of Chief Executive remuneration benchmarks. › Approval of 2016 LTI award vesting. › Approval of High Flyer awards. › Shareholder engagement feedback review.
23 April (special meeting)	› Authorisation of 2019 to 2021 STI scheme base numbers and performance hurdles. › Approval of 2019 LTI base performance conditions.	**22 November**	› Review of report on actions taken from Remuneration Analysis report. › Review of minimum shareholding requirement progress. › Authorisation of Executive and Senior Management salary reviews for 2020. › Approval of principles for 2020 salary review. › Review of STI performance and provision. › Review of Committee's annual meeting plan.

The Committee considered the following matters and took key decisions, as appropriate:

- approval of remuneration packages for Executives and Senior Managers for 2019
- approval of STI payments for 2019 against 2018 performance for the Group and for its individual businesses
- approval of performance conditions and targets for STI scheme for 2019 to 2021
- approval of LTI allocation principles for 2019
- approval of performance conditions for 2019 LTI award
- review and approval of the vesting of the LTIs awarded in 2016
- review of 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
- review and consideration of reports on Remuneration Analysis focused on race and gender
- review and approval of the final assessment of the Chief Executive's individual key performance areas for 2019
- review of Executive remuneration against benchmarks and market data
- review and approval of the Company's 2019 Remuneration report.

Management engaged the services of Vasdex to assist with market benchmarks, advice and recommendations. The fees paid to Vasdex for services rendered in the period amounted to R138 000.

2. PHILOSOPHY IN CONTEXT

The principles outlined below underpin AECI's Remuneration philosophy. In practice we seek to implement and embrace these principles, in line with the Group's BIGGER values and embed fair and responsible remuneration practices.

Align remuneration to strategic objectives	› Remunerate employees such that superior performance in the achievement of strategic objectives is rewarded through incentive schemes.
Attract, motivate and retain top talent	› Position to attract, motivate and retain high performing employees through the provision of comprehensive benefits, market-related salaries, value-driven incentive schemes and a robust EVP.
Recognise and reward exceptional performance	› Recognise exceptional performance and encourage the ongoing achievement of long-term objectives. › Encourage and reinforce behaviours which offer long-term, sustainable financial performance balanced with embedding a culture of transformation, sustainability and safety, with other key non-financial annual and longer-term objectives.
Offer fair, responsible and equitable remuneration	› Enable the fair and equitable provision of remuneration and benefits across all employment levels, as appropriate. › Benchmark AECI's pay levels against market peers, internal salary ranges and against a "living" wage standard.
Embrace good governance and adopt best practice	› Balance and align the needs and expectations of shareholders, employees, customers and regulators to create long-term sustainable growth. › Embed the principles of good corporate governance to provide the appropriate share of value to relevant stakeholders.

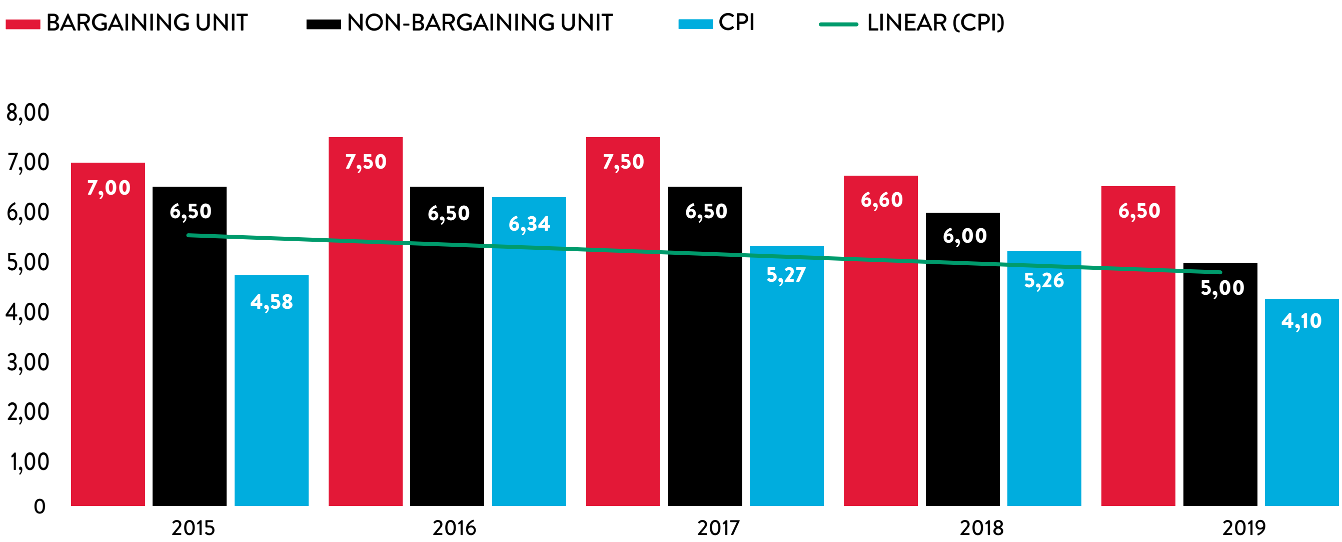
During 2019, an in-depth review of remuneration across all levels of employment was conducted. As in prior years, a comprehensive report on race and gender equity was tabled for Executive Committee and Remuneration Committee review, with detailed reports prepared at individual business level. Where potential issues had been identified, each business was tasked to draw up an action plan to investigate and address those issues in the financial year.

Feedback was provided to the Committee on the actions and corrections taken in the year. It was pleasing to note that the difference in average pay between male and female employees closed over that period. Further, with the changes in reporting requirements from the DoL in 2019, salary data was reviewed in the context of this reporting requirement to ascertain AECI's position in terms of those requirements as well as how the disclosure aligned with our principles.

Over the last two years AECI has sought to reduce the wage gap between top earners and bottom earners and we have formally stated our intention to do so in reports to the DoL in 2020. As data and benchmarks in the South African market, including the manufacturing sector, become available we will set goals in relation to those benchmarks to reduce the wage gap further.

In South Africa, an ongoing activity in this regard has been the level of increases awarded to management and employees at lower employment levels. Over the past five years, employees in the bargaining unit have received a higher average increase than employees in Senior Management and Executive positions. This trend continued in 2019, as indicated in the table below. Such efforts act as a natural mechanism to reduce the wage gap, where lower level salaries increase at a higher rate than those for Executives and Senior Management. Combined with the actions taken as noted above, the Committee believes that pleasing progress was made in 2019 in uplifting low-level employees' salaries above a living wage in South Africa. With roll-out of the Global AECI Human Capital Shared Services Centre, we envision applying this level of analysis to our international operations during 2020 and 2021 with a similar aim to identify areas for improvement and reduce the wage gap as appropriate.

INCREASES OVER FIVE YEARS (SOUTH AFRICA) (%)



An additional consideration in the wage gap discussion is the concept of a living wage. 2019 saw the introduction of national minimum wage legislation in South Africa. R3 500 per month has been set as the standard to which the agricultural and domestic worker sectors must align in due course. The Chemical sector minimum wage has been above that value for over a decade. However, the debate remains whether or not the legislated minimum wage is a living wage. External research calculations put the estimate of a living wage for a single person in South Africa at between R6 100 and R6 500 per month dependent on a variety of criteria (South Africa Living Wage Individual, 2019. See https://tradingeconomics.com/south-africa/living-wage-individual). AECI's minimum salary for an employee at the lowest level of employment is 103% above the legislated minimum wage and 9,4% above the referenced living wage. In line with our principle of offering fair and responsible remuneration, all AECI employees participate in a retirement fund and medical aid, thus further uplifting the standard of living for them. AECI's minimum basic salary is enhanced by the Company contributions to these benefits.

As noted in the Human Capital commentary commencing on page 36 AECI conducted an Employee Culture Survey in 2018, the results of which have been tabled with various internal committees to establish action plans and initiatives that will address areas of concern. One area highlighted in the Survey results concerns employee recognition, which may have an impact on reward practices. The current principle governing reward and recognition will remain in place but innovative ways to recognise and reward employees for performance and the adoption of AECI's values will roll out in the coming 12 months, as required.

An initiative already tabled and implemented in 2019 has been the identification and recognition of employees with high potential for future leadership roles. A specific, tailored reward programme has been designed and linked to the long-term incentive scheme for this category of individuals.

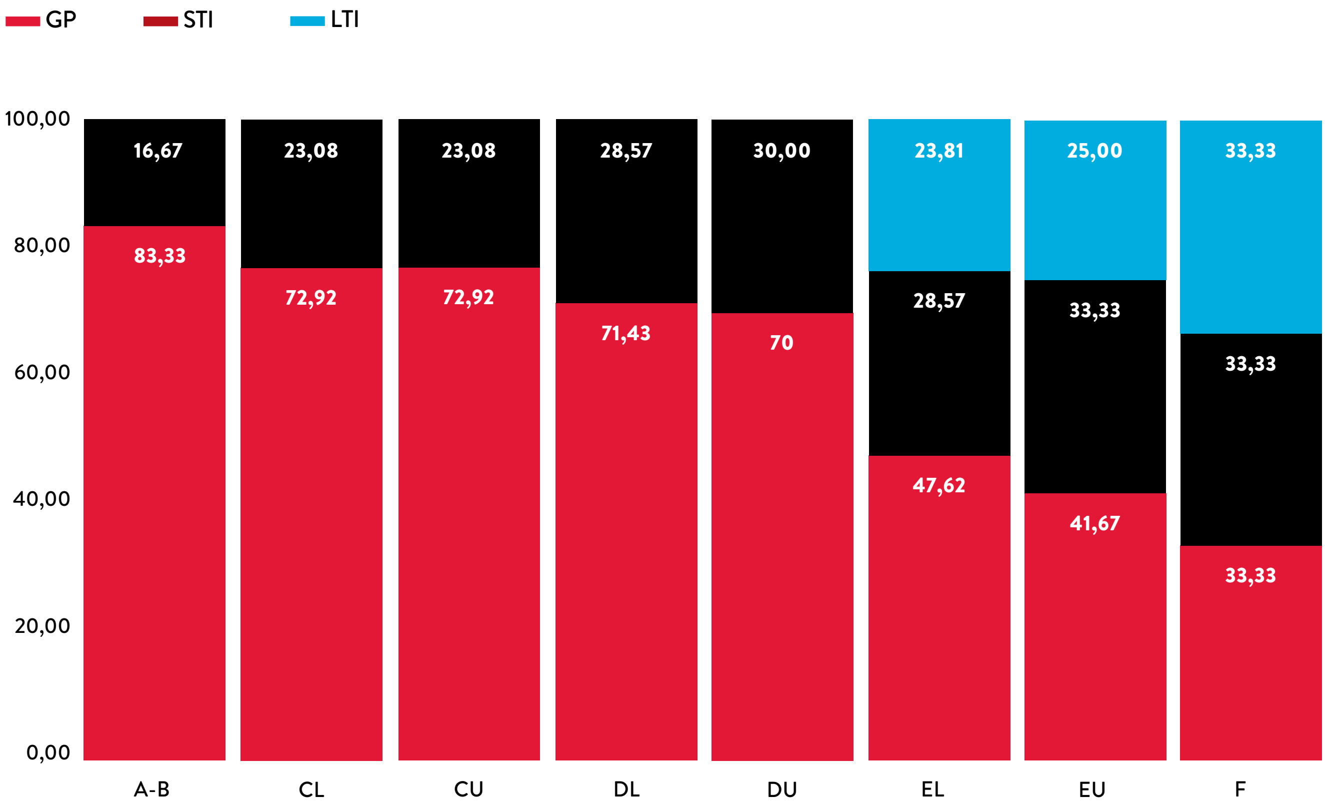
In addition, AECI continues to recognise and reward employees for logging innovative, business of the future ideas on the Group's BIGGER Idea platform and several employees have received incentives for their excellent and innovative contributions.

While innovation remains critical to strengthening performance in the current business portfolio, an increased view into the Business of Tomorrow and sustainability as a whole has been a key discussion point in terms of future reward programmes and key performance areas. Our principles and values have already positioned AECI to take the necessary steps to reward long-term and sustainable growth as the organisation continues to evolve. We envision that reward programmes will develop further to drive value-adding behaviour and reward employees who think "outside the box", thereby enabling superior business results.

3. REMUNERATION APPROACH AND ELEMENTS

AECI aims to remunerate employees at the 50th percentile of the market. The full Remuneration Policy is aligned closely with the AECI EVP and the Performance Management system. It seeks to offer employees competitive GPs which are relevant to market benchmarks and allow AECI to secure key technical skills, high performers, and fill critical roles. On-target variable pay targets the 50th percentile of total reward market benchmarks.

REMUNERATION PHILOSOPHY: MAKE-UP OF REMUNERATION BY EMPLOYMENT LEVEL (%)



The Total Reward Package includes the GP and the variable pay elements. Dependent on the employee's level, the variable pay element includes a short-term incentive and a long-term incentive.

	Guaranteed package	Short-term incentive	Long-term incentive
Principle	Fair and competitive salaries to attract talent and provide employees with benefits designed to provide for their families and retirement.	Recognise performance and the achievement of Company and individual goals and objectives.	Link employee and Company performance to shareholder value creation and long-term performance and sustainability.

4. GUARANTEED PACKAGE

Description	AECI defines GP as the total sum of base pay (or salary), fixed allowances and retirement, Group life and medical aid Company contributions. AECI follows a basic plus benefits approach to remuneration.
Benchmarks	AECI compares salaries to the local national market in South Africa and where appropriate, for its international operations. Where sector-specific surveys exist in both South Africa and other countries, those surveys are sourced for comparative purposes. Local benefits such as travel allowances and contributions to retirement and medical aid funds are reviewed against relevant country-specific market data. The GP for Executives and Senior Managers is benchmarked against the market median (50th percentile) of similar-sized listed companies in similar industries.
Benefits	All AECI employees have access to retirement funding and medical aid benefits. This applies to both bargaining unit and non-bargaining unit employees. AECI's philosophy on being a responsible employer feeds into the approach that membership and participation in a retirement fund is compulsory in instances where government schemes do not exist. Further, all employees in South Africa are covered by a Group Life and Disability policy. In international operations, such policies are in place to match local needs against local social security offerings.

5. SHORT-TERM INCENTIVE

All employees at all levels of employment in South Africa participate in a STI scheme as detailed below.

Bargaining unit	Non-bargaining unit (including Executives)	Sales personnel
Guaranteed 13th cheque (as per Chemical Industries BA)	Incentive bonus schemes	Commission schemes

Similar schemes may be in place for international operations, as determined by local policy and legislation/union agreements.

Executive and Senior Management scheme

The underlying principle for the scheme is that a base trading profit or HEPS is set every three years. Growth hurdles above CPI and GDP are measured cumulatively from that base to determine performance. Minimum performance is defined as CPI plus GDP plus 1%.

During the three-year period the "base" hurdle of the prior year becomes the growth base of the next year. Therefore, each year during this "crawling peg" cycle AECI and each of its businesses need to grow from the base of CPI plus GDP plus 1%.

Performance metrics

Base year 1 — approved by the Committee

Base year 2 — year 1 base plus GDP plus CPI plus 1%

Base year 3 — year 2 base plus GDP plus CPI plus 1%

A "threshold" level of performance is applied, where 90% of the "Minimum" Performance hurdle must be achieved to enter into the scheme.

Metric	Weighting	Minimum	On-target	Stretch	Maximum
HEPS or trading profit improvement	75%	Base plus CPI plus GDP plus 1%	Base plus CPI plus GDP plus 9%	Base plus CPI plus GDP plus 27%	Base plus CPI plus GDP plus 45%
Individual performance	25%	Key performance areas linked to strategic goals and initiatives.			

Financial performance

The financial element is determined by measuring actual financial performance against predetermined hurdles. HEPS and trading profit ("TP") growth against the prior year's performance is set at a series of performance hurdles as outlined in the table above.

The hurdles target growth in relation to CPI plus GDP plus a set percentage at each hurdle against a base year performance. On-target performance is deemed to be at CPI plus GDP plus 9% (real growth of 9%).

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. Personal KPIs typically include aspects such as: › safety and health performance — measured against fatal accidents and the Total Recordable Incident Rate on a linear scale › cash flow management — measured on improved working capital management and capital spend › B-BBEE/Employment Equity — measured against specific acquisition, retention, development and governance targets for businesses in South Africa › governance and integrity in financial reporting › implementation of strategic projects — measured against specific project deliverables agreed to with the Board.
Outcomes	The table below outlines the percentage of GP payable at each hurdle:

% of TGP	Below threshold	On-target	Stretch	Maximum
CE	0%	75%	100%	150%
Other Exco members include CFO		70%	100%	
MDs		68%	95%	
HODs		45%	60%	

Maximum bonus percentages	All STI payments are capped at 150% of GP. In exceptional cases, the Committee has the authority to extend the bonus cap to 250% of GP. This will only occur if there has been exceptional growth in profits and if the EVA and TP targets have been met by the Group or business concerned. As of 2019, the Committee has not exercised this discretion in the past six years.
Discretion of the Committee	The Committee has discretion to review the appropriateness of the scheme rules taking into account a balance between fair reward for the individual and stakeholders' interests. As appropriate, discretionary awards may be motivated for consideration within the context of performance and reasonability.

6. LONG-TERM INCENTIVE

The purpose of the LTIP is to attract, retain, motivate and reward Executives and Senior Managers who are able to influence the performance of AECI and its businesses such that it aligns their interests with those of the Company's stakeholders. The scheme allows AECI to remain competitive as it rewards long-term sustainable Company performance, acts as a retention tool and ensures that Executives and Senior Managers share a significant level of personal risk with the Company's stakeholders. As annual awards are made, each award allows for a review of the performance criteria. It is only with ongoing and sustained outperformance by the Company that significant reward accrues to participants.

Specific awards under the same terms of the scheme below were granted to employees identified as High Flyers and future leaders in AECI for the first time in 2019.

