

One AECI,
for a better world

Integrated Report 2021



good chemistry

AECI[®]

aeciworld.com

One AECI, *for a better world*

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How we report

This Integrated Report is designed to give stakeholders a concise, balanced and meaningful insight into AECI's performance in 2021 in terms of our use of, and impacts on, the six capitals and on the legitimate interests of our stakeholders. Directed primarily at our providers of financial capital, it also aims to enable them to make an informed assessment of our prospects.

Our 2021 Integrated Report is concerned with the AECI Group and its operations in 23 countries, subsidiaries and other entities over which it has effective control. It is also concerned with investments, partnerships and other stakeholder relationships which the Board believes have the potential to materially affect our ability to create and preserve value and reduce instances in which value is eroded.

This report relates to the period 1 January to 31 December 2021. It contains certain forward-looking statements concerning our outlook and prospects. However, readers are cautioned to not act upon such forward-looking statements and projections, particularly as these may have a bearing on investment decisions.

There have been no material changes to the scope of our integrated reporting from the prior year but the structure of this report reflects the considerable advances our leadership has made in embedding integrated thinking in their strategy formulation and execution. As such, the presentation of information is substantially more integrated than in previous reports with greater connectedness between sections and the presentation of information.

Materiality

On page 60 we give an overview of how, in the year, we determined our Group's most material issues and how the integrated-reporting team was instructed to approach materiality (what to report on).

Reporting frameworks

Financial information

- *International Financial Reporting Standards (IFRS)*
- *The Companies Act, No. 71 of 2008 (the Companies Act) in South Africa*
- *SA 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*

Non-financial information

- *The <IR> Framework of the International Integrated Reporting Council (IIRC)*
- *The Companies Act, No. 71 of 2008 (the Companies Act) in South Africa*
- *The Listings and Debt Listings Requirements of the JSE Ltd (Listings requirements and JSE)*
- *The King Report on Corporate Governance for South Africa (King IV™)*
- *Our Memorandum of Incorporation (MOI).*

Sustainability

- *The international chemical industry's Responsible Care® programme*
- *The Carbon Disclosure Project (CDP) Climate Change and Water Programmes*
- *The Greenhouse Gas Protocol*
- *The 10 principles set out in the United Nations Global Compact*
- *The <IR> Framework of the International Integrated Reporting Council*
- *Core Global Reporting Initiative Standards*
- *Selected United Nations Sustainable Development Goals*

Our conduct and our formulation of strategy are informed by our determination to contribute to the achievement of the six SDGs depicted alongside (with Partnerships for the goals as the overarching seventh element). Our considerable human, manufactured and intellectual capital equip us to materially further these goals as we work to create value for our investors.



Our suite of annual reports

In addition to this Integrated Report, we publish the following 2021 annual reports:

- *Annual financial statements including the Chief Executive and CFO Responsibility Statement 3.84(k) of the Listings Requirement*
- *Sustainability Report*
- *King IV™ Application Statement*
- *Remuneration Report*
- *Tax Transparency Report*
- *Limited Assurance Statement on Reported Safety, Health and Environmental Data*
- *Notice of AGM and Proxy Form.*

These are all available at <https://investor.aeciworld.com/integrated-reports-and-afs>

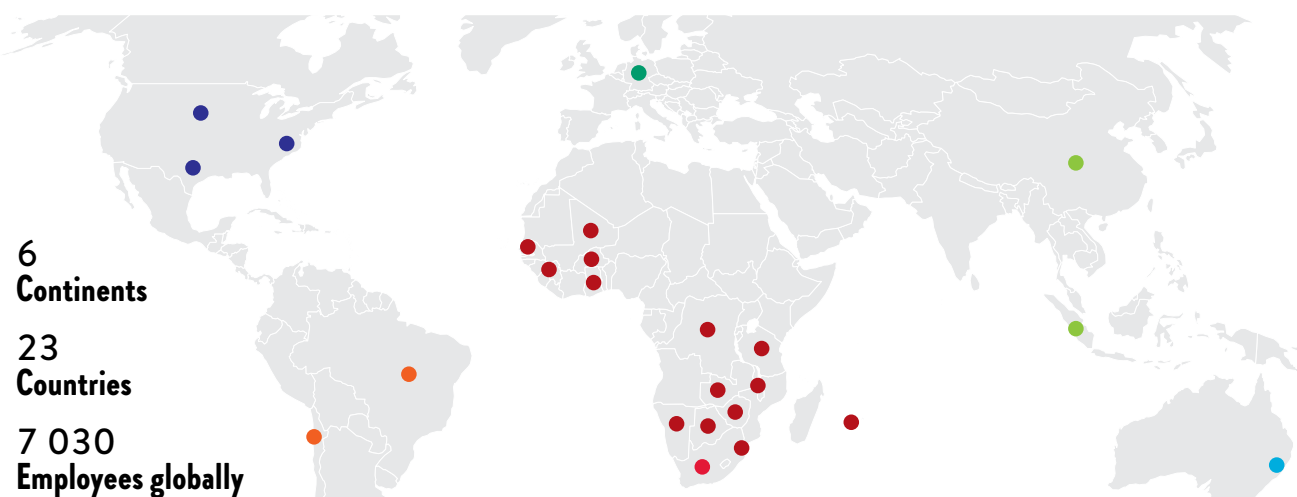
This is AECI

Originally founded in 1896, AECI was formally established in 1924. Today we employ **7 030** people in **23** countries on **six** continents. Our businesses are managed in strategic pillars that drive the achievement of our growth aspirations. Each pillar has a clear Growth Strategy and related execution plans.

One AECI, for a better world

Our vision is to deliver sustainable solutions for a **better world** through innovation and excellence founded on “good chemistry”. This is the purpose of “One AECI, for a better world” and drives who we are and everything we do.

Aligned to selected UN SDGs, we work to deliver **Better Mining**, **Better Water**, **Better Food (and Agricultural) Systems** and **Better Chemicals**.



North America
279

Europe
656

Africa
5 706

South Africa
4 495

The rest of the African continent
1 211

Asia
280

Australia
54

South America
55

Brazil 51
Chile 4

Germany 656

Botswana	116	Ghana	227	Mauritius	25	Zambia	266
Burkina Faso	196	Guinea	12	Namibia	13	Zimbabwe	56
DRC	147	Malawi	50	Senegal	27		
eSwatini	2	Mali	18	Tanzania	56		

China 8
Indonesia 272

One AECI, for a better world

Our Growth Strategy is underpinned by three strategic platforms:

Zero Harm and Sustainability



Innovation



Digital



It is our ambition to bring our exceptional intellectual and human capital to bear on economies, societies and environments across Africa and the world. In this way we will give effect to our **BIGGER** values of being **Bold** and **Innovative**, **Going Green**, being **Engaged** and being **Responsible**.



We are a publicly owned entity whose shares have been **traded on the JSE since 1966**.



At the end of 2021, our market capitalisation was **R12,3 billion**.

We create value through the four pillars of our business model:

 	<p>AECI Mining provides a mine-to-mineral solution for customers on a global scale. The offering includes commercial explosives, initiating systems, blasting services and surfactants for explosives manufacture as well as chemicals for ore beneficiation and tailings treatment.</p> <p>Aspiration: to become a recognised global mining explosives and ore-treatment solutions provider</p> <p>  R11 969 million revenue  >4 000 employees </p> <p>  Customers: the global mining sector </p>	 	<p>AECI Agri Health gives farmers the means to improve crop yields and livestock health and to optimise their use of natural resources.</p> <p>Falling under AECI Agri Health for management and reporting purposes, AECI Schirm is a contract manufacturer of fine and agricultural chemicals with operations in Germany and the USA.</p> <p>Aspiration: to be the premier agricultural and fine chemicals solutions provider in markets on three continents.</p> <p>  R6 020 million revenue  >1 100 employees </p> <p>  Customers: the plant and animal health industry in Africa, Europe and the USA, and the fine chemicals sector in Europe </p>
 	<p>AECI Water offers water treatment, process chemicals and equipment solutions to help customers optimise their water use and improve their processes.</p> <p>Aspiration: to be Africa's premier water solutions provider</p> <p>  R1 541 million revenue  >400 employees </p> <p>  Customers: the water treatment services market in Africa </p>	 	<p>AECI Chemicals supplies raw materials and related application know-how, including greener chemicals, to a broad spectrum of customers.</p> <p>Aspiration: to be the producer and preferred distributor for chemicals and leading applications know-how in South Africa and on the rest of the African continent.</p> <p>  R6 462 million revenue  >1 200 employees </p> <p>  Customers: the food and beverage, manufacturing, road infrastructure and general industrial sectors, mainly in southern Africa. AECI SANS targets manufacturers in the USA and elsewhere. </p>

Supporting our delivery of better products and services is **AECI Property Services & Corporate**. Property Services leases space and provides management and services in the office, industrial and retail sectors. Corporate covers centralised functions that support businesses in all the pillars. These functions include Treasury and Finance; Human Capital; Safety, Health and the Environment; Stakeholder Relations; Legal and Company Secretarial; Risk and Compliance; Information Technology and Strategy Execution.



Customers: Property Services **has 150 tenants and services customers and 120 employees.**
Corporate **has overall accountability to shareholders, employees, customers and other stakeholders. It has 170 employees.**

Our operating environment in 2021

In the second year of COVID-19, these were the major external issues that impacted our operations, our strategy execution and our ability to create value for stakeholders.