Operation and instruments	Annual award of shares linked to performance conditions.
Quantum of awards	Allocations and awards are governed by AECI's reward strategy pay mix.
Award date	April.
PS	The PS vests on the third anniversary of the award in the event that the Company has met specified performance criteria over the intervening period. The vesting value per share is the full value of the share (there is no strike price), but the number of shares that may vest is dependent on the Company's performance against the target/s set at the award date.
Performance conditions for PS	Three-year performance criteria:

Measure	Weighting	Minimum	Threshold	Target	Maximum
		0%	50% – 99%	100% – 199%	200%
TSR	30%	Rank 16 to 9	Rank 8 to 7	Rank 6 to 3	Rank 1 and 2
RONA	30%	Below 15%	15% to 16%	17% to 19%	20% or more
HEPS	40%	Below CPI	CPI + GDP	CPI+GDP+ 2%	CPI+GDP+5% or more

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

Performance conditions for PS continued

TSR

AECI's relative ranking against a peer group of 16 companies (inclusive of AECI), where performance below the median results in a 0% vesting award. Eighth rank or the median (50th percentile) results in the threshold being achieved whereas target occurs at rank 6. Ranks 1 and 2 result in the maximum percentage. Vesting percentage results have been set for each rank from to 1.

Including AECI, the 16 companies in the peer group are as follows:

African Oxygen	KAP Industrial Holdings	PPC
Astral Foods	Nampak	RCL Foods
Aveng	Northam Platinum	Reunert
Barloworld	Omnia Holdings	Sappi
Grindrod	Pioneer Food Group	Tongaat Hulett

In the event of one of the peer group delisting, a reserve list applies. The first company on this list will be included in the peer group and the TSR position recalculated for the whole period.

The reserve list of companies comprises: 1. AVI; 2. Super Group; 3. Sibanye-Stillwater; 4. Rhodes Food Group; 5. Oceana Group.

RONA

As approved by the Committee, the RONA target will factor in unusual corporate transactions to ensure that financially sound business decisions continue to be made; decisions otherwise might adversely affect the RONA performance. 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 scheme.

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 current performance or moderate good performance.

Outcomes

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

% of TGP	Minimum	On-target	Stretch	Maximum
CE	0%	50%	100%	200%
CFO		43%	85%	170%
Other Exco members		35%	70%	140%
MDs and HODs		30%	60%	120%

7. EXECUTIVES' PAY MIX

The principle that the performance-based pay of Executives and Senior Managers should form a greater portion of their total compensation is a key underlying feature of the pay mix.

The outcome of variable pay should reward long-term sustainable performance (through share-based incentives), more so than operational performance (through annual cash short-term incentives). This is particularly relevant at Executive level where the focus is on shareholder value and positioning the Group for sustainable growth and returns.

The mix of fixed and variable pay is designed to meet AECI's strategic objectives and operational needs based on targets that are stretching, verifiable and relevant to those goals. The pay mix proportionality of the Chief Executive through to that of a Senior Manager is shown in the schematics on page 86. Three remuneration scenarios are demonstrated: 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:

1. Performance management review

Each employee who participates in the incentive schemes is subject to the AECI performance management process, which involves a bi-annual review of set KPIs linked to key non-financial objectives of the organisation.

2. Full-year performance and audited financial statements

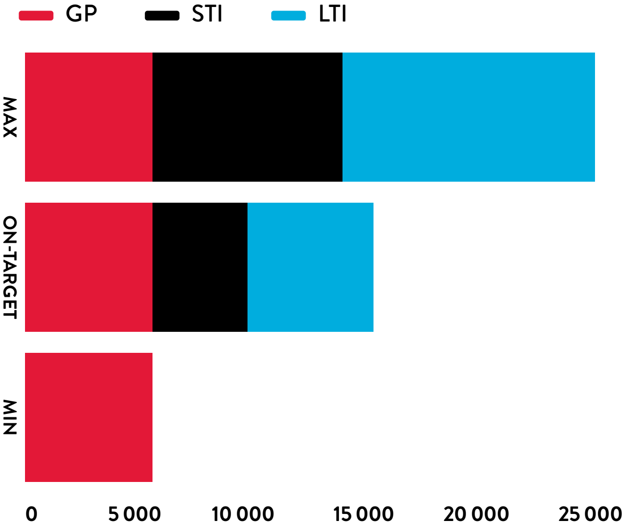
Individual business financial performance is based on audited financial results and is subject to review by the Executive Committee. Overall Group performance is based on audited financial results and is subject to Remuneration Committee review. Individual business performance is presented to the Committee for ratification and final approval.

8. EXECUTIVE DIRECTORS' CONTRACTS

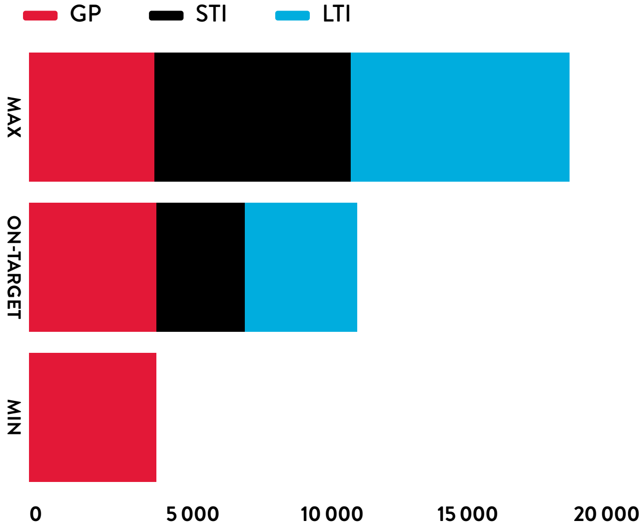
Neither of the Executive Directors have extended employment contracts or special termination benefits. Both of them have a 12-month restraint of trade in place. Their service contracts and those of other Executives are in accordance with AECI's standard terms and conditions of employment and their notice period is six months and the restraint period starts after the notice period.

EXECUTIVE PAY MIX

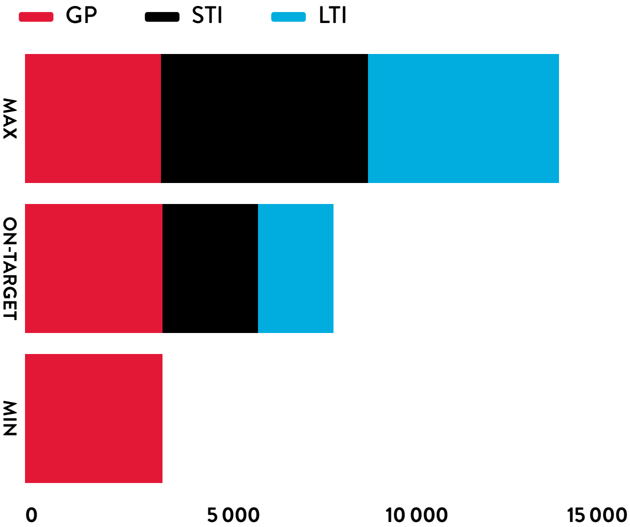
CE (R thousands)



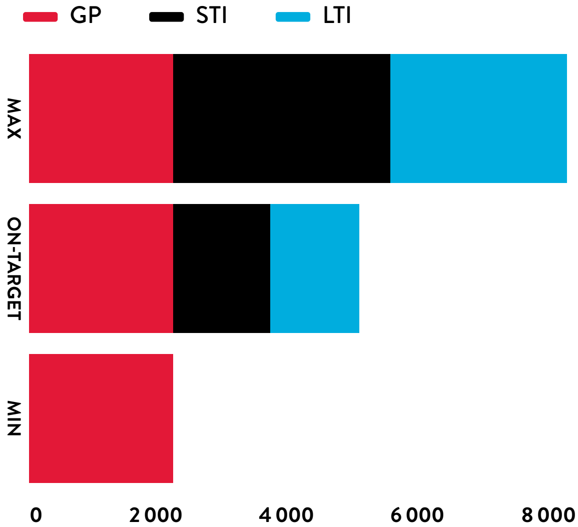
CFO (R thousands)



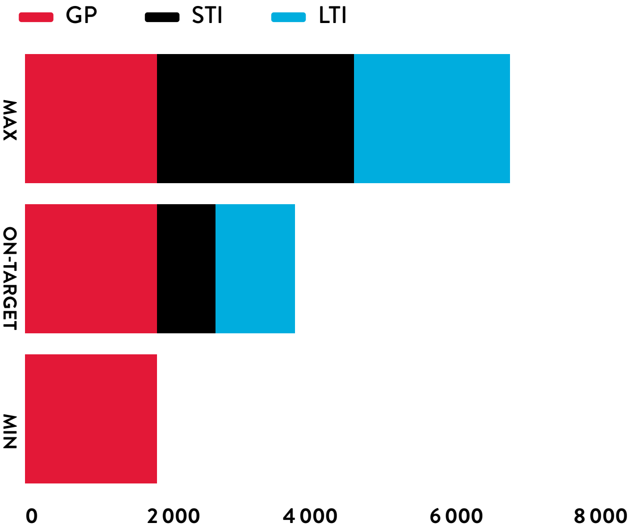
EXCO (R thousands)



MDs (R thousands)



HODs (R thousands)



Key: CE = Chief Executive; CFO = Chief Financial Officer; EXCO = Executive Committee members; MDs = Managing Directors or equivalent of operating entities; HODs = Heads of functional departments

In the event of exceptional outperformance, STI benefits could increase to 250%, dependent on the Committee review.

In principle, AECI does not offer sign-on bonuses but, in instances were a sign-on bonus is required, the contract will stipulate that the employee must remain in employment 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 a claw back condition.

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 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 following financial year.

The Executive Directors' contracts do not have any specific conditions or clauses relating to termination payments or a retention agreement in relation to the change of control of the organisation. In terms of the LTIP, there are no provisions which govern the lapsing or acceleration of previously awarded shares in this instance.

In the event of a change of control, shareholders will be advised and management engaged in the relevant process.

9. MINIMUM SHAREHOLDING REQUIREMENT

A minimum shareholding guideline was adopted in 2018 and provided the Executives with a five-year timeframe to attain the required level of holdings. Accordingly, the first measurement will be as at 31 December 2023.

The table below outlines the proposed percentages to be held, by level:

Title	% of GP
CE	200
CFO	150
Other Exco members	100

As at 31 December 2019, using a share price of R107,44, it is pleasing to confirm that all current AECI Executive Committee members are on track to achieve the required shareholding within the defined period. The calculation assumptions include an on-target vesting of the LTI awards over that five-year period.

10. NON-EXECUTIVE DIRECTORS' FEES AND REMUNERATION

Non-executive Directors do not have service contracts, they do not participate in any of the Company's STI or LTI schemes and receive no AECI shares. These Directors receive a fixed fee per annum for their contribution, which comprises 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 after an independent benchmarking exercise commissioned by the Executive Directors. After the Board's review of the proposal, the fees are tabled for approval by shareholders at the AGM. In arriving at the proposed fee, cognisance is taken of market norms and practices.

For 2020, AECI will use a peer and reference group for the purposes of benchmarking Non-executive Directors' fees and remuneration. This peer group will be the same group that was applied to the Executive Directors' remuneration. AECI will continue to utilise published benchmarks each year and future proposals will factor in both peer group and market data results.

2019 saw the appointment of two non-resident Non-executive Directors, with effect from 1 January 2020. In line with the approved fees for 2019, these two Directors received the same fees for the intervening period as their colleagues resident in South Africa. However, in line with best practice for global companies, the fee proposal for Non-executive Directors in at the AGM in 2020 will include a separate fee for those who are non-resident. The methodology to determine the fee was benchmarked against the peer group noted on page 85 who utilise the services non-resident Non-executive Directors. A premium of 100% (double the equivalent for local residents) was deemed to be standard in the market and is thus applied in the proposed fees for 2020.

Details of the emoluments paid to the Non-executive Directors in 2019 are disclosed in Part 3 of this report and the proposed fees are disclosed in the Notice of AGM for 2020.

Non-binding advisory vote

In terms of the JSE Listings Requirements and the recommendations of King IV, the following will be put to a non-binding vote at the AGM of shareholders of the Company scheduled to take place on 26 May 2020:

- the Remuneration Policy as outlined in Part 2 of this report
- the application of the Remuneration Policy as outlined in Part 3.

In the event that either the Policy or the implementation vote receive 25% or more votes against, the Committee commits to the following:

- 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.

3. IMPLEMENTATION

1. GUARANTEED PACKAGE ADJUSTMENTS

An average increase of 5% was approved by the Committee for Executives and Senior Managers. The balance of employees in South Africa generally received an average increase of 5% and slightly higher increases were awarded at the lower employment levels. At bargaining unit level, a 6,5% increase was approved at the Industrial Chemicals Sector Wage Negotiations and a 7,5% increase was approved by the Bargaining Council for the Civil Engineering Industry. This increase was passed to all bargaining unit employees. For employees outside of South Africa, general inflation was used as a guideline for increases. 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 salary for their level.

The Committee has acknowledged that for a number of years the Chief Executive's GP has lagged the peer group and general market. As opposed to making small, incremental adjustments over a period of time, the Committee approved a once-off correction of 10% in January 2020 to address the matter.

2. SHORT-TERM INCENTIVE

As noted in the Policy section of this report, AECI Executive STIs track HEPS performance. The achievement of HEPS of 1 150c resulted in 6,6% real growth off the 2019 base HEPS number. The base HEPS for 2019 differs from published HEPS of 1 045c for 2018 due to approved adjustments relating to the effects of the Company's adoption of IFRS 16. CPI of 4,1% and GDP of 0,5% were used in the calculation.

The HEPS of 1 150c fell between the Minimum and On-target performance hurdles for 2019.

Base HEPS	Minimum	Achieved	On-target HEPS
	Base plus CPI plus GDP plus 1%		Base HEPS plus GDP plus CPI plus 9%
1 034c	982c	1 150c	1 174c

If the Company reaches the On-target HEPS hurdle, Executive Committee members would achieve approximately 75% of their GP, dependent on their KPI scores. HEPS below this hurdle results in the outcomes for the Executive Directors and Prescribed Officers as indicated in the table below.

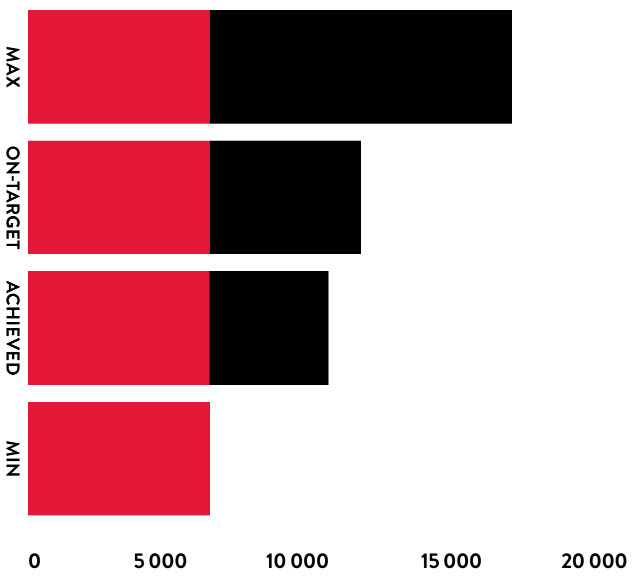
For the 2019 year, the actual STIs paid were lower than in 2018 when performance was above the On-target HEPS hurdle.

	% of GP	Value (before tax) (R thousands)
MA Dytor	62	4 146
KM Kathan	60	3 308
EE Ludick	61	2 658
DJ Mulqueeny	58	2 269
DK Murray	57	2 223

PAY MIX VS ACTUAL STI

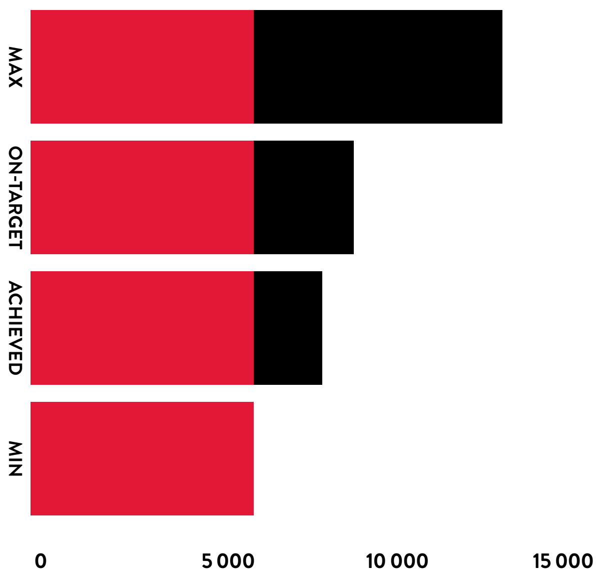
CE (R thousands)

GP STI



CFO (R thousands)

GP STI



1. Individual performance management review

As stipulated by policy, all employees who participate in the STI scheme have their performance reviewed relative to KPIs linked to the key non-financial objectives of the organisation. This process applies equally to all members of the Executive Committee and a summary of their KPIs and their achievement thereof is outlined on page 89.

The 2019 Strategic Key Group Initiatives KPIs include deliverables relating to the management and delivery of improved financial performances by the Schirm and Much Asphalt acquisitions and critical Group cost saving projects and initiatives. In addition, the Committee assesses Executive performance in areas relating to leadership, transformation, innovation and talent succession planning. Similar KPIs have been cascaded to the management teams of all AECI businesses.

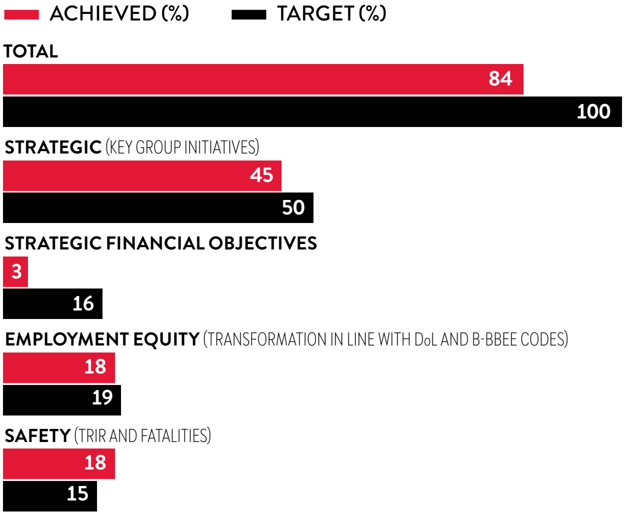
The KPIs for 2020 will continue to focus on delivery by Schirm and Much Asphalt of their respective investment cases at the time of acquisition.

2. Full-year financial performance

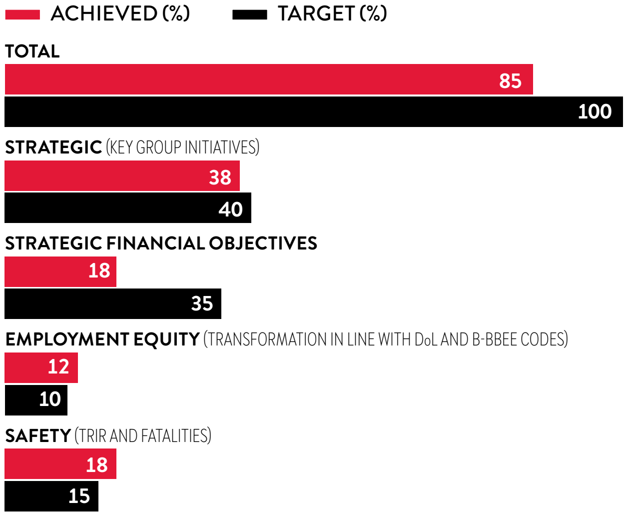
The tables on page 90 indicate the actual performance relative to Company targets and personal KPIs, and the resultant annual cash incentives paid to the Chief Executive, the CFO, the Director of a major subsidiary and the Prescribed Officers in the 2019 financial year.

KPI ACHIEVEMENT FOR 2019

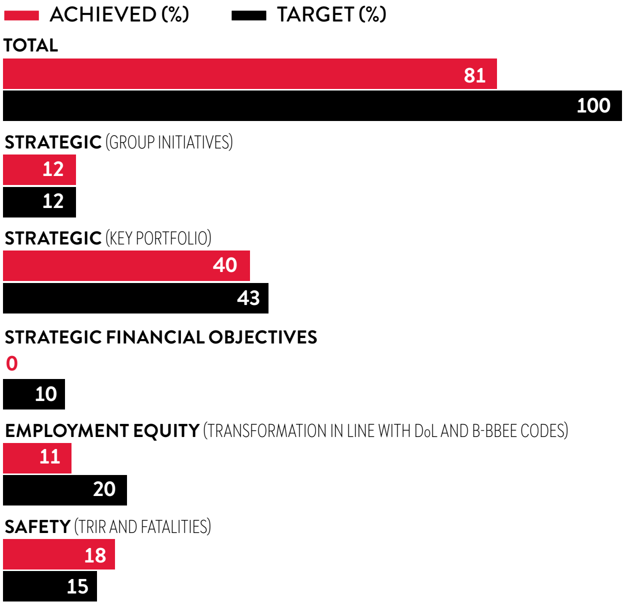
CHIEF EXECUTIVE: MA DYTOR



CFO: KM KATHAN

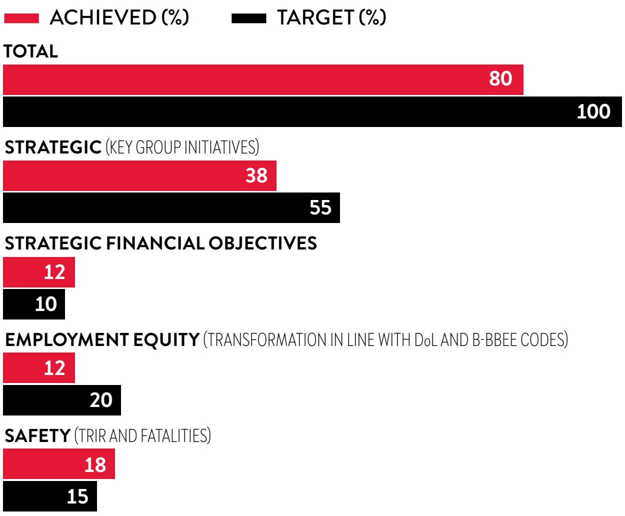


AEL MANAGING DIRECTOR: EE LUDICK



EXECUTIVE: DJ MULQUEENY

EXECUTIVE: DK MURRAY



3. LTI awards

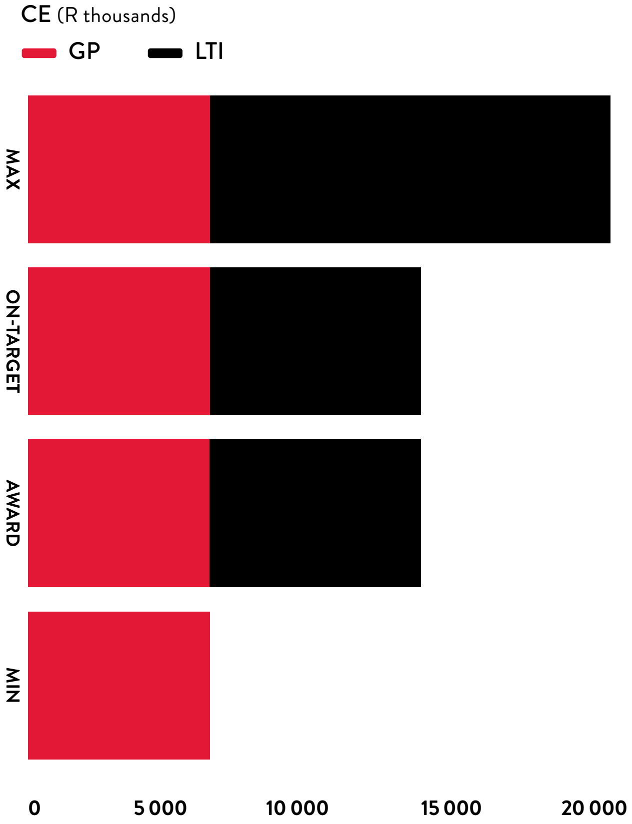
The awards made during 2019 in terms of the LTIP were:

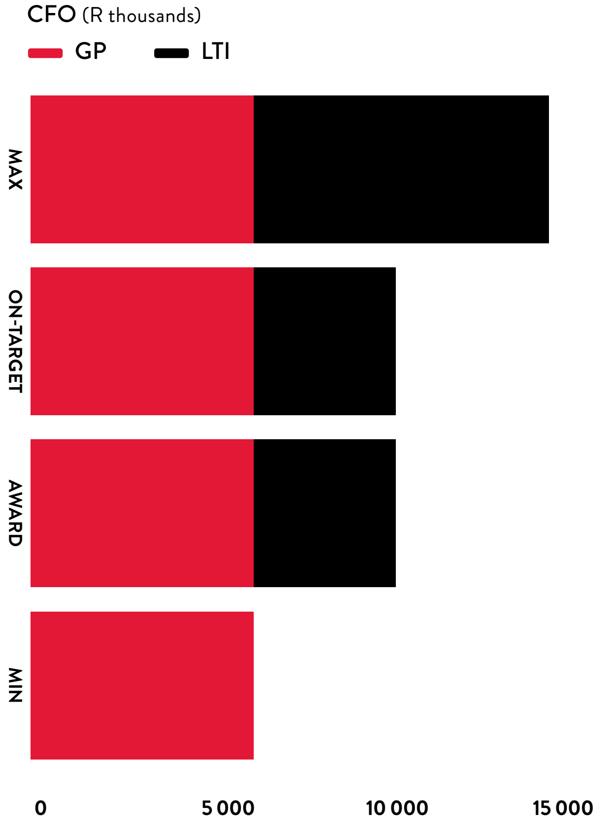
	No. of PS	Market value (before tax) based on award price (20-day VWAP) of R96,17 (R thousands)	% of total GP
MA Dytor	70 494	6 779	100
KM Kathan	48 531	4 667	85
EE Ludick	32 632	3 138	70
DJ Mulqueeny	28 683	2 758	70
DK Murray	28 313	2 722	70

As noted in Part 2, the performance conditions for the awards in the table above have performance conditions linked to RONA and HEPS for the Group for the period 2019 to 2021. The 2019 LTI award was based on a five-day VWAP in April 2019 and will vest after three years, in April 2022.

Relative to the awards issued in 2018, a higher number of shares were awarded in 2019 as a result of the lower share price (R112,76 in 2018 versus R96,17 in 2019). Therefore, the value of shares at the award date was also lower. Outperformance over the three-year period, lifting the share price and yielding rewards for shareholders, will result in a shared achievement in the growth of AECI.

PAY MIX VS AWARDED LTI





4. LTI vesting

The PS allocation from 2016 vested on 30 June 2019. In relation to the performance period, AECI achieved seventh position in relation to its comparator peer group of 16 companies (including AECI and two delisted entities), using TSR as the measure. In terms of the performance condition curve for the 2016 award, seventh position resulted in a multiple of 140% being applied to the PS award. Participants in the scheme received their allocations of AECI ordinary shares at the end of July after the Group's results for the half-year ended 30 June 2019 had been released. The TSR measurement was calculated and verified by an independent third-party provider.

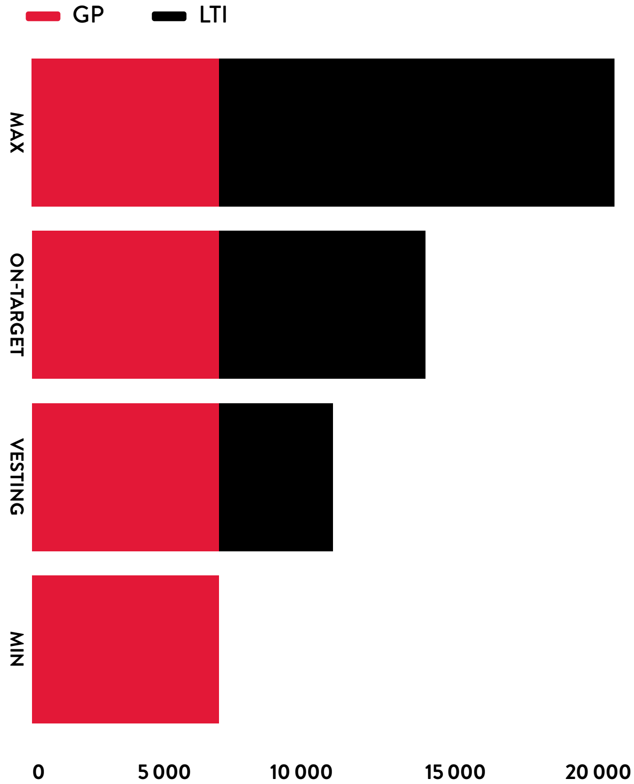
The 2016 EGU allocation vested on 30 June 2019 and the first third of the award was exercisable. The value of the award is determined by the growth in HEPS between the issue date and the vesting date. The HEPS value is linked to the audited results of the AECI Group and is aligned to the Group's overall performance for the year.

The table below indicates the final value of the PS awarded in 2016, which vested in 2019.

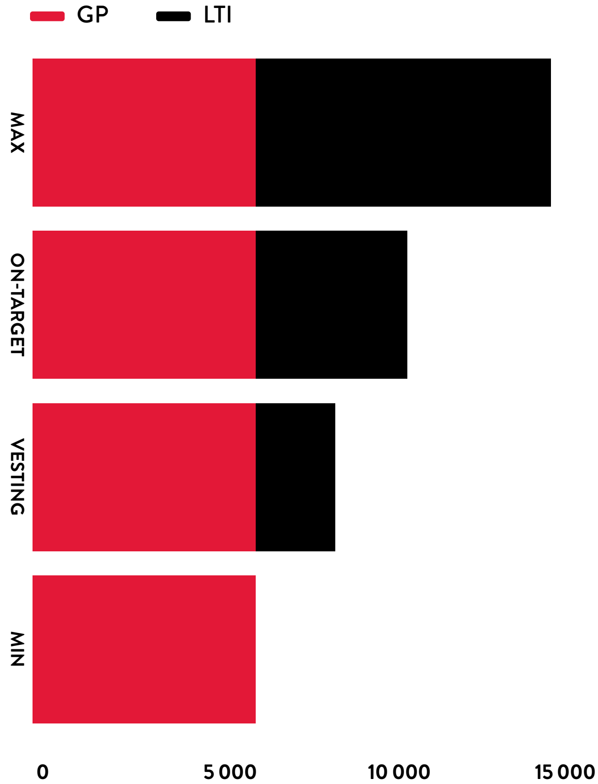
	No. of PS awarded	No. of ordinary shares received on vesting date	Value at vesting (before tax) (R thousands)
MA Dytor	28 049	39 269	3 602
KM Kathan	20 650	28 910	2 652
EE Ludick	10 615	14 861	1 363
DJ Mulqueeny	6 127	8 578	787
DK Murray	6 237	8 732	801

PAY MIX VERSUS VESTED LTI

CE (R thousands)



CFO (R thousands)



5. Remuneration outcomes (single figure)

Details of the basic salary and GP (basic salary plus benefits) paid to the Executive Directors and the Prescribed Officers are set out in the table below, with the face value of the vested incentive schemes included.

R thousands	2019	2018	% change
MA Dytor			
Basic salary	**5 577**	4 943	12,84
Benefits	**1 105**	1 119	
STI	**4 146**	4 995	(17,00)
LTI			
PS[1]	**3 602**	4 113	
EGU[2]	**703**	1 497	
DS[3]	**1 099**	871	
Other[4]	**341**	184	
TOTAL	**16 573**	17 722	(6,48)
KM Kathan			
Basic salary	**4 442**	4 152	6,99
Benefits	**973**	972	
STI	**3 308**	4 150	(20,29)
LTI			
PS[1]	**2 652**	3 028	
EGU[2]	**632**	1 496	
DS[3]	**981**	777	
Other			
TOTAL	**12 988**	14 575	(10,89)
EE Ludick			
Basic salary	**3 594**	3 375	6,5
Benefits	**820**	804	
STI	**2 658**	3 357	(20,18)
LTI			
PS[1]	**1 363**	1 597	
EGU[2]	**424**	726	
DS[3]	**797**	525	
Other			
TOTAL	**8 764**	10 384	(15,60)
DJ Mulqueeny			
Basic salary	**3 073**	2 913	5,5
Benefits	**809**	823	
STI	**2 269**	2 902	(21,82)
LTI			
PS[1]	**787**		
DS[3]	**651**	516	
Other[4]	**19**		
TOTAL	**9 628**	7 154	34,57

1 PS vested at 140% and at a lower price than 2018's vesting.
2 EGUs vested at lower HEPS than in 2018.
3 Number of DS awarded in 2016 was higher than the award in 2015 but vested at a lower price.
4 Other includes club fees, tax planning, sale of leave and accommodation.

R thousands	2019	208	% change
DK Murray			
Basic salary	**3 010**	2 853	5,5
Benefits	**826**	829	
STI	**2 223**	2 809	(20,87)
LTI			
PS [1]	**801**	1 093	
EGU [2]	**389**	684	
DS [3]	**650**	512	
Other [4]	**21**		
TOTAL	**7 094**	8 780	(19,21)

1 PS vested at 140% and at a lower price than 2018's vesting.
2 EGUs vested at lower HEPS than in 2018.
3 Number of DS awarded in 2016 was higher than the award in 2015 but vested at a lower price.
4 Other includes club fees, tax planning, sale of leave and accommodation.

6. Unvested awards

Disclosure of the number of awards, and their estimated values, which were outstanding as at 31 December 2019 are indicated on pages 94 to 103. Awards made during 2019 and their estimated values have been included. The column "vested in year" indicates the portion of the award which vested and the actual value at the vesting date. Vested awards may still be exercised by recipients at a future date and will be disclosed in the notes to the annual financial statements for the year in which they are exercised.

7. Non-executive Directors' fees and remuneration

At the AGM of shareholders scheduled for 26 May 2020 shareholders will be asked to pass special resolutions, to take effect from that date, approving the proposed changes in the fees of resident Non-executive Directors by an average of 5,0% (in line with CPI and the increases awarded to the Executive Directors) as set out in the Notice of AGM for 2020. An adjustment in a ratio of 2:1 is proposed for non-resident Non-executive Directors.

The holdings in the Company's securities of the Directors, the Director of a major subsidiary, the Group Company Secretary and the Prescribed Officers are disclosed in note 31 to the annual financial statements. These statements are available on AECI's website and printed copies are available on request, as detailed on the inside front cover of the integrated report of which this Remuneration report forms part

Details of fees paid to the Non-executive Directors in 2019 are also disclosed in note 31.

UNVESTED AWARDS

MA DYTOR

EGUs

R thousands					Number of outstanding awards		
Grant date	Total award (no.)	Award per year (no.)[1]	Vesting date	Lapsing date	Opening balance	Vested in the year	Closing balance
2014	210 594	70 198	2017	2021	–		–
		70 198	2018	2021	–	–	–
		70 198	2019	2021	70 198	70 198	–
2015	392 862	130 954	2018	2022	–	–	–
		130 954	2019	2022	130 954	130 954	–
		130 954	2020	2022	130 954		130 954
2016	258 598	86 199	2019	2023	86 199	86 199	–
		86 199	2020	2023	86 199		86 199
		86 199	2021	2023	86 199		86 199
					590 704	**287 351**	**303 353**

1 EGUs vest over a three-year period.

2 The estimated value of the EGUs is based on HEPS for the second half of 2019.

PS

R thousands				Number of outstanding awards			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Forfeited/ gained in the year[1]	Vested in the year	Closing balance
2016	28 049	2019	2019	28 049	11 220	39 269	–
2017	43 766	2020	2020	43 766		–	43 766
2018	62 474	2021	2021	62 474		–	62 474
2019	70 494	2022	2022	70 494		–	70 494
				204 783	**11 220**	**39 269**	**176 734**

1 Number of awards as determined by final TSR position in the vesting year.

2 Value determined by 20-day VWAP share price at the award date.

3 PS awards estimated values as determined by the five-day VWAP at 31 December 2019 (applicable for awards which did not vest in the year).