Economic growth

Although growth was by no means uniform, in 2021 most economies recovered strongly from the effects of lockdowns and disrupted activity following the advent of the pandemic the previous year. At 4,9%, South Africa's GDP growth was similar to the worldwide average after a sharp contraction in 2020. In other key AECI markets, growth was decidedly mixed – the USA 5,7%, Germany 2,9%, Australia 4,2% and Brazil 4,6%.

The effects of COVID-19, particularly in 2020, restricted the ability of many businesses to trade, including some of our own, those of our competitors and adjacent companies.

In 2021, many of our industrial and manufacturing customers experienced a bounce-back in demand for their products. However, towards the end of the year inflation began to rise both domestically and internationally and the robust growth witnessed in most countries in 2021 began to lag as governments reduced the scale of fiscal stimulus measures.

Supply-chain disruptions

Although mobility and economic output recovered, global supply chains continued to be disrupted. Shipping costs increased sharply (by as much as eight-fold) and there was a worldwide shortage of containers. We were impacted by a scarcity of many of the raw materials we consume but we tried to ensure that our customers did not run out of the products we sell to them. (In the event, we kept almost all customers supplied almost all of the time, a testament to the strength of our business continuity management systems.) These customers included the providers of essential services such as water, electricity and sanitation, as well as the mining sector and farmers.

The cost of most raw materials rose because of supply and logistics constraints and on the back of stronger crude oil prices, the driver of chemical input prices. To meet our obligations to customers (and society) we were forced to buy supplies at often elevated prices, heightening our working-capital requirement. Three-quarters of the more than R1,1 billion movement in inventory in the year derived from higher costs rather than increased holdings. In many instances it was not possible to pass the full impact of cost increases on to customers.

Worldwide shortages of inputs and disrupted logistics also affected our customers. Among them were automotive manufacturers who struggled to obtain components and miners who faced shortages of spare parts. In South Africa, investment in infrastructure remained limited as government continued to prioritise pandemic-relief measures. This negatively affected AECI Much Asphalt.

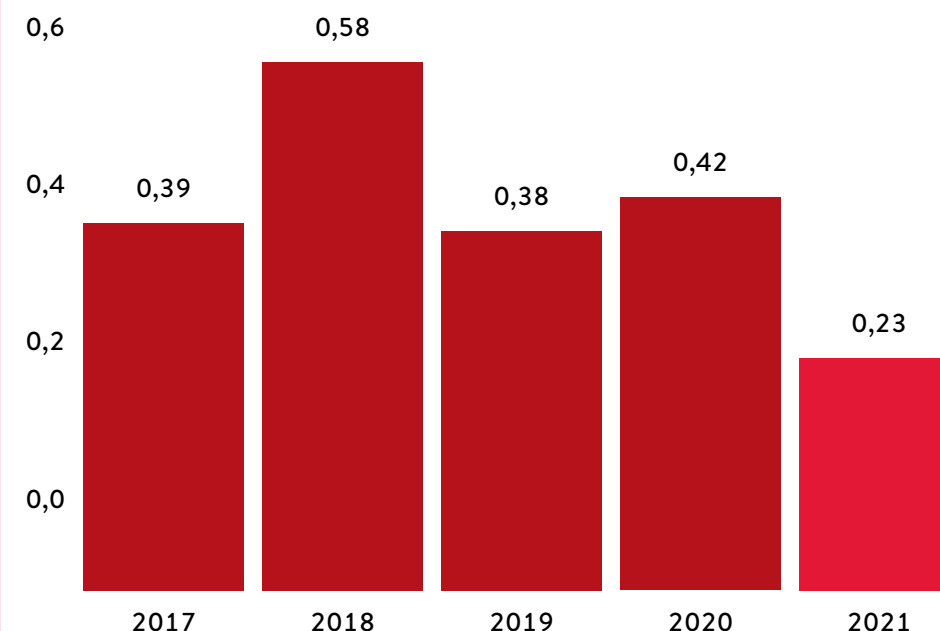
Workplace safety

The safety of our people is AECI's top priority (see our Chairman's message on page 12). Following a particularly poor safety performance in 2020 and with ongoing concerns around COVID-19 infections, workplace health and safety were key Board focus areas in 2021.

Many other mining and manufacturing companies experienced similarly worse safety outcomes in 2020 as COVID-19 disrupted their operating "rhythm" and affected employees' mental wellbeing. Our Board appreciated this reality but directed management to take concerted action to revive our safety culture and put us back on track towards our goal of Zero Harm. On page 25 we explain how, in 2021, we worked to keep everyone at AECI safe.

To date (April 2022) we have lost 12 colleagues to COVID-19 and many others have suffered severe illness. Our Board closely monitors how we execute against our non-negotiable duty of care towards employees, contractors, suppliers and the customers with whom our people interact. (It is often necessary for our employees to be physically on our customers' sites. Increasingly, customers insist that only fully vaccinated suppliers may visit their premises; this is becoming prevalent, particularly in the mining sector.)

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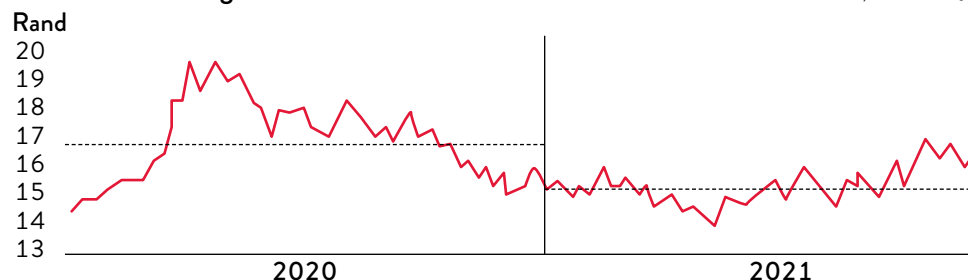


Exchange rates

A growing proportion of our revenue is generated in foreign currencies (41% in 2021) so a weaker rand generally supports our financial results. In 2021, the rand was considerably stronger against the US dollar (an average 14,78 for the year against 16,46 in 2020) and the euro (17,48 versus 18,48).

ZAR/US\$ exchange rate

Source: AECI Treasury, Bloomberg



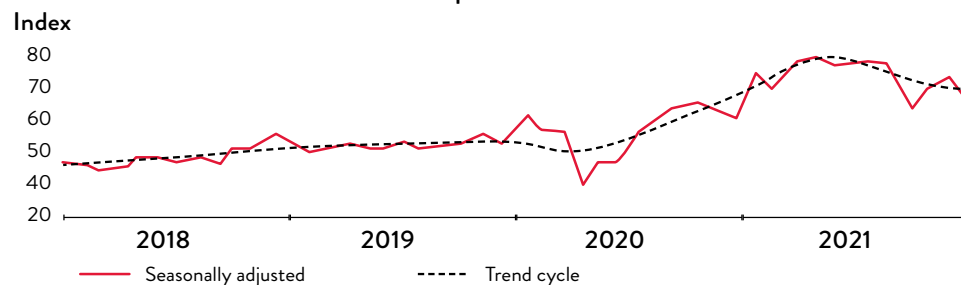
Mining activity and commodity prices

In most of the jurisdictions in which AECI Mining Explosives and AECI Mining Chemicals operate, mining activity rebounded but did not exceed the levels of output achieved in 2019. COVID-related difficulties in sourcing parts and equipment put a brake on some mining operations, including expansion projects. In South Africa, opencast mining output was hampered by above-average rainfall. Mining export volumes were restricted by rail transport challenges as well as those related to port efficiencies.

Positively for the mining and minerals sector, the prices of most commodities were much higher than in 2020 and, in most cases, higher than pre-pandemic levels. As such, mining companies' improved profitability was derived mostly from these firmer prices and to a lesser extent from increased production. Nonetheless, prices and output supported value delivery from our mining products and services.

Total value of mineral sales at current prices

Source: Stats SA



Weather

For a second consecutive year, good rainfall throughout southern Africa improved the output and profitability of the agriculture sector which supported demand for our products (page 35). This also spurred demand for our water-treatment chemicals and solutions (page 33). Conversely, high rainfall had a negative effect on AECI Much Asphalt (page 38) and AECI Mining (page 30).

Focus on carbon emissions and climate change

Across the world and in most of our markets the importance that customers, governments, civil society and regulators attach to the green credentials of products is growing rapidly. Along with most of our competitors, this has required us to concentrate more on reducing our carbon impact and greening our operations and supply chains.

Unlike many of our peers, AECI is in the fortunate position of having begun investing in reducing its overall environmental impact some years ago as well as setting – and working to achieve – meaningful sustainability targets. Early in 2022, we committed to achieving net zero greenhouse gas emissions by 2050.

The worldwide drive towards greener, more circular products plays to the strength of our intellectual and social capitals – our patents, global partnerships and highly skilled scientific and technical personnel. The work we are doing to reduce our own emissions, discharges and intake of potable water is bolstering our green credentials while we are learning many lessons that can be deployed to the benefit of customers and society.

It was in this context that our **business model** operated in 2021

Our value-creating business model

Skilled AECI people (our **human capital**) utilise our Group's patents and trademarks (**intellectual capital**) and manufacturing facilities and equipment (**manufactured capital**) to create and preserve value for a range of stakeholders (**social capital**). Key inputs are **financial capital** (equity, cash and debt) and **natural capital** (including raw materials and energy).












Capitals defined	Capital inputs	One AECI business model	Outputs
Financial funds utilised in our business model	Financial Equity (Rm) 11 589 (10 815) Borrowings (Rm) 2 760 (2 383)	We create value through five distinct value-chain activities:	<ul style="list-style-type: none"> • Mining detonation systems • Mining chemicals • Water treatment chemicals • Agricultural chemicals • Food additives and ingredients • Fine chemicals • Bulk chemicals
Human our people and their competencies	Human Employees 7 030 (6 807)	Foundation research and development We develop and take to market innovative products and services that enhance our business and that of our customers.	Scope 1 CO₂ emissions (tonnes CO ₂ e) 266 291* (334 225*)
Manufactured physical, man-made objects	Manufactured Plant and equipment (Rm) 3 469 (3 503)	Application research and development We have multiple licensing agreements for products and applications. Our scientific and technical personnel working in state-of-the-art laboratories adapt these to tailor-make customer solutions.	Scope 2 CO₂ emissions (tonnes CO ₂ e) 235 043* (241 150*)
Intellectual our intangible knowledge	Intellectual Patents 874 (639) Trademarks 2 439 (2 417) Multiple licensing agreements	Production and manufacturing We have more than 100 sites in 23 countries. We manufacture finished or intermediate products as inputs for customers' processes using our own IP or under licence from principals and also distribute thousands more in terms of our agreements with other expert producers.	Discharge to sea or sewer (m ³) 722 573 (619 357)
Natural renewable and non-renewable natural resources	Natural Electricity used (MWh) 223 419* (228 065*) Potable water (m ³) 1 755 929* (2 034 467*) Energy consumption (GJ) 2 822 639* (2 930 501*)	Marketing, sales and technical support We work side by side with our customers, often on their own sites, to ensure they derive maximum benefit from our solutions and know-how.	Hazardous waste (tonnes) 14 035* (15 844*)
Social all our relationships	Social Agreements to manufacture or distribute for other producers	Warehousing and distribution Our in-house and third-party logistics footprint encompasses warehousing across our footprint. We distribute products ourselves or via third parties. We produce finished or intermediate products and applications for our customers and also on-sell products.	

*Indicates limited assurance.

Data in brackets refers to 2020

Outcomes















To give greater effect to our new Sustainability framework and to more meaningfully quantify our real social and environmental impacts, we are working to measure the impact (outcomes) of our work, products and applications.

<p>We grew the number of permanent jobs we provide by 3,3% (to 7 030)</p> 	<p>Dividends paid to shareholders rose by 23%, to a total of R712m</p> 	<p>Current and deferred taxes were R642m (up a quarter on those paid in the previous year). Internationally, we collected an additional R1,2bn in tax on behalf of revenue authorities, and this year we publish our first tax transparency report.</p> 	<p>Our capital expenditure in expansion and growth declined slightly – from R201m to R193m</p> 
<p>The value of salaries and wages was unchanged from 2020</p> 	<p>Our workplace safety performance improved to best-ever measures (page 28)</p> 	<p>The quantum of preferential procurement in South Africa rose while our socio-economic development spend was almost unchanged.</p> <p>Our financial investment in enterprise and supplier development declined by two-thirds albeit that non-monetary support increased significantly.</p> 	
<p>Positively, our research and development spend grew from R65m to R71m. Registered patents increased by more than 30%</p> 	<p>We improved our environmental performance – although this impact remains negative – and substantial. Our environmental performance is summarised from page 25 and detailed in our 2021 Sustainability Report.</p> 	<p>Pandemic-related restrictions on assembly and movement resulted in a reduction in expenditure on skills development and training, a regrettable decline for a Group which trades on its human and intellectual capital.</p> 	

In 2021 these were our most material strategic **trade-offs**

Our trade-offs

These were the main strategic trade-offs we made in 2021, in pursuit of our strategy to create a **better world** through our six capitals.

Working capital In the year the movement in our total inventory holdings amounted to more than R1,1bn . This added cost was essential to ensure that our customers were kept supplied under conditions of strained logistics and shortages of raw materials.		Financial capital	Social capital	Information technology Becoming a thoroughly digital business is one of the three pillars of our Growth Strategy. In 2021 we invested a further R16m in projects on our digitalisation journey.	Financial capital	Intellectual capital
						
Skills development Our training spend fell significantly this year, to R7,5m , mostly as a consequence of COVID-19 restrictions.	Financial capital	Human capital	Intellectual capital	Workplace safety The Board directed management to do whatever it took to improve the Group's disappointing 2020 safety performance. Most of the interventions carried out were cost neutral but in 2021 we did spend R9m on improving communication and safety awareness.	Financial capital	Human capital
						
Environmental impact Key in 2021 was further progress in executing air emissions abatement projects at Modderfontein (total value of R182m). All projects will be completed in 2022.	Financial capital	Natural capital	Social capital	Dividend payments It is our policy to share AECI's financial success with shareholders to the maximum extent possible while continuing to invest in our ability to create greater value. Dividends paid in 2021 were 23% higher than those of the previous year.	Financial capital	Social capital
						

Managing **risks and opportunities** is a key leadership responsibility

Managing our risks

Our top 10 risks

Here we disclose our top Group risks, their anticipated magnitude and likelihood and how we are actively mitigating them. On the next page we display how these are mapped.

Q1 2022 rank	Q4 2021 rank	Risk	Mitigation	Control effectiveness*	Opportunity
1	1	An unfavourable political environment in South Africa translates into economic malaise or social unrest	<ul style="list-style-type: none"> • Geographic diversification • National Key Point status in South Africa • Insurance cover 	4	<ul style="list-style-type: none"> • Pursuing new public-private partnerships to unlock financial, environmental and social value
2	2	A catastrophic safety, environmental or quality incident would cause reputational damage or loss of our licence to operate	<ul style="list-style-type: none"> • SHE management systems • Emergency management protocols • Process safety management systems 	4	
3	New to top 10	Unstable infrastructure negatively impacts our ability to grow and the activities of our customers in some jurisdictions, including South Africa	<ul style="list-style-type: none"> • Generator back-up at key sites for power generation • Solar self-generation projects initiated • Priority Eskom customer 	4	<ul style="list-style-type: none"> • Elevated sales of products and services that maximise the use and re-use of natural resources particularly water (Project Purpose) • Self-generation of energy
4	8	Supply-chain interruptions exacerbated by the Russia-Ukraine conflict, disrupt, delay or reduce our ability to source inputs and sell and distribute our products and services	<ul style="list-style-type: none"> • Storage facility at the port of Richards Bay for ammonia imports, as required • Supplier performance management • We have a well-established and effective procurement office in China which bolsters our supply-chain resilience 	4	<ul style="list-style-type: none"> • Green hydrogen and green ammonia • Near sourcing
5	3	Cybersecurity threats , if they materialise, could result in major and prolonged business interruption	<ul style="list-style-type: none"> • Execution of cybersecurity plan • Insurance coverage • IT disaster recovery plan 	4	
6	4	Further COVID-19 outbreaks could continue to disrupt supply and erode demand	<ul style="list-style-type: none"> • Business continuity plans • Global diversification • Employee wellness tracking and support 	4	
7	8	Climate change leads to extreme weather events which could negatively affect our customers	<ul style="list-style-type: none"> • Develop new products for affected markets 	4	<ul style="list-style-type: none"> • Project Purpose opportunities to grow revenue • Investments in Origin Materials and Clariter • New growth opportunities to be pursued by AECI Agri Health
8	6	Fluctuating commodity prices make our products periodically unaffordable	<ul style="list-style-type: none"> • Assess and evaluate diversification into “new world” commodities (e.g. lithium) 	4	<ul style="list-style-type: none"> • Assessing “new world” commodities (e.g. lithium)
9	7	More stringent product, import and tax regulation threatens our financial sustainability	<ul style="list-style-type: none"> • Detailed compliance structures and processes supported by centralised functions such as Group Tax 	4	<ul style="list-style-type: none"> • For us compliance is a business imperative and a competitive advantage
10	9	Economic conditions in China translate into global economic slowdown and supply shortages	<ul style="list-style-type: none"> • Ongoing supplier risk assessment • China procurement office 	3	<ul style="list-style-type: none"> • Using our global footprint to unlock “near-sourcing” competitive advantage

*Defined on page 11.

Our risk and opportunity management policies, structures and governance underwent considerable improvement in 2021. Progress is detailed in the Corporate Governance section of this report (page 53). Here we offer a brief synopsis of our Top 10 risks as well as our risk-management advances in the year. Our key opportunities and how we manage them are discussed on page 16 and in the reporting on delivery by each of our four pillars.

Although the future of AECI is much more about opportunity than it is about risk, our revised Growth Strategy will effectively de-risk our business further through ongoing enhancement of our current and potential future sources of income and physical presence.

None of our top risks is unique to ourselves and all are shared by our competitors, in all of the markets in which we operate. We manage risks with maturity (an assessment that was endorsed this year by our external assurance provider) but our value proposition stems primarily from our ability to exploit multiple opportunities. From page 16 we explain why we believe a number of our Top 10 risks represent real opportunities for our business.