4 The effect of performance has been determined through an estimated TSR position for each award as at 31 December 2019 (applicable for awards which did not vest in the year).

5 Value of vested award as a pre-tax VWAP share price on date of vesting.

DS

R thousands				Number of outstanding awards			
Grant date	Award (no.)[1]	Exercise date	Lapsing date	Opening balance	Effect of performance	Vested in the year	Closing balance
2016	11 870	2019	2019	11 870		11 870	–
				20 162	**–**	**11 870**	**–**

1 Value determined by 20-day VWAP share price at the award date.

Value of outstanding awards				Cash settlement			
Value of award	Effect of performance	Vested in the year	Value of outstanding award at year-end	Value of award at vesting date[2]	Effect of performance	Settlement value	Value of unexercised award at year-end
–	–		–	123			123
–							
–	–		–	397			397
–	397		397				
–			–	184			184
–	184		184				
–	184		184				
–	**764**	**–**	**764**	**703**	**–**	**–**	**703**

Value of outstanding awards					Cash settlement
Value at award date[2]	Effect of share price[3]	Effect of performance[4]	Vested in the year[5]	Value at year-end	Settlement value
2 434	139	1 029	3602	–	3 602
4 619	65	3 747		8 430	
7 045	359	1 070		7 755	
6 779	764	1 282		8 826	
14 097	**608**	**7 128**	**3 602**	**25 011**	**3 602**

Value of outstanding awards					Cash settlement
Value at award date	Effect of share price	Effect of performance	Vested in the year	Value at year-end	Settlement value
1 030	69		1 099	–	1 099
1 030	**69**	**–**	**1 099**	**–**	**1 099**

UNVESTED AWARDS CONTINUED

KM KATHAN

EGUs

R thousands					Number of outstanding awards		
Grant date	Total award (no.)	Award per year (no.)[1]	Vesting date	Lapsing date	Opening balance	Vested in the year	Closing balance
2014	195 120	65 040	2017	2023			
		65 040	2018	2023			
		65 040	2019	2023	65 040	(65 040)	–
2015	350 549	116 850	2018	2024	–	–	–
		116 850	2019	2024	116 850	(116 850)	–
		116 850	2020	2024	116 850		116 850
2016	230 761	76 920	2019	2025	76 920	(76 920)	–
		76 920	2020	2025	76 920		76 920
		76 920	2021	2025	76 920		76 920
					529 500	**(258 810)**	**270 690**

1 EGUs vest over a three-year period.

2 The estimated value of the EGUs is based on HEPS for the second half of 2019.

PS

R thousands				Number of outstanding awards			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Forfeited/ gained in the year[1]	Vested in the year	Closing balance
2016	20 650	2019	2019	20 650	8 260	28910	–
2017	35 215	2020	2020	35 215			35 215
2018	46 200	2021	2021	46 200			46 200
2019	48 531	2022	2022	48 531			48 531
				150 596	**8 260**	**28 910**	**129 946**

1 Number of awards as determined by final TSR position in the vesting year.

2 Value determined by 20-day VWAP share price at the award date.

3 PS awards estimated values as determined by the five-day VWAP at 31 December 2019 (applicable for awards which did not vest in the year).

4 The effect of performance has been determined through an estimated TSR position for each award as at 31 December 2019 (applicable for awards which did not vest in the year).

5 Value of vested award as a pre-tax VWAP share price on date of vesting.

DS

R thousands				Number of outstanding awards			
Grant date	Award (no.)[1]	Exercise date	Lapsing date	Opening balance	Effect of performance	Vested in the year	Closing balance
2016	10 594	2019	2019	10 594		10 594	–
				10 594	**–**	**10 594**	**–**

1 Value determined by 20-day VWAP share price at the award date.

Value of outstanding awards				Cash settlement			
Value of award	Effect of performance	Vested in the year	Value of outstanding award at year-end	Value of award at vesting date[2]	Effect of performance	Settlement value	Value of unexercised award at year-end
–	114	114	–	114			114
–	354	354	–	354			354
–	354		354				
–	164	164	–	164			164
–	164		164				
–	164		164				
–	**1 313**	**632**	**682**	**632**	**–**	**–**	**632**

Value of outstanding awards					Cash settlement
Value at award date[2]	Effect of share price[3]	Effect of performance[4]	Vested in the year[5]	Value at year-end	Settlement value
1 792	102	758	2 652	–	2 652
3 716	52	3 015		6 783	
5 210	(266)	791		5 735	
4 667	526	883		6 076	
15 385	**415**	**5 446**	**2 652**	**18 594**	**2 652**

Value of outstanding awards					Cash settlement
Value at award date	Effect of share price	Effect of performance	Vested in the year	Value at year-end	Settlement value
919	62		981	–	981
919	**62**	**–**	**981**	**–**	**981**

UNVESTED AWARDS CONTINUED

EE LUDICK

EGUs

R thousands					Number of outstanding awards		
Grant date	Total award (no.)	Award per year (no.)[1]	Vesting date	Lapsing date	Opening balance	Vested in the year	Closing balance
2014	114 166	38 055	2017	2023			
		38 055	2018	2023			
		38 055	2019	2023	38 055	(38 055)	–
2015	243 999	81 333	2018	2024			
		81 333	2019	2024	81 333	(81 333)	–
		81 333	2020	2024	81 333		81 333
2016	156 588	52 196	2019	2025	52 196	–	52 196
		52 196	2020	2025	52 196		52 196
		52 196	2021	2025	52 196		52 196
					357 309	**(119 388)**	**237 921**

1 EGUs vest over a three-year period.
2 The estimated value of the EGUs is based on HEPS for the second half of 2019.

PS

R thousands				Number of outstanding awards			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Forfeited/ gained in the year[1]	Vested in the year	Closing balance
2016	10 615	2019	2019	10 615	4 246	1 4861	–
2017	25 096	2020	2020	25 096			25 096
2018	31 004	2021	2021	31 004			31 004
2019	32 632	2022	2022	32 632			32 632
				110 132	**4 246**	**14 861**	**88 732**

1 Number of awards as determined by final TSR position in the vesting year.
2 Value determined by 20-day VWAP share price at the award date.
3 PS awards estimated values as determined by the five-day VWAP at 31 December 2019 (applicable for awards which did not vest in the year).
4 The effect of performance has been determined through an estimated TSR position for each award as at 31 December 2019 (applicable for awards which did not vest in the year).
5 Value of vested award as a pre-tax VWAP share price on date of vesting.

DS

R thousands				Number of outstanding awards			
Grant date	Award (no.)[1]	Exercise date	Lapsing date	Opening balance	Effect of performance	Vested in the year	Closing balance
2016	8 611	2019	2019	8 611		8 611	–
				13 606	**–**	**8 611**	**–**

1 Value determined by 20-day VWAP share price at the award date.

	Value of outstanding awards				Cash settlement			
	Value of award	Effect of performance	Vested in the year	Value of outstanding award at year-end	Value of award at vesting date [2]	Effect of performance	Settlement value	Value of unexercised award at year-end
	–	67	67	–				
	–	246	246	–	246			246
	–	246		246				
	–	111	111	–	111			111
	–	111		111				
	–	111		111				
	–	**893**	**424**	**469**	**358**	**–**	**–**	**358**

	Value of outstanding awards					Cash settlement
	Value at award date [2]	Effect of share price [3]	Effect of performance [4]	Vested in the year [5]	Value at year-end	Settlement value
	921	52	389	1 363	–	1 363
	2 648	37	2 148		4 834	
	3 496	(178)	531		3 849	
	3 138	354	594		4 086	
	10 204	**265**	**3 662**	**1 363**	**12 768**	**1 363**

	Value of outstanding awards					Cash settlement
	Value at award date	Effect of share price	Effect of performance	Vested in the year	Value at year-end	Settlement value
	747	50		797	–	797
	747	**50**	**–**	**797**	**–**	**797**

UNVESTED AWARDS CONTINUED

DJ MULQUEENY

EGUs

R thousands					Number of outstanding awards		
Grant date	Total award (no.)	Award per year (no.)[1]	Vesting date	Lapsing date	Opening balance	Vested in the year	Closing balance
2016	125 539	41 846	2019	2023	41 846	(41 846)	–
		41 846	2020	2023	41 846		41 846
		41 846	2021	2023	41 846		41 846
					125 539	**(41 846)**	**83 693**

1 EGUs vest over a three-year period.
2 The estimated value of the EGUs is based on HEPS for the second half of 2019.

PS

R thousands				Number of outstanding awards			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Forfeited/ gained in the year[1]	Vested in the year	Closing balance
2016	6 127	2019	2019	6 127	2 451	8578	–
2017	14 966	2020	2020	14 966		–	14 966
2018	22 984	2021	2021	22 984		–	22 984
2019	28 683	2022	2022	28 683			28 683
				72 760	**2 451**	**8 578**	**66 633**

1 Number of awards as determined by final TSR position in the vesting year.
2 Value determined by 20-day VWAP share price at the award date.
3 PS awards estimated values as determined by the five-day VWAP at 31 December 2019 (applicable for awards which did not vest in the year).
4 The effect of performance has been determined through an estimated TSR position for each award as at 31 December 2019 (applicable for awards which did not vest in the year).
5 Value of vested award as a pre-tax VWAP share price on date of vesting.

DS

R thousands				Number of outstanding awards			
Grant date	Award (no.)[1]	Exercise date	Lapsing date	Opening balance	Effect of performance	Vested in the year	Closing balance
2016	7 036	2019	2019	7 036		7 036	–
				11 951	**–**	**7 036**	**–**

1 Value determined by 20-day VWAP share price at the award date.

	Value of outstanding awards				Cash settlement			
	Value of award	Effect of performance	Vested in the year	Value of outstanding award at year-end	Value of award at vesting date [2]	Effect of performance	Settlement value	Value of unexercised award at year-end
	–	89	89	–	89			89
	–	89		89				
	–	89		89				
	–	**267**	**89**	**178**	**89**	**–**	**–**	**89**

	Value of outstanding awards					Cash settlement
	Value at award date [2]	Effect of share price [3]	Effect of performance [4]	Vested in the year [5]	Value at year-end	Settlement value
	532	30	225	787	–	787
	1 579	(207)	1 098		2 471	
	2 592	(484)	337		2 445	
	2 758	311	522		3 591	
	7 461	**(349)**	**2 182**	**787**	**8 507**	**787**

	Value of outstanding awards					Cash settlement
	Value at award date	Effect of share price	Effect of performance	Vested in the year	Value at year-end	Settlement value
	611	41		651	–	651
	611	**41**	**–**	**651**	**–**	**651**

UNVESTED AWARDS CONTINUED

DK MURRAY

EGUs

R thousands					Number of outstanding awards		
Grant date	Total award (no.)	Award per year (no.)[1]	Vesting date	Lapsing date	Opening balance	Vested in the year	Closing balance
2014	109 824	36 608	2017	2021			
		36 608	2018	2021			
		36 608	2019	2021	36 608	(36 608)	–
2015	231 882	77 294	2018	2022			
		77 294	2019	2022	77 294	(77 294)	–
		77 294	2020	2022	77 294		77 294
2016	127 794	42 598	2019	2023	42 598	(42 598)	–
		42 598	2020	2023	42 598		42 598
		42 598	2021	2023	42 598		42 598
					318 990	**(156 500)**	**162 490**

1 EGUs vest over a three-year period.
2 The estimated value of the EGUs is based on HEPS for the second half of 2019.

PS

R thousands				Number of outstanding awards			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Forfeited/ gained in the year[1]	Vested in the year	Closing balance
2016	6 237	2019	2019	6 237	2 495	8 732	–
2017	14 990	2020	2020	14 990		–	14 990
2018	22 685	2021	2021	22 685		–	22 685
2019	28 313	2022	2022	28 313			28 313
				72 225	**2 495**	**8 732**	**65 988**

1 Number of awards as determined by final TSR position in the vesting year.
2 Value determined by 20-day VWAP share price at the award date.
3 PS awards estimated values as determined by the five-day VWAP at 31 December 2019 (applicable for awards which did not vest in the year).
4 The effect of performance has been determined through an estimated TSR position for each award as at 31 December 2019 (applicable for awards which did not vest in the year).
5 Value of vested award as a pre-tax VWAP share price on date of vesting.

DS

R thousands				Number of outstanding awards			
Grant date	Award (no.)[1]	Exercise date	Lapsing date	Opening balance	Effect of performance	Vested in the year	Closing balance
2016	7 017	2019	2019	7 017		7 017	–
				11 896	**–**	**7 017**	**–**

1 Value determined by 20-day VWAP share price at the award date.

Value of outstanding awards				Cash settlement			
Value of award	Effect of performance	Vested in the year	Value of outstanding award at year-end	Value of award at vesting date[2]	Effect of performance	Settlement value	Value of unexercised award at year-end
–	64	64	–	64			64
–	234	234	–	234			234
–	234		234				
–	91	91	–	91			91
–	91		91				
–	91		91				
–	**805**	**389**	**416**	**389**	**–**	**–**	**389**

Value of outstanding awards					Cash settlement
Value at award date[2]	Effect of share price[3]	Effect of performance[4]	Vested in the year[5]	Value at year-end	Settlement value
541	31	229	801	–	801
1 582	(207)	1 100		2 475	
2 558	(477)	333		2 414	
2 723	307	515		3 545	
7 404	**(347)**	**2 177**	**801**	**8 433**	**801**

Value of outstanding awards					Cash settlement
Value at award date	Effect of share price	Effect of performance	Vested in the year	Value at year-end	Settlement value
609	41		650	–	650
609	**41**	**–**	**650**	**–**	**650**

AUDIT COMMITTEE'S REPORT TO STAKEHOLDERS

Dear stakeholders

This report is provided by the Audit Committee ("the Committee") appointed in respect of the 2019 financial year of AECI Ltd. This report incorporates the requirements of the Companies Act, other regulatory requirements and King IV principles. The Committee's operation is guided by detailed terms of reference that are informed by the Companies Act and the King IV Code in South Africa and were approved by the Board.

MEMBERSHIP

The Committee was nominated by the Board in respect of the 2019 financial year and its members were confirmed by shareholders at the AGM held on 29 May 2019. Shareholders will be requested to confirm the appointment of the members of the Committee presenting themselves for re-election for the 2020 financial year at the AGM scheduled for 26 May 2020.

The Committee comprises solely Independent Non-executive Directors. Abridged biographies of these Directors are published at: https://www.aeciworld.com/about-leadership.php

Members in the period were:

- PG Sibiya (appointed Chairman on 28 October 2019)
- FFT De Buck (appointed on 28 November 2019)
- GW Dempster (resigned on 29 May 2019)
- G Gomwe (Chairman until 28 October 2019)
- AJ Morgan

Five meetings were held in the year. Dates and attendance are available at https://www.aeciworld.com/pdf/board-meetings/2019/board-meetings.pdf

The Chief Executive, the Chief Financial Officer, the Group Financial Manager, the External Auditor and Internal Audit attend by invitation, as does the Group Tax Manager as required.

Mr Morgan has served on the Committee since 2010. He has indicated his intention to resign from the Board and relinquish all related responsibilities at the upcoming AGM. The Committee thanks him for his service and guidance during his tenure.

Mr Gomwe joined the Committee in 2015 and served as Chairman from September 2017 to October 2019, when I succeeded him. He remains a Committee member. Ms De Buck was appointed in November 2019.

PURPOSE

The purpose of the Committee is to:

- assist the Board in overseeing the quality and integrity of the Company's integrated reporting process, specifically as it relates to the financial statements, and announcements in respect of the financial results, thereby enhancing the credibility of financial reporting and providing a channel for communication between the Board, the External and Internal Auditors and management
- ensure that an effective control environment in the AECI Group is maintained by supporting the Board in the discharge of its duties relating to the safeguarding of assets, the operation of adequate systems and controls, the integrity of financial statements and reporting and related risk management
- provide the Company's Financial Director, the External Auditor and the Head of Internal Audit with unrestricted access to the Committee and its Chairman, as required, in relation to any matter falling within the remit of the Committee
- meet with the External Auditor, Senior Managers, Executives and Executive Directors as the Committee may elect
- review and recommend to the Company's Board, for approval, the Company's unaudited interim financial results for the half-year to 30 June
- review and recommend to the Company's Board, for approval, the Company's audited financial statements for the financial year to 31 December
- oversee the activities of, and ensure coordination between, the activities of the Internal and External Auditors
- perform duties that are assigned to it by the Companies Act and as governed by other legislative requirements, including the statutory Audit Committee functions required for some subsidiary companies

- receive and deal with any complaints concerning accounting practices, the Internal Audit function or the content and audit of financial statements or related matters
- conduct annual reviews of the Committee's work and terms of reference and make recommendations to the Board to ensure that the Committee operates at maximum effectiveness
- assess the performance and effectiveness of the Committee and its members on a regular basis.

In addition, the Chairman of the Committee meets regularly with the Head of Internal Audit without the External Auditor, other Executive Board members or the Company's Financial Director being present.

EXECUTION OF FUNCTIONS

The Committee executed its duties and responsibilities during the 2019 financial year in accordance with its terms of reference as they relate to the Group's accounting, internal auditing, internal control, and integrated reporting practices, specifically relating to the financial statements, and pursuant to the provisions of the JSE Listings Requirements.