Risk management in 2021

We enhanced our Enterprise Risk Management (ERM) framework and our overall risk environment by:

1. Aligning the strategic risk register with our new strategic objectives (the risk register is updated quarterly) (page 53)
2. Developing a draft risk appetite framework, with applicability at Group and individual business levels, to be finalised in 2022
3. Originating an operational resilience model for inclusion in the ERM framework and initiating practical workshops on implementing the model
4. Integrating opportunity identification, quantification, execution and governance into our ERM framework
5. Continuing to roll out business continuity plans across the Group, including at AECI Mining's subsidiaries internationally
6. Initiating, developing and approving a combined assurance model and creating appropriate management governance structures (page 53)

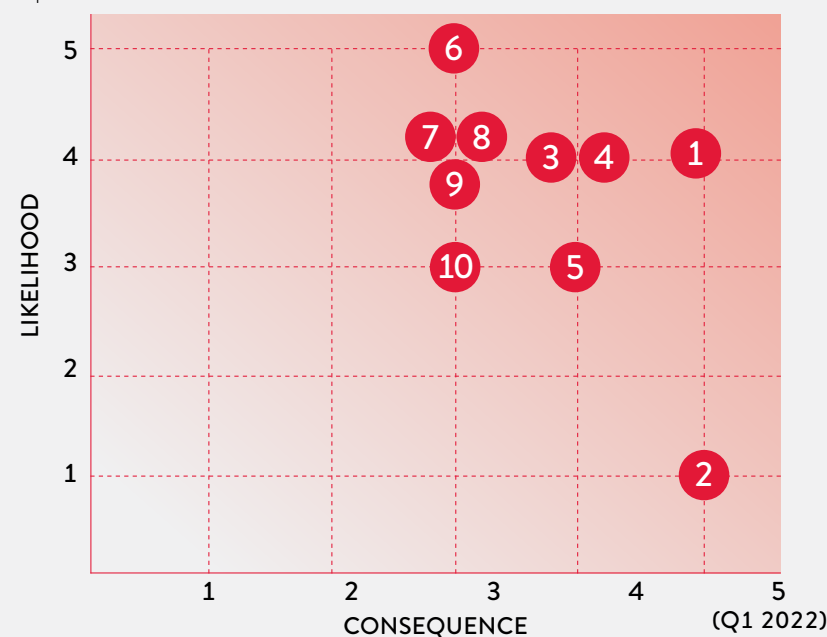
Risk control effectiveness is a relative assessment of the actual level of control that is in place and effective, compared with that which is reasonably achievable for a particular risk:

Score	Rating	Description
1	Critical improvement opportunity	Controls and/or management activities are non-existent or have major deficiencies, and do not operate as intended
2	Significant improvement opportunity	Limited controls and/or management activities in place. A high level of risk remains
3	Moderate improvement opportunity	Key controls and/or management activities are in place, with moderate opportunities for improvement identified
4	Limited improvement opportunity	Controls and/or management activities are properly designed and operating, with opportunities for improvement identified
5	Effective	Controls and/or management activities are properly designed and operating as intended

Mapping our top risks

We determine a risk event's consequence in terms of financial, operational, non-compliance, safety, reputational and environmental impact.

Likelihood is defined as follows: 1. Not likely | 2. Slight | 3. Likely | 4. Highly likely | 5. Expected



From our Chairman



Khotso Mokhele
Chairman

Dear Stakeholders

The evolution of the Board of AECI that has been underway over the last few years has produced a Board that possesses an exceptional mix of global sectoral perspectives and specialist skills and experience. I am extremely proud of the hard work each and every Board member has done in the period under review. Since late 2020 and throughout 2021, Directors worked with management to develop and give effect to our purpose of One AECI, for a better world.

I am extremely grateful to our Chief Executive, Mark Dytor, his Executive and management team for their unfailing willingness to engage in depth and at length with the Board on our revised **Growth Strategy**. The result of this intense interaction is a business that knows exactly where it wants to go – and how to get there. (You will read, on page 14, what our revised strategy entails and how we plan to exploit our multiple strengths and opportunities to achieve that vision.)

New global ambition

At the heart of our revised strategy is the conviction that AECI will not reach its full potential if it does not expand beyond South Africa's borders. Our global ambition is underpinned by the AECI Mining offering but our ambition is about much more than this. We have products, services, and unique intellectual capital in all parts of our business that can **make a difference** in multiple geographies and markets.

Our belief that our Growth Strategy will succeed – and do so soon – was borne out by our creditable 2021 financial results. The AECI Board is heavily indebted to management and employees for the efforts and sacrifices they made under circumstances that were still severely impacted by the COVID-19 pandemic that began sweeping the globe in late 2019. One standout achievement in 2021, as was the case in 2020, was **cash preservation** which enabled not just dividend payments to shareholders but also rewards to employees, to acknowledge their stellar performance under challenging conditions.

The power of One

The other relevant evolution that has occurred over the last few years has been the creation of One AECI from its greater parts. As I noted in this space a year ago, we have reorganised those parts to the point where today we are able to offer customers holistic solutions and where we can truly speak of One AECI. The year 2021 witnessed

continued maturation of the concept of One AECI into a tangible reality through reorganisation as well as a raft of improvements across the business. Our digitalisation drive is also making it much easier for our employees, wherever they are, to automate routine tasks and to collaborate better on finding better ways to deliver greater value to their customers.

Risks and opportunities

Enhancement of risk management, internal controls and reporting received focused attention during the period under review, one outcome of the Board's engagement with management that I am particularly pleased with. This involved shifting our approach to risk to increasingly appreciate that many risks carry with them material opportunities. And so, I am delighted that a core theme running through this year's Integrated Report is how our Group is working to turn the risks (even threats) facing ourselves, our customers, societies and the environment into opportunities for growth.

One lingering but very real risk was and remains COVID-19, which affected our people, processes and operations for a full 12 months in 2021. The final chapter in the pandemic saga has yet to be written as the world comes to terms with the reality that societies have to accept COVID as a chronic disease that will need to be managed in the long term. But two years after the onset of the pandemic, AECI has responded very well to an always unpredictable once-in-a-lifetime event. Management performed well to keep their people safe and the response from every level of the Company was most gratifying.

Here I must pause to mourn the 12 members of the AECI family who have passed on since 2020 after contracting COVID-19. We commiserate with those who have suffered severe illness, and those who have lost loved ones to this terrible scourge.

I also salute the majority of AECI people whose roles in their businesses did not allow them the luxury of working from the safety of their homes during a raging pandemic. Many of these employees had to endure daily commutes to their places of work, often in crowded public transport. The AECI Executive and management team displayed laudable commitment to persistent messaging throughout the Group, messaging that underscored the importance of keeping employees, in and out of the workplace, as safe from COVID as was humanly possible.

Last year in my message I lamented a far from pleasing **safety performance**. The AECI Board has a fundamental belief that AECI has a duty to ensure that every person who comes into any of our businesses returns to his or her family without injury or occupational disease. I am pleased to say that in 2021 we began to deliver on that obligation, achieving our best safety performance on record. We must, however, not for a moment, relax our vigilance. To that end, and as part of our commitment to Zero Harm to life and limb and the environment, the Board has taken the decision to establish a Board Committee on Safety, Health and Environment during 2022.



Putting ESG at our core

An integral part of our strategy evolution has been the work the organisation and Board have done on our **Environmental, Social and Governance framework**. As you can read on page 27 and in our second Sustainability Report, great strides have been made to deliver on our promise of Zero Harm and Sustainability. I am excited about the possibilities that our sustainability commitment and intellectual capital hold for us to develop, sell and use greener chemicals for a better world. Two investments reported on in these pages – Origin Materials and Clariter – speak volumes about what the AECI chemistry of the future will look like.

I mentioned at the outset of this message that I was gratified by the inspired, hard work of my fellow Directors and by management's engagement with the Board. We now have in place a robust strategy and robust controls but delivering on "One AECI, for a better world" will require ongoing hard work. In February the Board undertook a deep dive into its membership and fitness for purpose and the ability of the Board and its committees to deliver value. Enhancements were made and I am satisfied that, like the rest of the business, the Board is ready and willing to adapt, evolve and improve.

Our organisational structures have adapted and evolved and now, so must our race and gender profiles. The Board intends to continue working with management to pursue the Group's **transformation** with vigour.

Appreciation

In closing, I welcome our new Non-executive Director, Patty O'Brien, who joined us in July following a worldwide search, and Cheryl Singh, our new Company Secretary. Both bring with them a wealth of experience and insight.

Thanks are due to many individuals. One of these is Mark Kathan who has served as Chief Financial Officer with great distinction since 2008. As he heads up AECI Mining following the retirement of Edwin Ludick, I am delighted that Mark will continue to serve as a member of the Board. I very much look forward to working with Mark's successor as CFO, Aarti Takoorden, who joins us from the JSE with effect from 20 May 2022. The wealth and depth of experience that Aarti brings will greatly enhance AECI.

Mark Dytor, management and all employees deserve my thanks and congratulations on a job well done in trying times.

Finally, I salute my outgoing fellow Independent Non-executive Director, Advocate Rams Ramashia, who will soon retire after 12 years of distinguished service to AECI. Rams played a crucial role in the evolution of the AECI Board and his sharp legal mind and good sense of the national politics will be sorely missed. I also salute Edwin Ludick who retired at the end of 2021 after serving AECI with distinction for many years, having joined the Executive Committee more than a decade ago. I wish both Rams and Edwin well in their future endeavours.

I have no doubt that the transformative journey that AECI has embarked upon will transform our contributions for a better world as we create value for our multiple stakeholders.

Khotso Mokhele

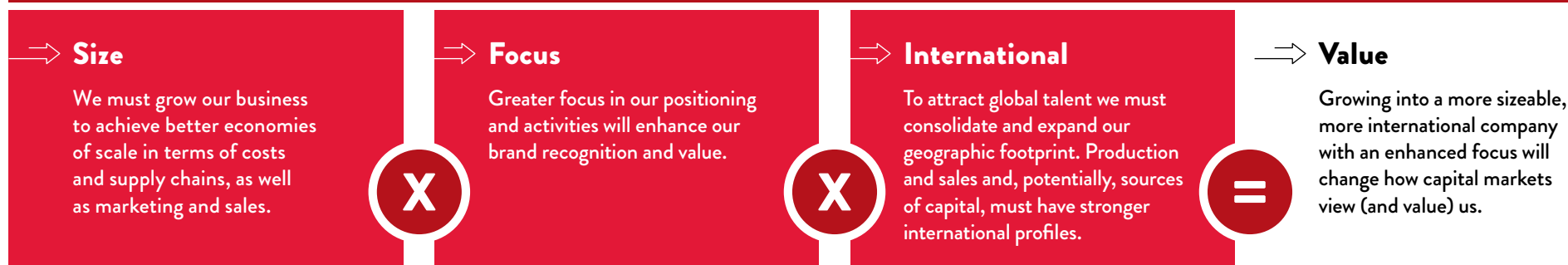
Chairman
28 April 2022

Our Growth Strategy

In 2019 we initiated an in-depth process to revise our strategy.

We re-imagined our structures and plans to best deliver against our purpose, One AECI, for a better world and our vision to deliver sustainable solutions for a better world through innovation and excellence founded on good chemistry.

The execution of the strategy is anchored in well-defined objectives, plans and milestones.
We will unlock our inherent value through:



Our journey

May 2019
Executive breakaway to consider future strategic direction

April – September 2020
Management develops strategy framework

October 2020
Board approves strategy framework

October 2020 – January 2021
Management unpacks strategy detail

February 2021
Strategy Execution Office (SEO) established

May 2021
Board continues to direct the evolving strategy

September 2021
Board strategic risk workshop

October 2021
Board approves the strategy

Our Growth Strategy will be delivered through

1 AECI + 3 strategic platforms + 6 strategic themes

1 AECI + 3 Strategic platforms + 6 Strategic themes = Perfect 10

Zero Harm and sustainability



Innovation



Digital



Financial and risk stewardship

Growth

Business excellence

Passionate, purpose-led people

Customer-centricity

Partnerships and ecosystems

Our four pillars are the engines of the strategy

Distinct value-chain activities

Foundation R&D	Application R&D	Production and manufacturing	Marketing, sales and technical support	Warehousing and distribution
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Customer segments

Mining

Scale to become a true global mining explosives and mining chemicals player

Public sector

Industrial

Infrastructure

Food and beverage

Premier water and chemicals solutions provider in sub-Saharan Africa and other chosen markets in Europe

Agriculture

Leading agricultural solutions provider in Southern Africa and other chosen markets in Europe and the USA

Today we are a geographically diversified but mostly South African company. We aspire to be a bigger, more international business through targeted, selective organic growth and inorganic growth opportunities. We have well-defined plans and milestones for this journey.

We differentiate between South Africa, the rest of the African continent and the rest of the world. While we seek to maintain and grow our South African markets and markets on the rest of the African continent, our focus will be on the rest of the world, where most of the acquisitions in our sweet spot will occur.

We will seek to consistently deliver double-digit year-on-year growth in EBITDA

A better AECI will become A bigger AECI

We now have a more integrated operating model which delivers stronger strategic controls. We have standardised and streamlined all key processes. Our pillars and businesses are better equipped to collaborate and act on opportunities.

Dedicated resource driving strategy delivery

Established in February 2021, a Strategy Execution Office (SEO) drives delivery of the Growth Strategy. The SEO comprises external subject matter experts who work closely with Group representatives at Head Office and business levels to plan, execute and monitor progress across the three strategic platforms and six strategic themes. The SEO reports directly to the Chief Executive who chairs the Strategy Review Committee. All Group Executives are members of this Committee which meets monthly or more frequently, as required.

Our Growth Strategy is premised on material **opportunities**

Our better, bigger opportunity

Our Growth Strategy is all about opportunity – identifying, assessing and delivering on opportunities to grow the financial value we create for stakeholders and delivering on our purpose of **One AECI, for a better world.**



BETTER Mining



BETTER Water



BETTER Food Systems



BETTER Chemistry

Delivery of a bigger and better AECI requires that we live by the three strategic underpins of our Growth Strategy. Being Innovative is one of them. Directing our efforts in this regard is the AECI Growth Office, which we call AECI.GO. AECI.GO comprises external experts supported by experts from our businesses. The objective is to enhance the **Business of Today** by implementing internally-generated ideas for improvements and diversification in current operations (page 18) and also to enable the **Business of Tomorrow** in line with strategic priorities.

AECI.GO identifies, assesses and pursues opportunities for sign-off and investment by our leadership. It is also AECI.GO's responsibility to identify, quantify and communicate all risks attached in each case for mitigation by our ERM and combined assurance structures. AECI.GO assesses opportunities in terms of upside (opportunity) and downside (risk). On the upside, the AECI.GO team evaluates market activity, customer demand and growth potential.

In addition to Innovation, we also bring the other two platforms – Zero Harm and Sustainability, and Digital – to all of the opportunities we investigate and execute.

Here we give an overview of some potential commercial growth opportunities in key targeted areas with a particular focus on inorganic adjacent and transformative growth while internationalising our business, impact and sources of revenue.

Wherever feasible or advisable in line with the Group's risk appetite, AECI.GO explores and progresses value propositions with potential partners or co-investors in two particular areas of interest:

- **Businesses that operate in the sustainable/green chemicals space**
- **Those that operate in the waste-to-value space.**

We have enormous potential to exploit our knowledge, intellectual property and human and manufactured capital to create financial and social value and minimise negative environmental impact – our own and that of our customers.

Better Mining

Our growth ambition will be spearheaded by AECI Mining. This pillar is already established as one of the world's leaders in mining and quarrying across Africa and in selected regions of South America, Europe, Australia and South-East Asia. In South Africa we plan to defend our market position; elsewhere we will expand to become a true global player.

AECI Mining has considerable opportunities to use its existing and developing intellectual and manufacturing capabilities to grow in international markets in which it currently has a limited presence or does not operate. Our capabilities in blasting services, commercial explosives and initiating systems, as well as in ore beneficiation and tailings treatment, will be leveraged to achieve a greater, more international footprint.

Because we possess our own IP, we are not constrained by licensing or other technical agreements in terms of geographic expansion. (A recent example of AECI Mining Explosives' ability to win new business is the Hunter Valley contract and investment in Australia (page 30)).

AECI Mining's track record, relationships and experience in sourcing raw materials from a wide range of suppliers is a key strength, as is our investment in research and development and partnerships with technology and sales and marketing businesses. We are continuously involved in R&D projects at various institutions including AMIRA International (a global minerals research collaborative), the South African Minerals to Metals Research Institute and universities. All of this supports our ability to contribute to safer, more responsible and more circular Better Mining.

Better Chemistry

Industrial biotech

We believe we have multiple opportunities to partner with companies and research institutions which are proving alternatives to currently widely used but potentially harmful chemicals in, particularly, the homecare and F&B segments. A particular focus is on offering alternatives to petrochemicals – to green, and differentiate our product offerings.



Renewable feedstock

AECI has been a strategic investor in Origin Materials, the world's leading carbon-negative materials company, since 2017.

We have now expanded our joint development agreement with Origin Materials through two projects involving AECI SANS Fibers and AECI Much Asphalt.

A new partnership envisages US-based AECI SANS Fibers using Origin Materials' technology to manufacture advanced carbon-negative synthetic fibre using wood residues as feedstock. Under another partnership, AECI Much Asphalt is working with Origin



Materials on reducing the amount of petroleum-based components required to produce asphalt.

Hydrogen-derived energy and chemicals

South Africa has been identified by its own government and others as a potential leader in the production of green hydrogen and green hydrogen-derived chemicals. Utilising our intellectual and manufacturing capital, we believe it is possible for AECI to play a meaningful role in the development of such clean energy and chemicals. (We have extensive experience working with and marketing ammonia – a product that will be produced from green hydrogen.)

The technology to produce green hydrogen is proven but, worldwide, the costs of doing so are currently prohibitively high. As with most of our greener growth opportunities, partnerships will be essential; these are being developed.

Green energy

Our commitment to invest in self-generated solar power has the potential to serve as a baseload from which to sell electricity into the grid or to designated off-takers in the longer term.

Green disinfectants

We are working with multiple partners on developing our IP in the area of green anti-bacterial and even antiviral surface disinfectants. Our intellectual capital positions us to offer our own products and effectively represent innovative environmentally friendly products.

Better Food Systems

IoT: connected farms

Exploiting the IP in our SupPlant offering, AECI Plant Health is expanding its offering to large fruit farmers and estates to implement affordable,

scalable irrigation scheduling systems that provide crucial plant data for use in management decision-making. Interest and uptake have continued since 2019 and will be developed further in 2022.

Better nutrition

Our own IP and that owned by the principals whose products and solutions we represent hold the potential to significantly improve the nutritional value of everyday food products consumed by, in particular, lower-income consumers. This will be achieved through the use of natural, nutritive additives but at costs that do not inflate retail prices.

Big plans for small farmers

In executing our Growth Strategy we seek to create value for a wide range of stakeholders, including smaller farmers who can benefit from our knowledge and strengths.

In 2020 we launched the Khula app, a digital trading platform that makes it easier for emerging farmers to market their produce and to source inputs, including AECI Plant Health's full suite of plant and soil products and services.

Khula has been piloted through our South African customer base and links to these customers' Enterprise and Social Development objectives. With Khula we are working to build an inclusive product and services ecosystem centred on small farmers. Over the medium term we aim to involve 50 000 such farmers, initially in South Africa. By the end of 2021, 6 450 farmers had registered – a 50% increase on 2020. In response to requests from users, animal feed and packaging were added to the platform during the year.

In Q4 a Khula/AECI co-branded containerised kiosk was established in Hammanskraal, Gauteng. We will evaluate

the effectiveness of such a physical presence for delivering products ordered through the online platform.