During the year under review:

In respect of the External Auditor and the external audit, the Committee among other matters:

- nominated Deloitte & Touche as the External Auditor to shareholders for appointment as auditor for the financial year ended 31 December 2019, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor. The Committee confirms that the auditor is accredited by the JSE
- as required by section 3.84(g) of the JSE Listings Requirements, obtained the information listed in paragraph 22.15(h) of the JSE Listings Requirements in its assessment of the suitability of Deloitte & Touche, as well as Mr Patrick Ndlovu, for appointment as External Auditor
- approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the External Auditor
- reviewed the audit, evaluated the effectiveness of the auditor, its independence and evaluated the External Auditor's internal quality control procedures
- obtained an annual written statement from the Auditor that its independence was not impaired
- obtained assurance that no member of the external audit team was hired by the Company or its subsidiaries during the year
- obtained assurances from the External Auditor that adequate accounting records were being maintained by the Company and its subsidiaries
- applied a policy setting out the categories of non-audit services that the External Auditor may or may not provide, split between permitted, permissible and prohibited services
- approved all non-audit services with Deloitte & Touche from its appointment onwards
- considered whether any Reportable Irregularities were identified and reported by the External Auditor in terms of the Auditing Profession Act, No. 26 of 2005, and determined that there were none.

The Committee is satisfied with the quality of the external audit in relation to the audit quality indicators.

In respect of the financial statements, the Committee among other matters:

- confirmed the going concern as the basis of preparation of the interim and annual financial statements
- reviewed compliance with the financial conditions of loan covenants and determined that the capital of the Company was adequate
- examined and reviewed the interim and annual financial statements, as well as all financial information disclosed to stakeholders, prior to submission to and approval by the Board
- ensured that the financial statements fairly presented the financial position of the Company and of the Group as at the end of the financial year and the results of operations and cash flows for the financial year, and considered the basis on which the Company and the Group were determined to be going concerns
- considered accounting treatments, significant unusual transactions and accounting judgements
- considered the appropriateness of the Accounting Policies and adopted any changes thereto
- ensured that the Company has established appropriate financial reporting procedures and that those procedures are operating effectively
- reviewed the External Auditor's audit report
- reviewed the representation letter relating to the Group financial statements, which was signed by management
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements
- met separately with management, the External Auditor and the Head of Internal Audit.

In respect of internal control and Internal Audit, including ad hoc investigations, the Committee among other matters:

- reviewed and approved the Internal Audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the Internal Audit function and compliance with its charter
- considered the reports of the Internal and External Auditors on the Group's systems of internal control including financial controls, business risk management and the maintenance of effective internal control systems
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof
- reviewed significant issues raised by internal audit processes and the adequacy of corrective actions in response to significant internal audit findings
- based on the above, the Committee formed the opinion that there were no material breakdowns in internal control, including financial controls, business risk management and maintenance of effective material control systems.

In respect of risk management and IT, the Committee, insofar as relevant to its functions:

- considered the reports of Internal Audit and the External Auditor insofar as these were relevant to risk management and IT and could have an impact on financial controls, and ensured that the related management action plans were adequate
- reviewed the progress made by management on the IT general control environment, which has received significant attention, and agrees that this area is of critical importance to the Group and focus must be maintained to ensure delivery of the enhancements in this key area. This will enable reliance on general IT controls and a more efficient audit approach to be adopted by the External Auditor

- agreed that whilst a formal combined assurance model is not yet in place, embedding and strengthening the strategic and operational risk management environment is a key process to ensure that a solid foundation is laid for the development of a formal combined assurance model
- reviewed and considered feedback from the Financial Review and Risk Committees' meetings, including those that related to risk management and IT.

In respect of legal and regulatory requirements to the extent that these may have an impact on the financial statements, the Committee:

- monitored complaints received via the Group's whistle-blowing service, including complaints or concerns regarding accounting matters, Internal Audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters
- considered reports provided by management, Internal Audit and the External Auditor regarding compliance with legal and regulatory requirements.

In respect of the coordination of assurance activities, the Committee reviewed the plans and work outputs of the External and Internal Auditors and concluded that these were adequate to address all significant financial risks facing the business.

Considered the appropriateness of the experience and expertise of the Chief Financial Officer and Financial Director and his Finance team and concluded that these were appropriate.

Considered the appropriateness of the experience and expertise and the effectiveness of the Head of Internal Audit and concluded that both his experience and expertise were appropriate.

The Committee has noted the following additions to its duties in terms of the JSE Listings Requirements amendments that took effect on 2 December 2019, and will address fulfilment of these duties in its 2020 work plan: to consider all entities included in the consolidated Group IFRS financial statements, to ensure that it has access to all the financial information, to allow the Company to effectively prepare and report on the financial statements of the Group.

CHANGE IN INTERNAL AUDIT MODEL

For the last number of years, the AECI Group's Internal Audit function operated as an in-house resource. The Audit Committee, assisted by the Executive Committee, reviewed this arrangement and concluded that a change to a co-sourcing model was appropriate.

The Group has diversified its geographic footprint extensively in recent years. This has resulted in a corresponding increase in complexity in governance matters such as auditing owing to differences in language, culture and regulatory requirements. As a consequence, the need for in-country specialist knowledge became evident. Accordingly, and at the conclusion of a detailed and rigorous process, PricewaterhouseCoopers ("PwC") was appointed as AECI's co-sourced Internal Audit partner, with effect from 1 October 2019. A core group of Internal Audit Managers remained with AECI and the balance of the team transferred to PwC.

KEY AUDIT MATTER

The Committee noted the key audit matter set out in the External Auditor's report, as follows:

- the impairment assessment of goodwill amounts and indefinite life intangible assets that arose on the acquisition of Schirm GmbH and Much Asphalt (Pty) Ltd.

The Committee has considered and evaluated this matter and is satisfied that it is represented correctly.

INDEPENDENCE OF THE EXTERNAL AUDITOR

The Committee is satisfied that Deloitte & Touche is independent of the Company and the Group after taking the following factors into account:

- representations made by Deloitte & Touche to the Committee
- the Committee's review of the performance of the External Auditor and consequently nominated, for approval at the forthcoming AGM, Deloitte & Touche as the External Auditor for the 2020 financial year
- the auditor does not, except as External Auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the Company (please refer to "Non- Audit Service Fees" below, and the Company's Non-Audit Services Policy, in particular. This is available at https://www.aeciworld.com/pdf/policies/non-audit-services-policy.pdf
- this is Deloitte & Touche's second year of appointment as External Auditor
- the designated external audit partner has served for the same period
- in accordance with the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

NON-AUDIT SERVICE FEES

Deloitte & Touche was nominated as External Auditor by the Committee and appointed as External Auditor by shareholders at the AGM held on 29 May 2019.

Prior to appointment as External Auditor, Deloitte & Touche provided certain non-audit services to the Company. This work included a review of the Group's sustainability reporting, consulting services on the Group's innovation projects (the latter services were phased out in the first half of 2019), advisory services on government incentive programmes (which commenced prior to the appointment as External Auditor and in respect of which Deloitte & Touche no longer provides services) and sundry benchmarking and survey consulting. The Auditor's independence was not impaired by this consultancy, advisory or other work undertaken.

All the service assignments still in progress at the time of Deloitte & Touche being appointed as External Auditor have now been completed. All services, other than those carried over and now complete, previously performed which could potentially have impaired the independence of Deloitte & Touche were transferred to other service providers. All new non-audit services performed by Deloitte & Touche during 2019 complied with the Company's Non-Audit Services Policy in terms of the type of service provided as well as the quantum thereof. The Committee, in line with this Policy, approved all non-audit services performed by Deloitte & Touche during the year. All non-audit services are pre-approved by Deloitte & Touche in accordance with its own independence policy framework.

ANNUAL FINANCIAL STATEMENTS

Following the review by the Committee of the annual financial statements of AECI Ltd for the year ended 31 December 2019, the Committee is of the view that in all material respects they comply with the relevant provisions of the Companies Act and IFRS and fairly present the Group and Company financial position at that date and the results of operations and cash flows for the year then ended.

Having met its obligations, the Committee recommended the annual financial statements for the year ended 31 December 2019 for approval to the AECI Board on 24 February 2020.

The Committee has also satisfied itself of the integrity of the remainder of the integrated report.

The Board has approved this report, which will be open for discussion at the forthcoming AGM.

On behalf of the Audit Committee

Philisiwe Sibiya

Chairman

24 February 2020 and 23 April 2020

SOCIAL AND ETHICS
COMMITTEE'S REPORT TO STAKEHOLDERS

Dear stakeholders

This report is provided by the Social and Ethics Committee ("the Committee") appointed in respect of the 2019 financial year of AECI Ltd. This report incorporates the requirements of section 43 of the Regulations of the Companies Act.

MEMBERSHIP

Three meetings were held in the year and full details on the meeting dates and attendance by members are available via the link https://www.aeciworld.com/pdf/board-meetings/2019/board-meetings.pdf.

The members in the year were:

- Z Fuphe (Chairman until resignation on 26 November 2019)
- MA Dytor
- NA Franklin
- MVK Matshitse (retired on 31 January 2019)
- AJ Morgan
- R Ramashia (Chairman from 26 November 2019)

Ms Fuphe served on the Committee since 2008, Mr Dytor has been a member since 2013, Mr Morgan since 2014 and Mr Franklin since 2017. Prior to her retirement, Ms Matshitse had served since 2012. I have served since 2010. I thank all current and former members for their contributions to the Committee's work. In particular, I wish to acknowledge Zellah Fuphe's excellent leadership over a number of years as Committee Chairman.

The Chief Financial Officer, the Group Compliance function, the Group Risk Manager and the External Auditor attend meetings by invitation.

OBJECTIVES

The Board of Directors has conferred upon the members of the Committee the following powers:

STATUTORY DUTIES

- To consider, recommend and monitor AECI's activities with regard to the following and report accordingly to the Board:
  - good corporate citizenship, specifically in relation to (i) the promotion of equality, (ii) the prevention of unfair discrimination and the reduction of corruption, and (iii) AECI's record of sponsorship, donations and charitable giving
  - labour and employment matters: specifically in relation to AECI's standing on (i) the International Labour Organization's protocol on decent work and working conditions, and (ii) employee relations and contributions to the educational development of employees
  - safety, health and the environment: specifically in relation to the impact of the AECI Group's activities and those of its products and services
  - social and economic development of defined communities: specifically in relation to (i) the 10 principles set out in the United Nations Global Compact, (ii) the Organisation for Economic Co-operation and Development's recommendations regarding corruption, (iii) the South African Employment Equity Act, No. 55 of 1998, ("Employment Equity Act"), and (iv) the South African Broad-Based Black Economic Empowerment Act, No. 53 of 2003
  - consumer relations: specifically in relation to advertising, public relations and compliance with consumer protection laws.
- To monitor and advance the implementation of policies and plans approved by the Board on matters as contemplated above.

NON-STATUTORY DUTIES

The Committee is further mandated as follows:

- to monitor to the best of its ability that AECI and its operating business entities adhere to the approved Code of Ethics and Business Conduct Policy and Guidelines
- to provide guidance and advice on sustainability trends and issues relevant to the AECI Group as well as review and approve the Group's Sustainability Policy from time to time. The Committee will be informed of the sustainability risks as recorded in the AECI Group risk register and provide related input to the Risk Committee, as appropriate. Further, the Committee will review Safety, Health and Environmental Incident reports
- to monitor to the best of its ability that AECI and its operating businesses have properly identified stakeholders, and understand their issues, and ensure that all stakeholders are treated in an equitable and fair manner. Details of identified stakeholders and the AECI Group's approach to engagement with them appear in the Stakeholder Engagement commentary commencing on page 10.

In line with the mandate, key activities in 2019 were as summarised below.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY

The Committee received and evaluated reports on AECI's SHEQ performance and compliance with applicable laws and regulations. It also received and evaluated progress reports on implementation of the Group's Zero Harm strategy. The following were noted:

› a very pleasing performance was achieved across the areas of occupational safety, process safety and on-site environmental performance
› the Group's TRIR improved by 34% over the year
› no on-site fatalities occurred in 2019
› the downward trend in the number of environmental incidents continued. There were no Major or Serious events and the number of moderate incidents also decreased
› the total number of process safety incidents as well as those deemed Serious also declined in 2019
› two Noise Induced Hearing Loss cases were diagnosed in the year
› AECI made further progress with its Land Remediation programme. This included clean-up of a number of historically contaminated sites to satisfactory levels suitable for alternative land uses. The Group was recognised by the South African Department of Environment, Forestry and Fisheries for work done in this area
› the frequency and severity of Product Transportation incidents on roads throughout the African continent remains a serious concern for the Group. There were two Major and two Serious incidents in the year. A driver was killed in one of the incidents and a pedestrian was killed in the other. Although neither of the incidents was Company-related, improvement in this area will remain a key focus so as to prevent future tragedies
› the Group's environmental compliance was tested several times during the year with planned as well as unscheduled visits from various enforcement agencies. All visits went well, with no non-compliance issues being raised
› implementation of the Group's standardised SHEQ Framework, as part of the Zero Harm strategy, proceeded in line with plan.

HUMAN CAPITAL, INCLUDING TRANSFORMATION

The Committee received and reviewed reports on the following:

› AECI's talent management processes, including retention strategies, succession plans and reports on termination trends
› the AECI Employees Share Trust, including the review and approval of a proposal to pay a dividend to beneficiaries of this Trust in 2020
› the operation of and investments by the AECI Community Education and Development Trust
› AECI's progress on Employment Equity ("EE") in its South African operations. This included monitoring against the targets which management submitted to the South African Department of Employment and Labour in its three-year EE Plan for the period 2017 to 2020
› with regard to Broad-based Black Economic Empowerment the Committee, inter alia, considered management's analysis of the effects of amendments to the Codes of Good Practice.

ETHICAL BUSINESS CONDUCT

In 2019 the Group revised its Code of Ethics and Business Conduct to align with the global market practices from the UK Bribery and Foreign Corrupt Practices Acts. The Code and associated Guidelines are being rolled out across the Group with a structured training programme and the Committee received running reports in this regard. For 2020 the intent is to entrench the principles encapsulated in the new Code further across the organisation, including its international businesses.

The Committee received and reviewed reports on ethics management across the Group, including the workings of the Tip-offs Anonymous whistle-blowing line. It was noted that of the 28 reports originated through Tip-offs Anonymous and received by the Committee, five related to fraud and seven to supply chain irregularities. The balance of the cases were human resource related.

All the cases were investigated by management and the more serious allegations were investigated by the Internal Audit function or an external investigation entity, as appropriate. 16% of the allegations were verified and formal disciplinary hearings were conducted. In half of these cases final written warnings were issued and the other half resulted in dismissals. 84% of the allegations made in call reports were found to be invalid or could not be confirmed.

On behalf of the Social and Ethics Committee

Rams Ramashia

Rams Ramashia
Chairman

23 April 2020

SUMMARISED FINANCIALS

SHAREHOLDER ANALYSES

1. ANALYSIS OF REGISTERED ORDINARY SHAREHOLDERS AND COMPANY SCHEMES

Source: J.P. Morgan Cazenove

ORDINARY SHAREHOLDERS

REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms that on 27 December 2019 the spread of registered shareholders, as detailed in the integrated report and accounts, was:

	Number of holders	% of total shareholders	Number of shares	% of issued capital
SHAREHOLDER SPREAD				
1 – 1 000 shares	3 916	69,93	1 146 681	0,94
1 001 – 10 000 shares	1 131	20,20	3 486 716	2,86
10 001 – 100 000 shares	381	6,80	13 174 987	10,81
100 001 – 1 000 000 shares	154	2,75	53 727 912	44,11
1 000 001 shares and above	18	0,32	50 292 787	41,28
TOTAL	**5 600**	**100,00**	**121 829 083**	**100,00**

PUBLIC AND NON-PUBLIC SHAREHOLDINGS

Within the shareholder base, we are able to confirm the split between public shareholdings the holdings of Directors[1]/Company-related schemes as being:

	Number of holders	% of total shareholders	Number of shares	% of issued capital
SHAREHOLDER TYPE				
Public	5 592	99,86	109 707 935	90,05
Non-public	8	0,14	12 121 148	9,95
Treasury	1	0,02	11 884 699	9,76
Directors[1]/related holdings	7	0,13	236 449	0,19
TOTAL	**5 600**	**100,00**	**121 829 083**	**100,00**

1 Includes Company Directors, the Director of a major subsidiary, the Group Company Secretary and Principal Officers.

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS

SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS ABOVE 3%

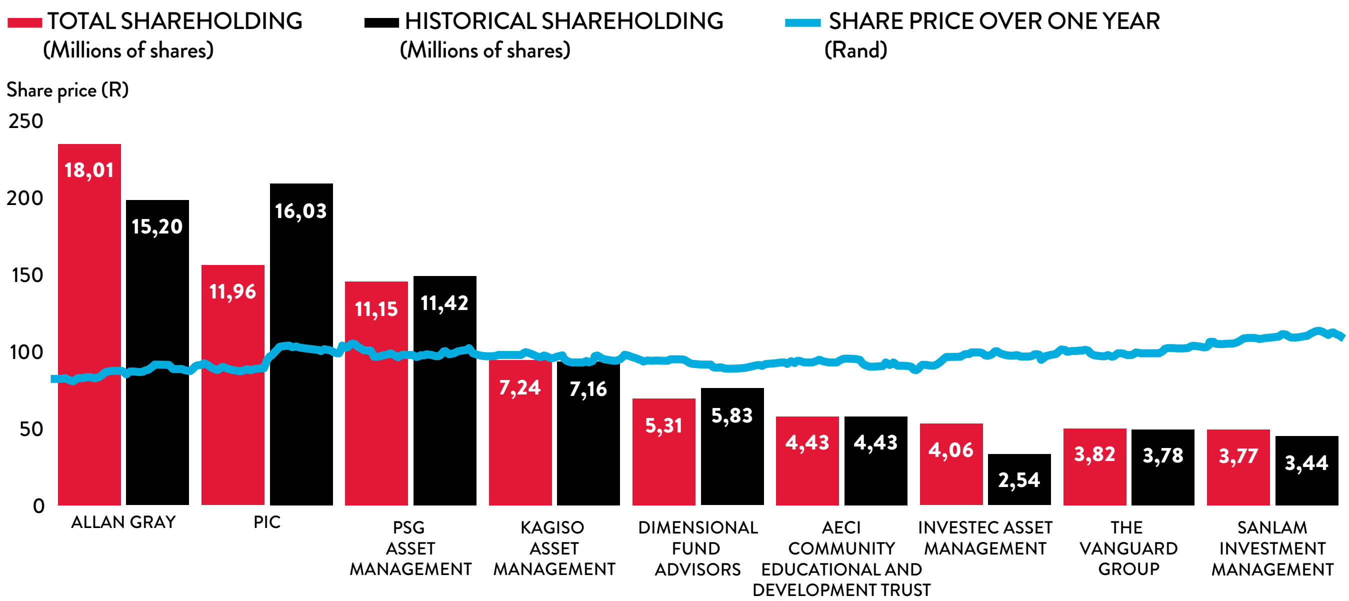
Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 27 December 2019:

INVESTMENT MANAGEMENT SHAREHOLDINGS

	Total shareholding (number of shares)	% of issued capital
INVESTMENT MANAGER		
Allan Gray	18 008 013	14,78
PIC	11 955 154	9,81
PSG Asset Management	11 151 112	9,15
Kagiso Asset Management	7 237 542	5,94
Dimensional Fund Advisors	5 306 921	4,36
AECI Community Education and Development Trust	4 426 604	3,63
Investec Asset Management	4 059 837	3,33
The Vanguard Group	3 821 460	3,14
Sanlam Investment Management	3 770 162	3,09
TOTAL	**69 736 805**	**57,24**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS CONTINUED

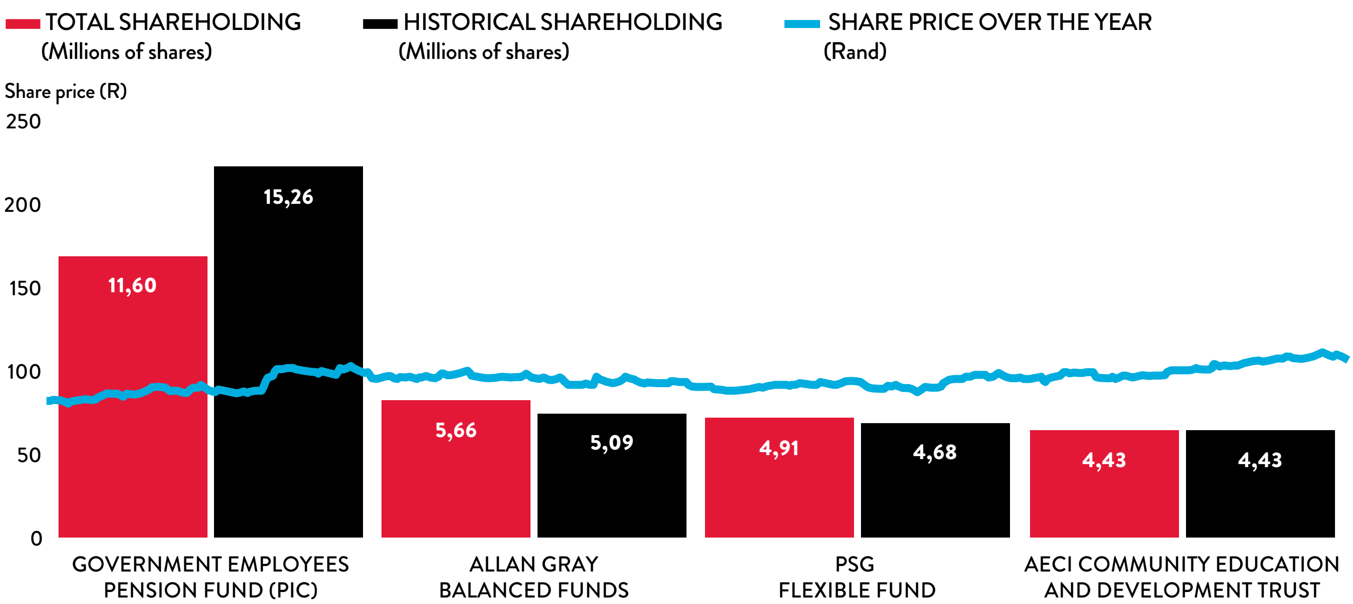
INVESTMENT MANAGEMENT SHAREHOLDING POSITIONS ABOVE 3% WITH 12-MONTH CHANGE



BENEFICIAL SHAREHOLDINGS

	Total shareholding (number of shares)	% of issued capital
Government Employees Pension Fund ("PIC")	11 603 556	9,52
Allan Gray Balanced Funds	5 662 971	4,65
PSG Flexible Fund	4 907 426	4,03
AECI Community Education and Development Trust	4 426 604	3,63
TOTAL	**26 600 557**	**21,83**

BENEFICIAL SHAREHOLDING POSITIONS ABOVE 3% WITH 12-MONTH CHANGE



2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS CONTINUED

PREVIOUSLY DISCLOSED HOLDINGS

INVESTMENT MANAGERS NOW HOLDING BELOW 3%

	Total shareholding (number of shares)	% of issued capital	Previous %
INVESTMENT MANAGER			
N/A	–	–	–
TOTAL	**–**	**–**	**–**

BENEFICIAL OWNERS NOW HOLDING BELOW 3%

	Total shareholding (number of shares)	% of issued capital	Previous %
BENEFICIAL OWNER			
N/A	–	–	–
TOTAL	**–**	**–**	**–**

3. GEOGRAPHIC SPLIT OF ORDINARY SHAREHOLDERS

GEOGRAPHIC SPLIT OF INVESTMENT MANAGERS AND COMPANY-RELATED HOLDINGS

	Total shareholding (number of shares)	% of issued capital
REGION		
South Africa	83 679 128	68,69
USA and Canada	18 257 860	14,99
United Kingdom	2 396 189	1,97
Rest of Europe	1 252 119	1,03
Rest of the world	16 243 787	13,32
TOTAL	**121 829 083**	**100,00**

GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS

	Total shareholding (number of shares)	% of issued capital
REGION		
South Africa	83 859 722	68,83
USA and Canada	17 734 453	14,56
United Kingdom	2 020 143	1,66
Rest of Europe	2 698 115	2,21
Rest of the world	15 516 650	12,74
TOTAL	**121 829 083**	**100,00**

4. SHAREHOLDER CATEGORIES

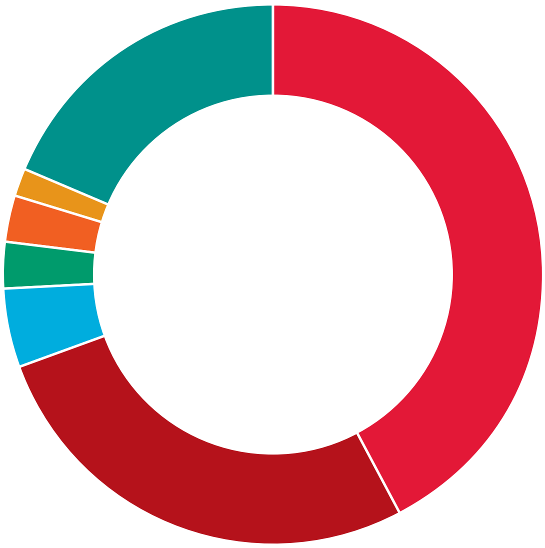
An analysis of beneficial shareholdings, supported by the section 56 enquiry process, confirmed the following beneficial shareholder types:

BENEFICIAL SHAREHOLDER CATEGORIES

	Total shareholding (number of shares)	% of issued capital
CATEGORY		
Unit trusts/mutual funds	51 471 937	42,25
Pension funds	33 084 447	27,16
Black Economic Empowerment	5 596 271	4,59
Insurance companies	3 464 474	2,84
Private investor	3 290 563	2,70
Trading position	1 969 683	1,62
Exchange-traded fund	902 427	0,74
Custodians	695 615	0,57
Hedge fund	481 276	0,40
University	418 853	0,34
Medical aid scheme	418 393	0,34
Sovereign wealth	352 161	0,29
Local authority	239 467	0,20
Charity	228 980	0,19
Private equity	73 688	0,06
Remainder	19 140 848	15,71
TOTAL	**121 829 083**	**100,00**

BENEFICIAL SHAREHOLDERS SPLIT BY CATEGORY (%)

42,25 Unit trusts
27,16 Pension funds
4,59 Black Economic Empowerment
2,84 Insurance companies
2,70 Private investor
1,62 Trading position
18,47 Remainder



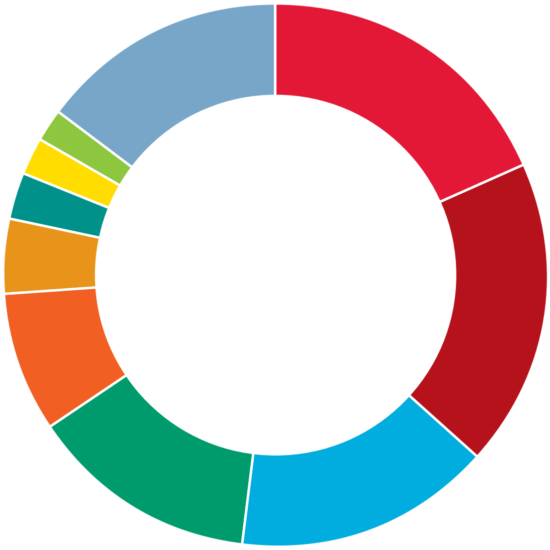
5. ANALYSIS OF INVESTMENT STYLES

Analysis into institutional attributes broadly indicates the following split of investment approach within the shareholder base:

ANALYSIS OF INVESTMENT STYLES (%)

18,55 Value
18,32 Index
15,35 Deep value
13,60 Growth
- 1,14 Growth at a reasonable price ("GARP")
- 12,46 Growth excluding GARP

8,13 Quantitative
4,59 Black Economic Empowerment
2,81 Hedge fund
2,09 Trading position
1,85 Retail
14,71 Remainder



1. ANALYSIS OF REGISTERED PREFERENCE SHAREHOLDERS

Source: J.P. Morgan Cazenove

PREFERENCE SHAREHOLDERS

REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms that on 27 December 2019 the spread of registered shareholders, as detailed in the integrated report and accounts, was:

	Number of holders	% of total shareholders	Number of shares	% of issued capital
SHAREHOLDER SPREAD				
1 – 1 000 shares	22	12,29	8 147	0,29
1 001 – 10 000 shares	116	64,80	576 986	20,38
10 001 – 100 000 shares	39	21,79	1 185 837	41,89
100 001 – 1 000 000 shares	2	1,12	1 059 852	37,44
1 000 001 shares and above	–	–	–	–
TOTAL	**179**	**100**	**2 830 822**	**100**

There are no non-public holders of preference shares.

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS

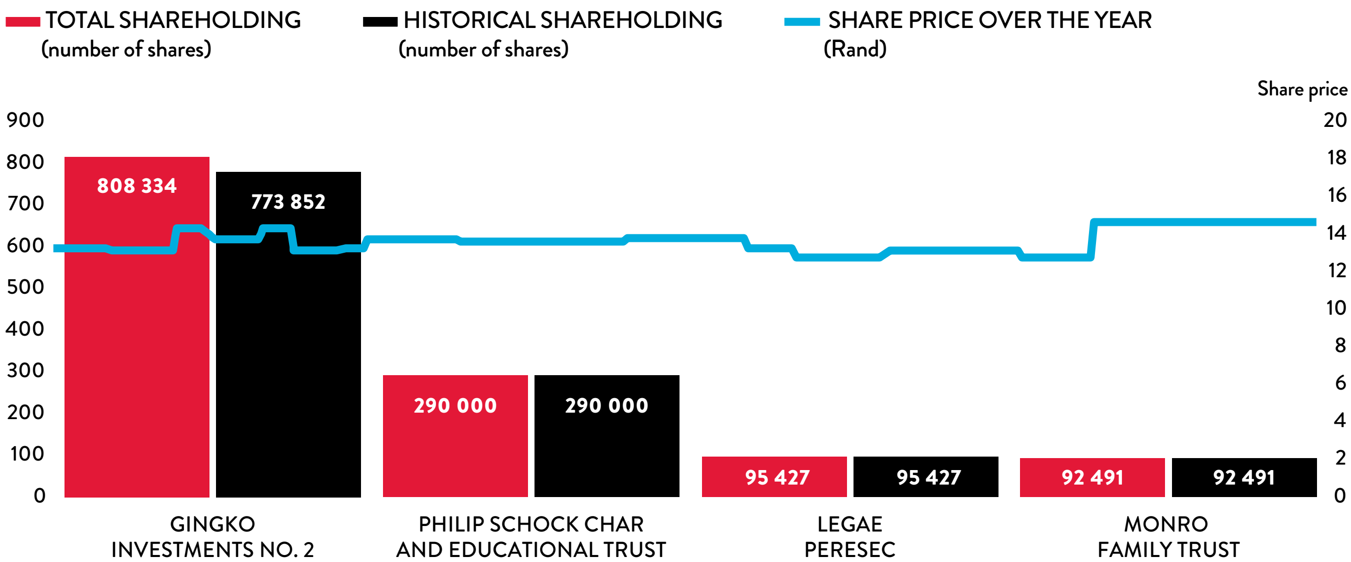
SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS ABOVE 3%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 27 December 2019:

INVESTMENT MANAGEMENT SHAREHOLDINGS

	Total shareholding (number of shares)	% of issued capital
INVESTMENT MANAGER		
Gingko Investments No. 2	808 334	28,55
Philip Schock Char and Educational Trust	290 000	10,24
Legae Peresec	95 427	3,37
Monro Family Trust	92 491	3,28
TOTAL	**1 286 252**	**45,44**

INVESTMENT MANAGEMENT SHAREHOLDING POSITIONS ABOVE 3% WITH 12-MONTH CHANGE

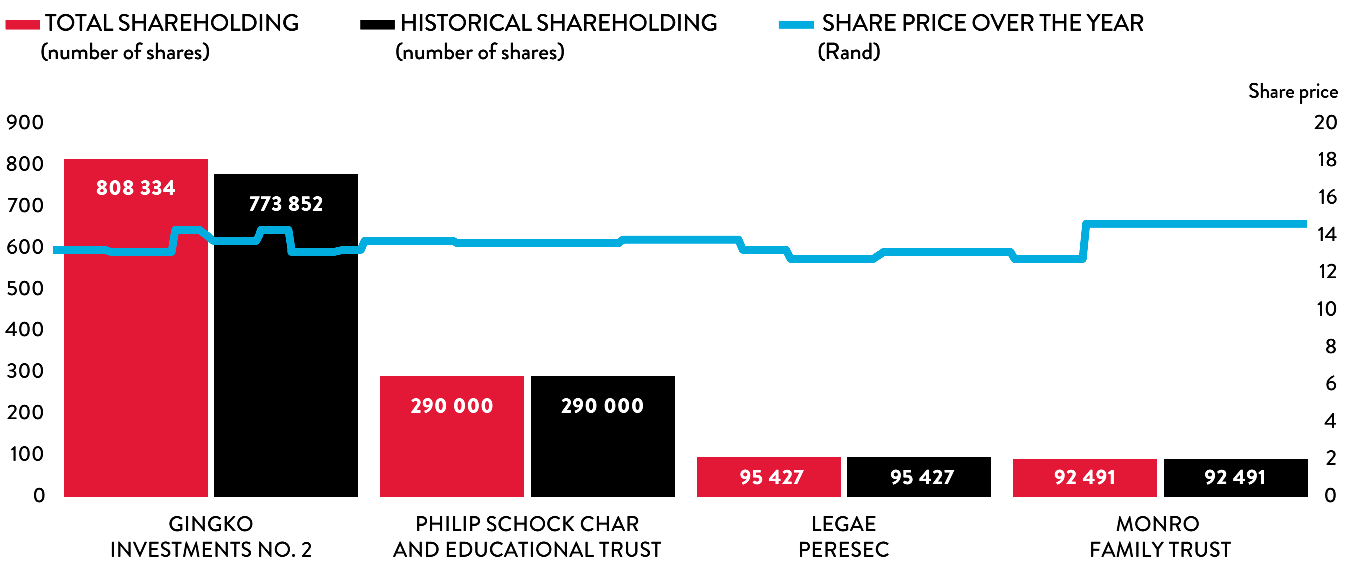


2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS CONTINUED

BENEFICIAL SHAREHOLDINGS

	Total shareholding (number of shares)	% of issued capital
BENEFICIAL SHAREHOLDINGS		
Gingko Investments No. 2	808 334	28,55
Philip Schock Char and Educational Trust	290 000	10,24
Legae Peresec	95 427	3,37
Monro Family Trust	92 491	3,28
TOTAL	**1 286 252**	**45,44**

BENEFICIAL SHAREHOLDING POSITIONS ABOVE 3% WITH 12-MONTH CHANGE



PREVIOUSLY DISCLOSED HOLDINGS

INVESTMENT MANAGERS NOW HOLDING BELOW 3%

	Total shareholding (number of shares)	% of issued capital	Previous %
INVESTMENT MANAGER			
N/A	–	–	–
TOTAL	–	–	–

BENEFICIAL OWNERS NOW HOLDING BELOW 3%

	Total shareholding	%	Previous %
BENEFICIAL OWNER			
N/A	–	–	–
TOTAL	–	–	–

3. GEOGRAPHIC SPLIT OF PREFERENCE SHAREHOLDERS

GEOGRAPHIC SPLIT OF INVESTMENT MANAGERS

	Total shareholding (number of shares)	% of issued capital
REGION		
South Africa	2 779 431	98,18
USA and Canada	–	–
United Kingdom	–	–
Rest of Europe	8 480	0,30
Rest of the world	42 911	1,52
TOTAL	**2 830 822**	**100,00**

GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS

	Total shareholding (number of shares)	% of issued capital
REGION		
South Africa	2 794 953	98,73
USA and Canada	–	–
United Kingdom	–	–
Rest of Europe	8 480	0,30
Rest of the world	27 389	0,97
TOTAL	**2 830 822**	**100,00**

4. SHAREHOLDER CATEGORIES

An analysis of beneficial shareholdings, supported by the section 56 enquiry process, confirmed the following beneficial shareholder types:

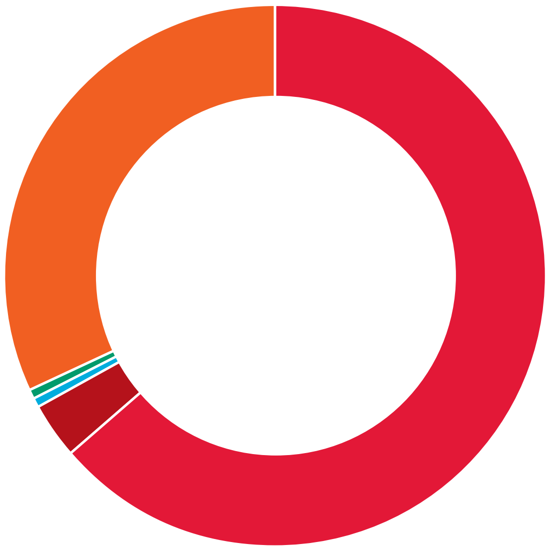
BENEFICIAL SHAREHOLDER CATEGORIES

	Total shareholding (number of shares)	% of issued capital
CATEGORY		
Private investor	1 800 870	63,62
Trading position	95 427	3,37
Charity	22 000	0,78
Custodians	8 480	0,30
Unclassified	904 045	31,93
TOTAL	**2 830 822**	**100,00**

4. SHAREHOLDER CATEGORIES CONTINUED

BENEFICIAL SHAREHOLDERS SPLIT BY CATEGORY

63,62 Private investor
3,37 Trading position
0,78 Charity
0,30 Custodians
31,93 Unclassified



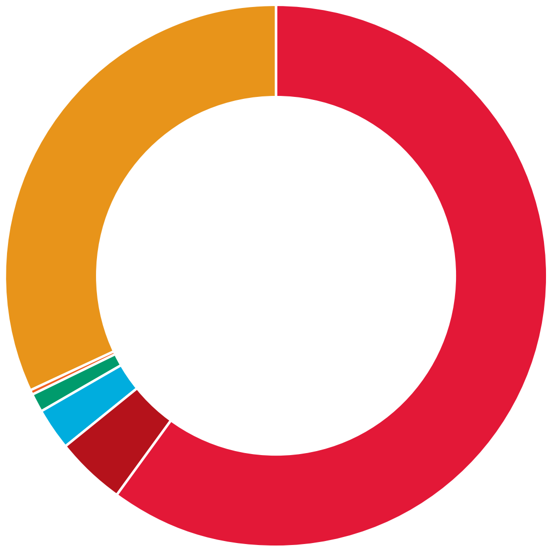
5. ANALYSIS OF INVESTMENT STYLES

Analysis into institutional attributes broadly indicates the following split of investment approach within the shareholder base:

ANALYSIS OF INVESTMENT STYLES

60,08 Retail
4,15 Trading position
2,62 Growth
- 0,04 Growth at a reasonable price ("GARP")
- 2,58 Growth excluding GARP

0,96 Value
0,30 Custody
31,89 Unclassified



HISTORICAL FINANCIAL INFORMATION

ABRIDGED FINANCIAL STATEMENTS

R millions	**2019**	2018	2017	2016	2015
INCOME STATEMENTS[1]					
Revenue	**24 799**	23 314	18 482	18 596	18 446
Local	**14 766**	14 107	12 246	12 117	12 085
Foreign	**10 033**	9 207	6 236	6 479	6 361
Profit from operations	**2 031**	1 999	1 579	1 335	1 703
Net financing costs	**457**	365	167	215	187
Tax	**511**	529	429	336	464
Profit attributable to ordinary shareholders	**1 291**	990	950	777[4]	1 007
Headline earnings	**1 213**	1 103	1 012	864[4]	988
STATEMENTS OF FINANCIAL POSITION					
Total shareholders' interest	**11 084**	10 205	9 356	9 046	9 042
Deferred tax (net)	**293**	165	(302)	(273)	(95)
Net interest-bearing debt	**4 030**	4 177	424	297	1 179
Capital employed	**15 407**	14 547	9 478	9 070	10 126
Represented by:					
Non-current assets excluding deferred tax assets	**11 650**	11 299	6 970	7 011	7 852
Net current assets, excluding cash, less non-current provisions	**3 774**	3 279	2 508	2 059	2 274
Employment of capital	**15 424**	14 578	9 478	9 070	10 126
STATEMENTS OF CASH FLOWS					
Cash generated by operations[2]	**2 491**	2 339	1 757	1 555	1 918
Changes in working capital	**(538)**	(155)	(358)	488	(215)
Expenditure relating to non-current provisions, employee benefits and restructuring	**(85)**	(155)	(178)	(103)	(348)
Settlement of performance shares	**(45)**	(46)	(44)	(22)	(94)
Net replacement to maintain operations[3]	**(551)**	(406)	(368)	(305)	(235)
	1 272	1 577	809	1 613	1 026
Dividends paid	**(594)**	(571)	(497)	(435)	(838)
	678	1 006	312	1 178	188
Investment to expand operations[3]	**(141)**	(4 353)	(385)	(147)	(609)
Proceeds from disposal of businesses, investments and joint venture	**390**	—	—	—	—
Net cash (utilised)/generated	**927**	(3 347)	(73)	1 031	(421)
Depreciation and amortisation charges	**1 031**	710	597	626	590
COMMITMENTS					
Capital expenditure authorised	**574**	516	405	233	436
Future rentals on property, plant and equipment leased	**—**	932	367	443	331
	574	1 448	772	676	767

1 Includes the results of discontinued operations.
2 Profit from operations plus depreciation and amortisation of property, plant and equipment, investment property and intangible assets and other non-cash flow items and after investment income, net financing costs and taxes paid.
3 Excludes property, plant and equipment of companies acquired.
4 After loss on settlement of defined-benefit pension fund obligations and post-retirement medical aid obligations of R2 million.

RATIOS AND EMPLOYEE DETAILS

	2019	2018	2017	2016	2015
PROFITABILITY AND ASSET MANAGEMENT					
Profit from operations to revenue (%)	**8,2**	8,6	8,5	7,2	9,2
Trading cash flow to revenue (%)	**12,3**	11,6	11,8	10,5	12,4
Return on average net assets (%) [1]	**13,8**	16,6	17,3	14,4	18,1
Return on invested capital (%) [2]	**10,2**	12,0	12,5	10,6	13,6
Return on average ordinary shareholders' interest (%) [3]	**11,6**	11,4	11,2	9,7	11,9
Net working capital to revenue (%) [4]	**17,2**	16,0	15,6	12,7	17,2
Inventory cover (days)	**76**	79	81	76	80
Average credit extended to customers (days)	**59**	64	64	57	64
LIQUIDITY					
Cash interest cover [5]	**7,8**	8,2	13,4	11,0	12,4
Interest-bearing debt less cash to cash generated by operations	**1,2**	1,4	0,2	0,1	0,5
Gearing (%) [6]	**36,4**	40,9	4,5	3,3	13,0
Current assets to current liabilities	**2,1**	2,0	1,7	1,9	1,4
EMPLOYEES					
Number of employees at year-end [7]	**7 506**	8 038	6 522	6 630	6 246
Employee remuneration (R millions)	**4 496**	4 200	3 229	3 404	3 352
Value added per rand of employee remuneration (rand)	**1,75**	1,64	1,68	1,60	1,69

1 Profit from operations plus investment income related to average property, plant, equipment, investment property, intangible assets, goodwill, investments, loans receivable, inventories, accounts receivable and assets classified as held for sale less accounts payable and liabilities classified as held for sale.

2 Profit from operations less tax at the standard rate plus investment income related to average property (excluding land revaluation), plant, equipment, investment property, intangible assets, goodwill, investments, inventories, accounts receivable and assets classified as held for sale less accounts payable, liabilities classified as held for sale and tax payable.

3 Headline earnings related to average ordinary shareholders' interest.

4 Excluding businesses sold and equity-accounted investees and including working capital.

5 Ratio of profit from operations plus return on pension fund employer surplus accounts and return on plan assets from post-retirement medical aid liabilities less closure costs less CST share-based payments plus depreciation and dividends received to net finance costs paid.

6 Interest-bearing debt less cash as a percentage of total shareholders' interest.

7 Includes proportional share of joint operations employees.

ORDINARY SHARE STATISTICS

	2019	2018	2017	2016	2015
MARKET PRICE (CENTS PER SHARE)					
High	**11 199**	12 100	10 241	11 000	14 110
Low	**7 701**	8 239	10 000	7 401	8 109
31 December	**10 700**	8 351	10 000	10 110	8 866
Earnings yield (%)	**10,7**	12,5	9,6	8,1	10,1
Dividend yield (%) *	**5,3**	6,2	4,8	4,3	4,3
Dividend cover *	**2,0**	2,0	2,0	1,9	2,3
In issue (millions)	**121,8**	121,8	121,8	121,8	122,3
Value traded (R millions)	**4 799**	5 849	6 174	7 031	4 501
Volume traded (millions)	**50,6**	55,5	101,5	75,2	42,0
Volume traded (%)	**41,5**	45,6	83,3	61,7	34,3
Market capitalisation (R millions)	**13 036**	10 174	12 183	12 317	10 841
ORDINARY SHARE PERFORMANCE (CENTS PER SHARE)					
Headline earnings	**1 150**	1 045	959	818	894
Dividends declared *	**570**	515	478	435	385
Special dividend declared	**—**	—	—	—	—
Net asset value	**9 925**	9 135	8 399	8 107	8 092

* The interim dividend in the current year and the final dividend declared after the reporting date have been used in the calculation.

SUMMARISED FINANCIALS

SUMMARISED FINANCIAL STATEMENTS

INCOME STATEMENT

R millions	Note	% change	2019 Audited	2018 Audited
REVENUE	2	+6	**24 799**	23 314
Net operating costs			**(22 768)**	(21 315)
PROFIT FROM OPERATIONS		+2	**2 031**	1 999
Impairment of equity-accounted investee			**–**	(78)
Profit on sale of joint venture	3		**234**	–
Share of profit of equity-accounted investees, net of tax			**30**	–
PROFIT FROM OPERATIONS AND EQUITY-ACCOUNTED INVESTEES		+19	**2 295**	1 921
Net finance costs			**(457)**	(365)
Interest expense			**(516)**	(403)
Interest received			**59**	38
PROFIT BEFORE TAX			**1 838**	1 556
Tax expense			**(511)**	(529)
PROFIT FOR THE YEAR			**1 327**	1 027
Profit for the year attributable to:				
– Ordinary shareholders			**1 291**	990
– Preference shareholders			**3**	3
– Non-controlling interest			**33**	34
			1 327	1 027
PER ORDINARY SHARE (CENTS):				
Basic earnings		+30	**1 223**	938
Diluted basic earnings			**1 179**	909
Headline earnings		+10	**1 150**	1 045
Diluted headline earnings			**1 108**	1 012
Ordinary dividends declared			**414**	366
Ordinary dividends paid			**522**	489
HEADLINE EARNINGS ARE DERIVED FROM:				
Profit attributable to ordinary shareholders			**1 291**	990
Impairment of goodwill	4		**147**	31
Profit on disposal of joint venture	3		**(234)**	–
Impairment related to equity-accounted investee			**–**	78
(Surplus)/loss on disposal of investment property and property, plant and equipment			**(69)**	6
Tax effects of the above items			**78**	(2)
HEADLINE EARNINGS			**1 213**	1 103

STATEMENT OF FINANCIAL POSITION

R millions	Note	**2019 At 31 Dec Audited**	2018 At 31 Dec Audited
ASSETS			
NON-CURRENT ASSETS		**11 884**	11 681
Property, plant and equipment		**5 722**	5 768
Right-of-use assets	5	**592**	–
Investment property		**228**	222
Intangible assets		**964**	1 039
Goodwill	4	**3 201**	3 410
Pension fund employer surplus accounts		**662**	341
Investments in joint ventures	3	**33**	258
Investments in associates		**141**	135
Other investments		**107**	126
Deferred tax		**234**	382
CURRENT ASSETS		**11 249**	10 594
Inventories		**4 034**	4 081
Accounts receivable		**4 908**	4 650
Other investments		**252**	218
Loans to joint ventures		**–**	7
Tax receivable		**77**	57
Cash		**1 978**	1 581
TOTAL ASSETS		**23 133**	22 275
EQUITY AND LIABILITIES			
EQUITY		**11 084**	10 205
Ordinary share capital and reserves		**10 912**	10 043
Non-controlling interest		**166**	156
Preference share capital		**6**	6
NON-CURRENT LIABILITIES		**6 779**	6 646
Deferred tax		**527**	547
Non-current borrowings		**5 237**	5 475
Lease liabilities	5	**366**	–
Contingent consideration		**15**	10
Put option liability		**32**	31
Non-current provisions and employee benefits		**602**	583
CURRENT LIABILITIES		**5 270**	5 424
Accounts payable		**4 683**	5 010
Current borrowings		**195**	283
Lease liabilities	5	**210**	–
Loans from joint ventures		**62**	–
Tax payable		**120**	131
TOTAL EQUITY AND LIABILITIES		**23 133**	22 275

STATEMENT OF COMPREHENSIVE INCOME

R millions	2019 Audited	2018 Audited
PROFIT FOR THE YEAR	**1 327**	1 027
OTHER COMPREHENSIVE INCOME NET OF TAX		
Items that may be reclassified subsequently to profit or loss:		
— Foreign currency translation differences	**(146)**	461
— Effective portion of cash flow hedges	**—**	5
Items that may not be reclassified subsequently to profit or loss:		
— Remeasurement of defined-benefit and post-retirement medical aid obligations	**243**	(50)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1 424**	1 443
Total comprehensive income attributable to:		
Ordinary shareholders	**1 388**	1 389
Preference shareholders	**3**	3
Non-controlling interest	**33**	51
	1 424	1 443

STATEMENT OF CHANGES IN EQUITY

R millions	Note	2019 Audited	2018 Audited
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1 424**	1 443
Dividends paid		**(594)**	(571)
Change in ownership percentage		**—**	(19)
Share-based payment reserve		**38**	35
Put option liability for future buy-out of non-controlling interests		**—**	(29)
Non-controlling interest acquired		**—**	32
Adjusted equity at the beginning of the year		**10 216**	9 314
Equity at the beginning of the year		**10 205**	9 356
Adjustment on adoption of IFRS 16, net of deferred tax	5	**11**	—
Adjustment on adoption of IFRS 9, net of deferred tax		**—**	(42)
EQUITY AT THE END OF THE YEAR		**11 084**	10 205
Made up as follows:			
Ordinary share capital		**110**	110
Reserves		**1 487**	1 557
— Foreign currency translation reserve		**1 181**	1 327
— Other reserves		**(29)**	(29)
— Share-based payment reserve		**335**	259
Retained earnings		**9 315**	8 376
Non-controlling interest		**166**	156
Preference share capital		**6**	6
		11 084	10 205

STATEMENT OF CASH FLOWS

R millions	Note	2019 Audited	2018 Audited
CASH GENERATED BY OPERATIONS		**3 347**	2 955
Dividends received		**50**	18
Interest paid		**(456)**	(370)
Interest received		**59**	38
Tax paid		**(509)**	(302)
Changes in working capital		**(538)**	(155)
Cash outflows relating to defined-benefit and post-retirement medical aid obligations		**(20)**	(19)
Cash outflows relating to non-current provisions and employee benefits		**(65)**	(136)
CASH AVAILABLE FROM OPERATING ACTIVITIES		**1 868**	2 029
Dividends paid		**(594)**	(571)
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		**1 274**	1 458
CASH FLOWS FROM INVESTING ACTIVITIES		**(302)**	(4 759)
Acquisition of subsidiaries, net of cash acquired		**–**	(3 884)
Loans with joint ventures		**69**	(137)
Other net investment activities		**(51)**	(4)
Proceeds from disposal of joint venture	3	**390**	–
Net capital expenditure		**(710)**	(734)
NET CASH GENERATED/(UTILISED) BEFORE FINANCING ACTIVITIES		**972**	(3 301)
CASH FLOWS FROM FINANCING ACTIVITIES		**(547)**	3 519
Lease payments	5	**(246)**	–
Cash paid on buy-out of non-controlling interest		**–**	(11)
Settlement of performance shares		**(45)**	(46)
Borrowings raised		**875**	8 857
Borrowings repaid		**(1 131)**	(5 281)
NET INCREASE IN CASH		**425**	218
Cash at the beginning of the year		**1 581**	1 206
Translation (loss)/gain on cash		**(28)**	157
CASH AT THE END OF THE YEAR		**1 978**	1 581

RECONCILIATION OF WEIGHTED AVERAGE NUMBER OF SHARES

Millions	2019 Audited	2018 Audited
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AT THE BEGINNING OF THE YEAR	**131,9**	131,9
Weighted average number of unlisted ordinary shares held by consolidated EST	**(10,1)**	(10,1)
Weighted average number of contingently returnable ordinary shares held by CEDT	**(4,4)**	(4,4)
Weighted average number of shares held by consolidated subsidiary	**(11,9)**	(11,9)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR BASIC EARNINGS PER SHARE	**105,5**	105,5
Dilutive adjustment for potential ordinary shares	**4,0**	3,4
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	**109,5**	108,9

INDUSTRY SEGMENT ANALYSIS

BASIS OF SEGMENTATION

The Group's key growth pillars, which are its reportable segments, are described below. Businesses in the pillars offer differing products and services and are managed separately because they require different technology and marketing strategies.

REPORTABLE SEGMENTS	OPERATIONS
Mining Solutions	The businesses provide a mine-to-mineral solution for the mining sector internationally. The offering includes surfactants for explosives manufacture, commercial explosives, initiating systems and blasting services right through the value chain to chemicals for ore beneficiation and tailings treatment.
Water & Process	ImproChem provides integrated water treatment solutions, process chemicals and equipment solutions for a diverse range of applications in Africa. These include, inter alia, public and industrial water, desalination and utilities.
Plant & Animal Health	Nulandis manufactures and supplies an extensive range of crop protection products, plant nutrients and services for the agricultural sector in Africa. Schirm, based in Germany, is a contract manufacturer of agrochemicals and fine chemicals with a European and US footprint. It is the premier provider of external agrochemical formulation services in Europe.
Food & Beverage	These businesses supply ingredients and commodities to the dairy, beverage, wine, meat, bakery, health and nutrition industries. The other main activity is the manufacture and distribution of a broad range of juice-based products and drinks, including formulated compounds, fruit concentrate blends and emulsions.
Chemicals	Supply of chemical raw materials and related services for use across a broad spectrum of customers in the manufacturing, infrastructure and general industrial sectors mainly in South Africa and other Southern African countries.
Property & Corporate	Mainly property leasing and management in the office, industrial and retail sectors, and corporate centre functions including the treasury.

There are varying levels of integration between the segments. This includes transfers of raw materials and finished goods, and property management services. Inter-segment pricing is determined on terms that are no more and no less favourable than transactions with unrelated external parties.

INFORMATION RELATING TO REPORTABLE SEGMENTS

Information relating to each reportable segment is set out below. Segmental profit from operations is used to measure performance because AECI's Executive Committee believes that this information is the most relevant in evaluating the results of the respective segments.

	EXTERNAL REVENUE		INTER-SEGMENT REVENUE		TOTAL SEGMENT REVENUE	
R millions	**Audited 2019**	Audited 2018	**Audited 2019**	Audited 2018	**Audited 2019**	Audited 2018
Mining Solutions	**11 429**	10 918	**108**	95	**11 537**	11 013
Water & Process	**1 415**	1 327	**37**	49	**1 452**	1 376
Plant & Animal Health	**4 735**	4 386	**48**	37	**4 783**	4 423
Food & Beverage	**1 405**	1 201	**61**	47	**1 466**	1 248
Chemicals	**5 473**	5 153	**94**	113	**5 567**	5 266
Property & Corporate	**342**	329	**129**	110	**471**	439
Inter-segment	**—**	—	**(477)**	(451)	**(477)**	(451)
	24 799	23 314	**—**	—	**24 799**	23 314

	DEPRECIATION		AMORTISATION		IMPAIRMENTS	
R millions	**Audited 2019**	Audited 2018	**Audited 2019**	Audited 2018	**Audited 2019**	Audited 2018
Mining Solutions	**615**	335	**1**	2	**—**	—
Water & Process	**20**	26	**19**	19	**—**	—
Plant & Animal Health	**147**	106	**26**	24	**—**	31
Food & Beverage	**33**	14	**3**	2	**147**	—
Chemicals	**114**	113	**21**	16	**—**	—
Property & Corporate	**66**	52	**5**	1	**—**	—
Inter-segment	**(39)**	—	**—**	—	**—**	—
	956	646	**75**	64	**147**	31

INDUSTRY SEGMENT ANALYSIS CONTINUED

R millions	PROFIT/(LOSS) FROM OPERATIONS		EBITDA[1]		CAPITAL EXPENDITURE	
	Audited 2019	Audited 2018	**Audited 2019**	Audited 2018	**Audited 2019**	Audited 2018
Mining Solutions	**1 305**	1 274	**1 923**	1 531	**479**	410
Water & Process	**190**	120	**229**	165	**22**	24
Plant & Animal Health	**203**	119	**376**	249	**118**	119
Food & Beverage	**(88)**	74	**(46)**	90	**10**	29
Chemicals	**512**	559	**903**	690	**132**	193
Property & Corporate	**(83)**	(147)	**(12)**	(94)	**72**	72
Inter-segment	**(8)**	—	**(47)**	—	**—**	—
	2 031	1 999	**3 326**	2 631	**833**	847

	OPERATING ASSETS[2]		OPERATING LIABILITIES[2]	
	Audited 2019	Audited 2018	**Audited 2019**	Audited 2018
Mining Solutions	**7 917**	7 023	**1 931**	1 946
Water & Process	**1 205**	1 183	**263**	255
Plant & Animal Health	**4 324**	4 298	**1 425**	1 383
Food & Beverage	**762**	875	**243**	292
Chemicals	**4 839**	5 072	**847**	1 039
Property & Corporate	**1 126**	973	**328**	341
Inter-segment	**(524)**	(254)	**(354)**	(246)
	19 649	19 170	**4 683**	5 010

1 Earnings before interest, taxation, depreciation and amortisation calculated as profit from operations and equity-accounted investees plus depreciation and amortisation.

2 Operating assets comprise property, plant and equipment, right-of-use assets, investment property, intangible assets, goodwill, inventories, accounts receivable and assets classified as held for sale. Operating liabilities comprise accounts payable.

3 Geographical information on non-current assets has not been disclosed as it is not readily available.

OTHER SALIENT FEATURES

R millions	Note	**2019 Audited**	2018 Audited
Capital expenditure		**833**	847
— expansion		**159**	328
— replacement		**674**	519
Capital commitments		**574**	516
— contracted for		**182**	103
— not contracted for		**392**	413
Acquisitions authorised and contracted for	7	**88**	91
Future rentals on non-cancellable property, plant and equipment leases	5	**—**	932
— payable within one year		**—**	257
— payable thereafter		**—**	675
Future rentals on short-term and low value assets		**35**	—
— payable within one year		**22**	—
— payable thereafter		**13**	—
Net borrowings[1]		**4 030**	4 177
EBITDA[2]		**3 326**	2 631
Depreciation		**956**	646
Amortisation		**75**	64
Gearing (%)[3]		**36**[4]	41
Current assets to current liabilities		**2,1**	2,0
Net asset value per ordinary share (cents)		**9 925**	9 135
ZAR/€ closing exchange rate (rand)		**15,73**	16,45
ZAR/€ average exchange rate (rand)		**16,18**	15,61
ZAR/US$ closing exchange rate (rand)		**14,03**	14,37
ZAR/US$ average exchange rate (rand)		**14,45**	13,24

1 Current and non-current borrowings, including finance lease liabilities, less cash.
2 Earnings before interest, taxation, depreciation and amortisation calculated as profit from operations and equity-accounted investees plus depreciation and amortisation.
3 Borrowings less cash, as a percentage of equity.
4 Unaudited.

NOTES

(1) (a) Basis of preparation and accounting policies

The summarised consolidated financial results are prepared in accordance with the requirements of the JSE Limited's Listings Requirements ("Listings Requirements") for provisional reports and the requirements of the Companies Act of South Africa applicable to summarised financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"); the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee; Financial Pronouncements as issued by the Financial Reporting Standards Council; and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the audited consolidated financial statements, from which the summarised consolidated financial results were derived, are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements except to the extent that these have been affected by the adoption of IFRS 16 Leases. The impact of the adoption of IFRS 16 is described in note 5 below.

The preparation of these summarised consolidated financial results and the consolidated financial statement for the year ended 31 December 2019 was supervised by the Financial Director, Mr KM Kathan CA(SA) AMP (Harvard).

(1) (b) Financial statements preparation and independent audit

These summarised consolidated financial statements for the year ended 31 December 2019 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived. The auditor's report does not necessarily report on all the information contained in this announcement. Accordingly, shareholders are advised that to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information.

The auditor identified the impairment assessment of indefinite life intangible assets and goodwill amounts that arose on the acquisition of Schirm GmbH and Much Asphalt (Pty) Ltd as a key audit matter. Details of the key audit matter and how it was addressed in the audit of the consolidated financial statements for the year ended 31 December 2019 are contained in the auditor's report. The auditor does not report on any forward-looking statements.

A copy of the auditor's report on the summarised consolidated financial statements, the auditor's report on the consolidated financial statements and the auditor's key audit matters are available for inspection at the Company's registered office, together with the financial statements identified in the respective auditor's reports.

The Company's Directors take full responsibility for the preparation of this provisional report and for the financial information having been extracted correctly from the underlying financial statements.

This announcement does not include the information required pursuant to paragraph 16A(j) of IAS 34. The full report is available on the Company's website, at the Company's registered offices and upon request. This announcement is itself not reviewed or audited but is extracted from the underlying audited information.

The summarised consolidated financial results do not include all of the disclosures required for full financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019.

(2) Revenue includes foreign and export revenue of R10 033 million (2018: R9 207 million).

(3) Disposal of interest in joint venture

The Group disposed of its 50% shareholding in Crest Chemicals ("Crest") to its joint venture partner, Brenntag (Holding) BV on 29 November 2019. The business was part of the Chemicals operating segment and was classified as held for sale at 30 June 2019.

R millions	2019
Final adjusted purchase price	**430**
Initial purchase price consideration received	**390**
Purchase price adjustment on working capital[1]	**40**
Carrying value of investment disposed	**(196)**
PROFIT ON SALE OF JOINT VENTURE	**234**

1 The purchase price was adjusted upwards by 50% of the amount by which Crest's final working capital exceeded its working capital target as agreed in the sale and purchase agreement. This additional amount was received after the reporting date.

(4) Impairment of goodwill

The goodwill of R147 million on the Group's investment in Southern Canned Products (Pty) Ltd ("SCP"), in the Food & Beverage operating segment, was impaired. Lower trading margins in key customers' industries diminished SCP's ability to achieve the cash flow synergies identified at the time of acquisition.

The value-in-use of the cash generating unit ("CGU") was reassessed at 31 December 2019 by discounting its expected future cash flows. Its recoverable amount was R296 million compared to its carrying value of R441 million, and accordingly the goodwill of R147 million was fully impaired.

NOTES CONTINUED

The impairment assessment was performed using a discounted cash flow model, in accordance with the Group's policy on impairment of non-financial assets. The following key assumptions were applied:

› margins were determined by management, using judgement and best estimates derived from information available at the time;

› sales volumes were determined after considering sustainable production capacity and demand observed in the markets in which SCP operates;

› a discount rate of 16,5% was applied in the model and was calculated using the Group's weighted average cost of capital, the South African risk-free rate and the South African country risk premium;

› cash flows were projected based on actual operating results and the business plan for a period of five years; and

› a terminal value growth rate of 5,5% was applied and was based on sustainable earnings and a conservative growth model into perpetuity.

(5) Change in significant accounting policies

IFRS 16 Leases

This standard introduced a single, on-balance sheet lease accounting model for lessees. A lessee is required to recognise right-of-use assets representing its right to use the underlying assets, and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to former practice; i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 introduced additional disclosures for both lessees and lessors. It replaced IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements. The new accounting policy applied from 1 January 2019 is disclosed in note 5(c).

(5)(a) Adjustments recognised on adoption of IFRS 16

The Group adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated.

In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard in the application of the initial accounting:

› the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;

› reliance on previous assessments in determining whether leases are onerous;

› leases that, at 1 January 2019, had a remaining lease term of 12 months or less continued to be accounted for on a straight line basis over the remaining lease term;

› leases for which the underlying asset is of low value continued to be accounted for on a straight line basis over the lease term;

› initial direct costs were excluded from the measurement of the right-of-use asset at 1 January 2019; and

› where contracts contain options to extend or terminate the lease, the benefit of hindsight was used to determine the lease term.

The Group also elected to not reassess whether a contract was, or contained, a lease as at 1 January 2019. Instead, for contracts entered into before the transition date the Group relied on assessments made through the application of IAS 17 and IFRIC 4.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rates as at 1 January 2019. The weighted average lessees' incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10%.

R millions	**1 January 2019**
Operating lease commitments disclosed as at 31 December 2018	**932**
Discounted using the lessees' incremental borrowing rate at the date of initial application	**744**
Less: low-value leases recognised on a straight line basis as expense	**(2)**
Less: short-term leases recognised on a straight line basis as expense	**(17)**
Plus: adjustments as a result of a different treatment of extension and termination options	**14**
LEASE LIABILITIES RECOGNISED AS AT 1 JANUARY 2019	**739**

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets as at 1 January 2019.

NOTES CONTINUED

The change in accounting policy affected the following items in the statement of financial position:

R millions	1 January 2019
ASSETS	
Right-of-use assets	**795**
Property	**411**
Plant and equipment	**23**
Vehicles	**361**
Pre-payments	**(56)**
Deferred tax assets	**(4)**
TOTAL ASSETS	**735**
EQUITY AND LIABILITIES	
Finance lease liabilities	**(739)**
Operating lease smoothing liabilities	**15**
Retained earnings	**(11)**
TOTAL EQUITY AND LIABILITIES	**(735)**

(5)(b) Impact on segmental disclosures and earnings per share

Adjusted profit before tax decreased, whilst segment assets and segment liabilities for the year ended 31 December 2019 increased, as a result of the change in accounting policy. The effects of the change on the reporting segments are set out below:

R millions	Increase in share of profits from equity-accounted investees, net of tax	Decrease in operating lease expenses	Increase in depreciation	Increase in interest expense	Increase in segment assets*	Increase in segment liabilities*
Mining Solutions	**—**	**(214)**	**187**	**55**	**428**	**459**
Water & Process	**—**	**(11)**	**10**	**4**	**30**	**32**
Plant & Animal Health	**—**	**(30)**	**29**	**6**	**149**	**101**
Food & Beverage	**—**	**(24)**	**18**	**9**	**97**	**106**
Chemicals	**1**	**(3)**	**3**	**—**	**6**	**6**
Property & Corporate	**—**	**(13)**	**12**	**2**	**14**	**15**
Inter-segment	**—**	**47**	**(39)**	**(14)**	**(132)**	**(143)**
	1	**(248)**	**220**	**62**	**592**	**576**

* Excluding deferred tax.

The net impact of adopting IFRS 16 on profit from operations and equity-accounted investees is R29 million. Earnings per share and headline earnings per share decreased by 24 cents for the year ended to 31 December 2019 as a result of the adoption of IFRS 16. Diluted earnings per share and diluted headline earnings per share decreased by 23 cents.

(5)(c) Change in significant accounting policy

Leases

The Group leases various properties, plant and equipment. Rental contracts are typically entered into for fixed periods but may have extension options as described in note 5(d). Lease terms are negotiated on an individual basis and contain a range of terms and conditions. Although the lease agreements do not impose any covenants, leased assets may not be used as security for borrowing purposes.

Up to and including the 2018 financial year, leases for property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight line basis over the period of the lease.

From 1 January 2019, the Group recognised a right-of-use asset and a corresponding lease liability at the lease commencement date, being the date at which the leased asset was available for use by the Group. The right-of-use asset was measured at cost initially and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements in the lease liability.

The lease liability was measured initially at the present value of the lease payments not paid at commencement date, discounted using the implicit rate in the lease or, if that rate could not be readily determined, the lessee's incremental borrowing rate. Generally, the Group used the lessee's incremental borrowing rate as the discount rate.

NOTES CONTINUED

The lease liability was subsequently increased by interest costs and decreased by lease payments made. It was remeasured when there was a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Payments associated with short-term leases and leases of low value assets are recognised on a straight line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets that, when new, have a value of R100 000 or less.

The Group elected to apply the practical expedient in IFRS 16 and accounts for lease and non-lease components as a single lease.

(5)(d) Critical accounting judgements and key sources of estimation uncertainty

Leases

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in the management of contracts. The majority of extension and termination options held are exercisable only by the Group entities and not by the respective lessor.

The Group has applied judgement to determine the lease term for some of the lease contracts, in which it is a lessee, that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or to not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the lessee.

(6) The Group entered into various sale and purchase transactions with related parties in the Group in the ordinary course of business, the nature of which was consistent with those previously reported. Those transactions were concluded on terms that were no more and no less favourable than transactions with unrelated external parties. All transactions and balances with these related parties have been eliminated appropriately in the consolidated results.

(7) During September 2018 the Group, through its subsidiary, AECI Latam Produtos Quimicos Ltd, acquired an explosives business in Lorena, Brazil from Dinacon, for a cash consideration of US$6,3 million.

At the reporting date, the conditions precedent to make the transaction unconditional had not yet been fulfilled. The initial accounting for the business combination has thus not been completed and, accordingly, it was not possible for IFRS 3 Business Combinations disclosures to be made.

(8) No reportable events occurred after the reporting date.

ADMINISTRATION

GROUP COMPANY SECRETARY AND REGISTERED OFFICE

EN Rapoo
First Floor
AECI Place
24 The Woodlands
Woodlands Drive
Woodmead
Sandton
2191
South Africa
(no postal deliveries to this address)
Email: nomini.rapoo@aeciworld.com

POSTAL ADDRESS AND CONTACT DETAILS

Private Bag X21
Gallo Manor
2052
Telephone: +27 (0)11 806 8700
Email: groupcommunications@aeciworld.com

WEB ADDRESS

www.aeciworld.com

LONDON SECRETARY

St James's Corporate Services Ltd
Suite 31, Second Floor
107 Cheapside
London EC2V 6DN
England

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank
2196
Private Bag X9000
Saxonwold
2132
South Africa
and
Computershare Investor Services plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
England

EXTERNAL AUDITOR

Deloitte & Touche

PRIMARY TRANSACTIONAL AND FUNDING BANKS

Absa Bank Ltd
Investec Bank Ltd
First National Bank of Southern Africa Ltd
(A Division of FirstRand Bank Ltd)
Nedbank Ltd
Sanlam Life Insurance Ltd
(acting through its Sanlam Capital Markets division)
Standard Chartered Bank
The Standard Bank of South Africa Ltd

SOUTH AFRICAN SPONSOR

Rand Merchant Bank
(A division of FirstRand Bank Ltd)
1 Merchant Place
Corner Rivonia Road and Fredman Drive
Sandton
2196
South Africa

SIGIL DESIGN BUREAU