Better Water

Our water solutions and expertise are being deployed at AECI Mining Explosives (page 29), AECI Mining Chemicals, AECI Food & Beverage and AECI Property Services to improve our internal water consumption and impact.

AECI Water's Project Purpose is rapidly expanding its implementation of cutting-edge solutions at our own operations and in the industrial, mining and public sectors. Demonstrable success in South Africa and Lesotho is being exploited to drive growth in other African countries.

Waste to value

Our capabilities and intellectual capital put us in an excellent position to create value out of waste, particularly in sub-Saharan Africa.

Plastics recycling

In 2021 we invested €2,5 million in a collaboration with Clariter, an international company with proprietary upcycling technology that transforms plastic waste into industrial ingredients which can be used to make thousands of types of consumer products.

By 2028 Clariter will upcycle 2 million tonnes of plastic waste (including often hard-to-recycle plastics) and reduce CO₂ by nearly 1 million tonnes – contributing to the circularity of the almost 400 million tonnes of plastics produced worldwide each year.

Our Clariter investment is in the form of a convertible loan with the option to participate in further rounds of funding of up to €10 million. The investment also gives us distribution and offtake rights to Clariter's oils, solvents and waxes.



Our collaboration with Clariter gives substance to our commitment to greener chemistry, further diversifying our revenue base and potentially creating much-needed jobs (including manufacturing employment) in South Africa. We believe that Clariter's technology has potential uptake in many of the products and solutions we market, across our pillars, benefiting our customers and boosting the circularity of their own products.

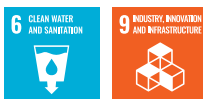
Clariter's technology has been proven at an R&D pilot plant in Poland since 2006 as well as at an industrial-scale plant in East London, South Africa. In addition to following our distribution and offtake rights, we intend exploring our contractual opportunity to develop full-scale Clariter plants in South Africa, Germany and selected states in the USA.

Rubber and water waste

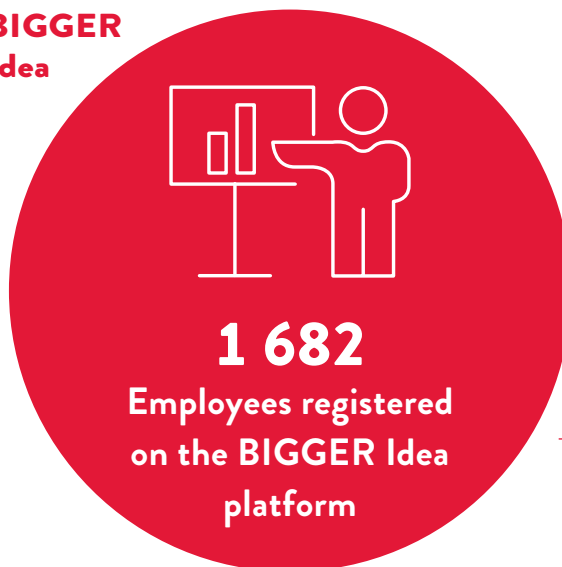
We are actively investigating a number of promising opportunities here. One of these is converting crumb rubber (from recycled vehicle tyres) for use by AECI SprayPave, part of AECI Much Asphalt. Our research indicates that growing the circular use of crumb rubber in our extended bitumen rubber mixes could be an important competitive differentiator.



AECI Water has an enviable track record in not only reducing its customers' extraction of potable water but also in recycling this water for use in customers' production processes and even for feeding into municipal water systems or for safe use by neighbouring communities. Considerable value attaches to such interventions.



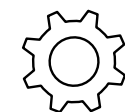
The BIGGER Idea



Total ideas
1 566



Ideas currently in review
205



Ideas currently in development
81



Ideas implemented
108

We tap into AECI's intellectual capital by asking our people to suggest ideas for growing our business or reducing costs. They do so via our BIGGER Idea platform. In the year under review, 37 of 173 ideas added to the platform were launched, taking to 108 the total implemented to date. Many more are being reviewed and investigated.

Over the last four years, we estimate that ideas implemented have had a R100 million annualised bottom-line impact, either through cost savings or new revenue. We believe the fact that we were able to speedily commercialise so many of the suggestions made by our own people speaks volumes to the depth of our intellectual capital.

From our Chief Executive



Mark Dytor
Chief Executive

Dear Stakeholders

In 2020 AECI adapted suddenly and decisively to a daunting, bewildering challenge few of us had ever anticipated. We prevailed in that first year of COVID-19, and we continued to strengthen in 2021.

In the year we report on here, we kept adapting and we kept working harder than before to combat what had seemed a frightening multitude of risks – and to turn many of those risks into opportunities.

One AECI

A great deal of work has now gone into repositioning AECI as a single, cohesive yet responsive and nimble purpose-driven business, one that decisively addresses risks and seizes on opportunities.

Our purpose is One AECI, for a better world and our vision is to deliver sustainable solutions for this better world through innovation and excellence founded on good chemistry. Key focus areas are **Better Mining, Better Water, Better Food Systems** and **Better Chemicals**.

Our better world aspirations are enabled by three strategic platforms (Zero Harm and Sustainability, Innovation and Digital) and six related themes (Passionate, purpose-led people, Customer-centricity, Partnerships and ecosystems, Business excellence, Growth, and Financial and risk stewardship).

In our previous Integrated Report, we provided very limited detail about our evolving Growth Strategy to realise our purpose. I'm delighted then that, in this 2021 report, we are able to give you greater insight into this exciting strategic journey. We can now share evidence of the real progress we have already made.

Strategic strengths

Whatever strategic steps we take, we will do no harm; we will constantly pursue new, innovative, better ways to grow, we will leverage the digital possibilities we possess and be early adopters.

The future AECI is all about leveraging our unique strengths – our exceptional intellectual, human and manufactured capital – to help solve urgent global challenges. Throughout this report, including on page 16, we begin to unpack how we are using those strengths to transform AECI and its ability to contribute to a better world.

Strategic themes

Our strategic undertaking is all about **Growth** and **Business excellence**. By as early as 2025 we aim to have become a substantially bigger, more diversified, more international business. One bigger, better AECI.

Another of our strategic themes is **Financial and risk stewardship**.

In 2021 we delivered a solid set of financial results, achieving growth in earnings, Profit from operations, margins and return on net assets, all of which moved in the right direction. COVID-19 and its multiple, lingering headwinds deprived us of a full return to 2019 levels but the overall outcome left us confident of soon comfortably surpassing our pre-COVID (2019) performances against all key financial measures. Yes, our working capital ratio went up but that related mostly to exponential increases in the costs of raw materials. Positively, cash preservation in the year was outstanding and we further strengthened our balance sheet.

I leave it, however, to our outgoing Chief Financial Officer, Mark Kathan, to give some detail in his report on how, in 2021, we exercised financial responsibility and how we substantially improved our management of risk and opportunity. From page 21, Mark also touches on the strides we are making to improve our reporting to all stakeholders on meaningful, transparent financial and non-financial metrics.

Behind the encouraging top-line results were solid performances by all our pillars. Again, I don't intend to duplicate the content in this report and so direct your attention to the discussion of our four strategic pillars' outcomes, their impact (both positive and negative) and their prospects, beginning on page 30.

I am tremendously encouraged by the performance of our teams across the world, to consistently raise the bar on the third of our strategic themes, **Business excellence**. In this report, we provide a tangible sense of what our people have had to deal with: customers whose businesses were in

unprecedented flux and, sometimes, in peril; supply chains that were thrown into turmoil and became exponentially more expensive and more unpredictable. And we try to show how our people adapted and prevailed.

Passionate, purpose-led people

I have never doubted that for AECI to develop **Better Mining, Better Water, Better Food Systems** and **Better Chemistry**, it is imperative that we keep developing better, more **Passionate, purpose-led people**. We constantly refine the AECI talent model that defines, discovers, develops and deploys the very best people. At the same time, our employee value proposition is subject to regular scrutiny – to ensure that we appropriately reward and incentivise those exceptional individuals.

Since 2020 we have reorganised several parts of our organisation, which resulted in a regrettable number of job losses but supported our sustainability. In 2021, it was therefore extremely pleasing to receive results from two independent surveys which showed just how engaged our people are, and the extent to which they increasingly buy into our purpose (page 25).

Since the onset of COVID-19, as a management collective we have attached the utmost priority to keeping our employees safe. I join the Chairman in mourning the 12 employees who have died since 2020 after contracting this awful disease. COVID-19 has affected the physical and mental wellbeing of our people and impacted how they work and interact with suppliers and customers. One of the most regrettable of these effects was on our safety performance, which deteriorated sharply in 2020. Thankfully, our hard work to turn that performance around has paid off and, as you will read on page 25, our workplace health and safety measurements are also headed in the right direction.

Customer-centricity

Since early 2020, customer-facing AECI people have been eagerly anticipating getting back in front of their customers. Yes, our competitive advantage is a mix of intellectual property, product, process and application knowledge, but it's our relationships that really set us

apart. Lockdown restrictions kept us from maximising not just sales but also our impact. Commissioning of many value-adding projects was delayed by restrictions on the movement of people and we were painfully aware of many opportunities missed simply because we could not be at our customers' premises.

As soon as opportunity, and regulation, allowed, our people got out of their offices to go meet with their stakeholders, to be physically present. Subject, always to the utmost restraint and respect for all the appropriate safety measures, as dictated by our internal procedures. We have a culture of **Customer-centricity** and the fifth of our six strategic themes is not about building such a culture but accelerating it. To accelerate **Customer-centricity**, we are developing and implementing many excellent tools to make our business simpler, faster and more nimble.

Because most of our customers don't see us as suppliers but as partners, we are often on their premises, developing solutions with them. So we also have a responsibility to keep them and their employees safe. This belief largely informed our decision to implement a COVID-19 vaccination mandate for all our businesses in South Africa (page 25); in fact, many of our larger customers already expect those visiting their sites to be fully vaccinated.

Partnerships and ecosystems

Being adaptable and nimble when parts of our value chain were locked down or otherwise challenged was probably the biggest reason why we were able to record such robust financial results in 2021. This agility largely explains how we've kept rewarding our investors and kept the vast majority of our customers supplied almost all of the time. For this I again thank our passionate, purpose-led people and our customers, suppliers, regulators and logistics service providers.

Strategic intent

After a two-year journey the Board approved our revised Growth Strategy in Q4 2021. The Directors also approved

a transparent and meaningful but evolving Sustainability framework, and committed us as management to meet stretch targets relating to our environmental performance.

2021 was a year of great achievement in terms of strategy formulation. This was a truly collaborative process with the Board constantly and closely interrogating management's proposals. The outcomes of extremely robust discussions are a robust strategy which we already implementing. We are doing so through dedicated Head Office resources but also with the involvement of all businesses in our strategic pillars in all countries where we operate. I look forward to reporting, in a year's time, on what we achieved in 2022.

Thanks

In closing, I thank our Chairman, Khotso Mokhele, and his fellow Non-executive Directors for their inspired leadership in a taxing but exciting year. My thanks also to Mark Kathan with whom I have had the privilege of working since 2008. I have no doubt that Mark will bring to his leadership of AECI Mining the same stamp of success he brought to the CFO's office. I greatly look forward to working with Mark's successor, Aarti Takoorden, joining us in May 2022.

I worked even longer with Edwin Ludick who retired at the end of 2021 after 30 years with the Group. I thank him for his contribution during his long and successful career.

Finally, my thanks to every employee in all our teams in 23 countries. They continue to demonstrate, day in and day out, their passion and commitment to our purpose, **One AECI, for a better world**. With their continued support, our Company is destined for even greater success.



Mark Dytor
Chief Executive
28 April 2022



From our Chief Financial Officer



Mark Kathan
Chief Financial
Officer

Financial performance

Revenue +8% to R26 053m Foreign and export revenue: 41% of total revenue	EBITDA +5% to R3 091m	Profit from operations +124% to R2 052m	HEPS +27% to 116 cents per share
Cash generated from operating activities R1 467m	Gearing 24% (1H21: 27% FY20: 22%)	Net debt: EBITDA <1	

Dear Stakeholders

In 2021, AECI successfully navigated through three waves of COVID-19, overcoming significant global supply chain challenges and higher commodity prices to ensure the reliable supply of our diverse range of quality products and services to customers in markets around the world.

Amid high input costs, the impact of supply chain disruptions on working capital and a stronger average rand affecting hard currency earnings, we reported robust financial results, demonstrating the benefits of our diversification, agility and strategic pillar structure.

Supporting strategic delivery

Guided by our Growth Strategy, we focused on delivering on the key strategic theme of **Financial and risk stewardship**. We embarked on a process to reach a leading financial maturity.

This informed the acceleration of numerous projects, each with a finance “champion”, to reach our desired level of financial maturity within the next few years. The initiatives include special attention to enhancing our learning and focusing on better systems, better working capital, improved reporting and an enhanced budgeting process. To monitor our progress, we are building relevant dashboards and closely tracking associated KPIs.

Notable among our achievements was the development and approval of a combined assurance model, including the appropriate management governance structures.

Combined assurance

Combined assurance supports the **integrity of reporting**, underpinning the effective control environment which is essential to good governance. In the year, the Group made numerous enhancements to our Enterprise Risk Management framework and our overall risk environment in six key areas: transactional; cost and management accounting; business decision-making; governance and regulatory; combined assurance; and talent management.

Digital

In terms of our Digital journey, we have embarked on a business transformation programme we call OneWorld. It supports our Growth Strategy by bringing together our businesses on a single ERP platform, collapsing operational silos and encouraging congruence. We are leveraging technology to enhance efficiency, reduce cost, promote customer and people engagement and to improve our digital maturity. It lays the foundation for our digital future through the implementation of SAP. The vision is to deliver to business the ability to operate as a single, **customer-centric** enterprise by enabling Group-wide integration through a central transactional platform, underpinned by consistent, process-driven ways of working across functions, markets and geographies.

OneWorld will facilitate a common way of working through a common ERP platform. It will implement a single instance of SAP, thus standardising business processes to a shared, leading practice standard. This will allow future automation, enhance the operating model through end-to-end process ownership and prepare AECI for the Fourth Industrial Revolution technologies that will revolutionise manufacturing and supply chains in future.

It enables a single “source of the truth” through the common SAP ERP system and through a centrally governed set of master data. Standardised data definitions empower decision-makers, capacitate in-depth analytical capabilities and enhance predictability and forecasting.

Finance functional alignment and synergies will be delivered through the establishment of a Group Finance Shared Services Centre (FSSC). This will comprise the existing FSSC at AECI Mining and the operational finance functions of the other three business pillars.

The design phase is near completion and the build phase will start in May 2022. It is envisaged that all businesses will be migrated to the new platform by September 2023. As they do so, they will be absorbed into the Group FSSC.

Driving the ESG agenda

The Finance function plays a key role in driving AECI's ESG agenda, including through meeting the financial requirements and capital expenditure commitments to support our One AECI, for a better world purpose. Reporting is also critical. In this regard, we have commenced work on adopting – by the end of 2022 – the JSE's Sustainability and Climate Change Disclosure Guidance, including the Task Force on Climate-related Financial Disclosures framework. The proposed disclosures bring greater consistency to sustainability and climate change reporting and link sustainability disclosures to the fundamental drivers of value creation. They will assist us in providing clear information on how AECI is contributing to the achievement of both national sustainable development commitments in the countries in which we operate and the UN's SDGs.

Our performance summarised

In 2021, Group **revenue** grew by 8,1% to R26 053 million compared to the R24 111 million achieved in 2020, which we estimated to have been impacted by the pandemic to the extent of R1 091 million*. In 2020, AECI Mining and AECI Chemicals were the business pillars most affected by COVID-19. Both recovered well in 2021, with AECI Mining benefiting as global mining activity normalised somewhat.

AECI Chemicals further benefited from the strategic realignment process completed in 2020. Also assisting was a level of overall improvement in South Africa's manufacturing, infrastructure and general industrial sectors, albeit from a low base.

Profit from operations was 123,8% higher at R2 052 million. In 2020, operating profit included impairments of goodwill and profit on disposal of business as well as the estimated R527 million* negative impact of COVID-19 and related lockdown restrictions. Although we were still affected in 2021, this was not to the same extent as in 2020. People everywhere became more accustomed to navigating the crisis, with changes in consumer patterns impacting supply chain dynamics.

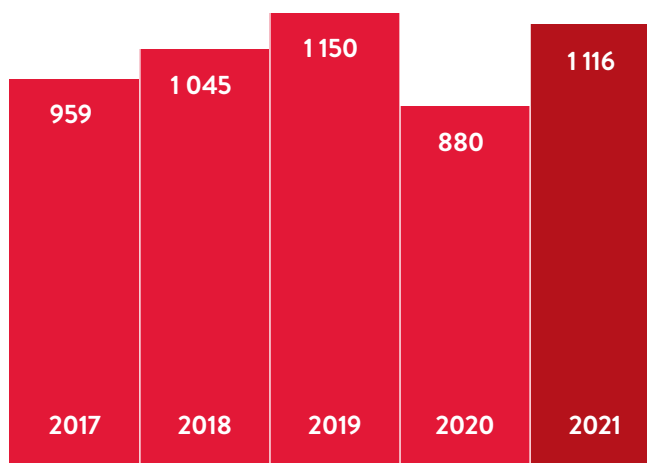
Supply chains and shipments slowed, causing shortages of certain raw and packaging materials, thus disrupting production (page 5). Although not unscathed, companies with local sources of supply and local production facilities were better able to meet their customers' requirements. For many companies the need to hold higher levels of more expensive inventory pushed up working capital. This was indeed the case for AECI (see inventory movement graphic below).

Group **EBITDA** grew by 5% to R3 091 million.

Earnings per share

Headline earnings per share (HEPS) increased by 26,7% to 1 116 cents. Basic earnings, at 1 125 cents per share, was not affected by the goodwill impairments and business disposals that weighed down the 2020 EPS.

HEPS (cents)



Dividends

The Board declared a final ordinary cash dividend of 505 cents per share for the 2021 financial year. This followed the payment in September of an interim dividend of 180 cents per share, bringing the total dividend to 685 cents per share – 20,2% higher than 2020's 570 cents per share. This represented a 1,6 times dividend cover for 2021.

The Board also declared a dividend of 65 cents per share on the B Ordinary Shares held under the AECI Employees Share Trust with payment of R6 million made to beneficiaries in the year.

Financial position and cash flow

The Group improved **cash generated by operations** by 13% to R3 289 million, in excess of the 5% increase in EBITDA. As the ongoing effects of the pandemic played out in global supply chains, working capital was a significant challenge.

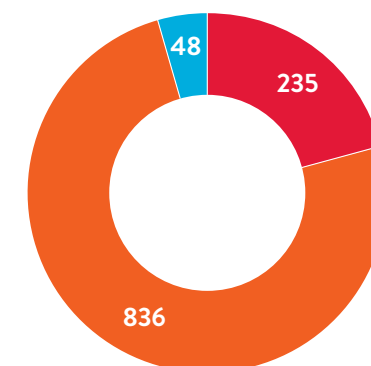
Raw material shortages, and consequential price increases, as well as volatility in shipping, sometimes made it difficult to meet demand. We invested in working capital to take advantage of material availability as well as to ensure supply in key areas. As a result, R1 093 million was invested in working capital. Notwithstanding this increase, the good cash generation result was very pleasing. The Group's cash interest cover was 18,6 times.

Inventory movement

Dec 21 vs Dec 20 (Rm)

Movement in inventory: R1 119m

■ Volume increase
■ Cost increase
■ Forex effects



Tax payments of R528 million increased on the back of improved performance and profitability. The effective rate for the year was 34,7%, which returned to a more normal level following the impact on the rate in 2020 owing to AECI Much Asphalt's goodwill impairment. The effective tax rate represents the mix of corporate tax rates in the jurisdictions in which we operate. Foreign withholding taxes rose in line with the increased dividends declared by foreign operations of US\$25 million compared with US\$20 million in 2020.

The working capital investment was mainly in inventory and was affected by year-end exchange rates, higher prices as well as the need for strategic holdings to compensate for challenges in the supply chain and the availability of raw materials. The net working capital to revenue ratio was 17,6% at year-end (14,5% in December 2020), at a similar level to 2019. We paid dividends of R741 million, representing a 22,7% increase from the 2020 payment.

Capital expenditure amounted to R777 million, of which R584 million was sustenance capex and R193 million was for expansion projects. The most significant sustenance capital projects were the statutory shutdown of AECI Mining Explosives' No. 11 Nitric Acid plant at Modderfontein (postponed from 2020), as well as the completion of air emissions abatement projects at that site, part of our commitment to improving the Group's sustainability. Growth capital expenditure included the expansion of the AECI Plant Health synthesis plant, the Biocult expansion (green agrochemicals) and three bulk emulsion plants for AECI Mining Explosives, one of which was built for the Hunter Valley contract gained in Australia. We began servicing this contract in March 2022.

Net borrowings, which includes long-term and short-term debt and cash balances, was R2 760 million (including R592 million in lease liabilities accounted for under IFRS 16), R377 million higher than in 2020. The Group's net gearing was 24% and its most stringent loan covenant, viz. net borrowings to EBITDA, was less than 1 (covenant: net borrowings less than 2,5).

Net borrowings analysis

Payment profile

Rm	2022	2023	Total
Existing term			
DMTN auction		520	520
DMTN private placement	500	300	800
Term – ZAR		500	500
Term – US\$	240	319	560
Term – EUR		1 233	1 233
Short-term borrowings	446		446
Net borrowings (excl. IFRS 16)	1 186	2 873	4 059
IFRS 16 lease liabilities			592
Cash and cash equivalents and bank overdraft			(1 891)
Net borrowings			2 760
US\$	15	20	35
EUR	–	68	68

Debt

Term debt was R3 613 million at 31 December 2021 with short-term debt of R446 million, and cash and cash equivalents of R1 953 million. The term debt is payable at the end of the term of each loan, with major terms ending in 2022 and 2023. Short-term debt was R1 248 million: R446 million in rand-denominated short-term loans, R500 million in rand-denominated Senior Unsecured Floating Rate Notes (listed on the JSE in terms of a Domestic Medium Term Note programme) and US\$35 million in US dollar-denominated floating rate loans. In 2021, R1 865 million of the term debt due for repayment was repaid on due dates and in full from existing cash resources.

Managing our debt exposure was a particular focus and we increased the frequency and sensitivity of stress testing our forecasts against the covenants associated with term debt. The covenants describe thresholds for net debt to EBITDA (rolling 12 months), EBITDA (rolling 12 months) to net interest and tangible net worth. As part of this discipline, stringent solvency and liquidity tests are conducted before any dividends are declared.

All loan covenants were comfortably met again and communicated to our financiers. AECI's external credit rating from a South African credit rating agency was maintained at a long-term A+ rating with a stable outlook. The agency took comfort in the strength of our financial position (including cash generation and management), the steps taken to ensure we would meet our obligations when due and that any associated risks had been minimised.

Net borrowings (excl. IFRS 16) at 31 Dec 2020	Borrowings paid	Borrowings raised	Foreign exchange effect	Net borrowings (excl. IFRS 16) at 31 Dec 2021
5 420	(1 877)	446	70	4 059

Group loan covenants	Actual
Net borrowings to EBITDA: ≤2,5	0,9
Net borrowings to EBITDA breached if Borrowings +R4,8bn or EBITDA –R1,9bn	
EBITDA to net financing cost: ≥3,0	11,5
Consolidated tangible net worth: ≥R2,5bn	R8,3bn

Tax transparency

Among our BIGGER values is being **Responsible**. Implicit in this is being a responsible and transparent corporate citizen. To demonstrate our commitment to transparency and stakeholder engagement, this year we publish our first Tax Transparency Report which sets out, among other things, our tax strategy and approach, tax risk management, relationships with revenue authorities and tax reporting. Across the world, our total tax contribution in the year was R1,8 billion. Of this amount, R1,2 billion was tax collected on behalf of revenue authorities and the rest taxes borne by the Group. The report also shows our contribution by tax type and by jurisdiction.

The 2012 B-BBEE transactions

In 2012, AECI entered into a suite of B-BBEE transactions. As part of those arrangements, AECI facilitated the subscription by a broad base of Black participants, via the AECI Employees Share Trust (EST) and the Community and Education Development Trust (CEDT), to an effective 11,5% of AECI's Issued Share Capital (the B-BBEE Transaction).

The B-BBEE Transaction required no external bank funding and was facilitated by notional funding from AECI and a once-off capital grant to the CEDT. The B-BBEE Transaction was intended to advance AECI's empowerment objective of increasing Black participation in the Group by transferring the long-term economic benefits of its success to a broad spread of Black South Africans, more specifically the Group's eligible employees in South Africa and, through the CEDT, to communities in which the AECI Group operates or has an interest. The B-BBEE Transaction was a notionally financed transaction and was implemented through:

- the creation and specific issue of 10 117 951 AECI B Ordinary Shares in the share capital of AECI, constituting 8% of the Issued Share Capital of AECI, and
- the specific issue of 4 426 604 AECI Ordinary Shares in the share capital of AECI, constituting 3,5% of the Issued Share Capital of AECI.

Both transactions had 10-year terms.

At the conclusion of the term (12 February 2022), the B Ordinary Shares held by the EST were to be converted to AECI listed shares in accordance with a formula which took account of the notional loan, dividends and the costs associated with the arrangement. As the end date approached, AECI assessed the calculation of the formula and determined it was probable that the scheme was "under water" and that no shares would accrue to the beneficiaries. The scheme permitted AECI, at its discretion, to extend the period of the scheme by no more than one year if this was the case. As a result, AECI elected to do so and the trust's term will now end on 12 February 2023.

At the conclusion of the CEDT term (31 January 2022) we performed a calculation based on a formula which accounted for the notional loan and dividends (both received and not received over the period). The result was that no shares were to be retained by the CEDT. Therefore, AECI repurchased all the CEDT shares for no consideration on this date, as provided for in the scheme and CEDT trust deed. There was no option to extend this scheme. The CEDT remains entitled to any converted shares that may result under the EST scheme which do not vest in beneficiaries of that scheme and the trust will, therefore, remain until the conclusion of the EST scheme.

Over the life of the scheme, the CEDT has received some R120 million in dividends and these funds have been employed to the benefit of the communities of which AECI is an integral part. Consideration is being given to the continuation of the work of the trust through the AEL Tiso Development Trust which continues to exist and holds 1 169 667 AECI shares and equally uses the dividends on these shares to contribute to community upliftment.

AECI will retain its B-BBEE ownership status through 2022 and investigations have commenced into a new B-BBEE plan. We will provide details once the investigations have concluded and we have decided on an appropriate way forward.

Appreciation and outlook

In October 2021, the Board formally approved our Growth Strategy, setting AECI on a new and exciting path. The Finance function as a whole embraces its role in delivering the strategy, with encouraging progress made to date.

After 13 years as CFO, in 2022 I assume responsibility for AECI Mining as Chief Executive. I would like to acknowledge the support I have received from people over the years. In particular, I thank the Audit Committee for its guidance as well as teams from Group Reporting, Tax, Governance, Legal, Internal Audit, IT, Treasury, Investor Relations and the Retirement Funds 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 are much appreciated.

I wish Aarti Takoordeen all the best as she becomes AECI Group's CFO in May 2022.



Mark Kathan
Chief Financial Officer
28 April 2022

Note: This report provides a high-level overview of the financial performance of our Group in 2021. For more details, see the full annual financial statements for the year.

Practising what we preach

Our purpose, our values and our Growth Strategy commit all of us at AECI to work daily towards the achievement of a better, safer world.

We will achieve this primarily through the many ways in which customers use our products and solutions – but we also need to demonstrate that at our premises we work responsibly, that we are achieving our strategic pillar of Zero Harm and Sustainability. (Not the least of the obligations we operate under is our accreditation to Responsible Care®*.)

Our people

Towards Zero Harm

Our utmost duty of care is towards our own employees.

In 2020 we failed to effectively execute against that duty as our total recordable incident rate (TRIR) worsened from 0,38** in 2019 to 0,42** incidents per 200 000 hours worked. The Board and management agreed to prioritise workplace safety in 2021 and set the Group the target of achieving a sustainable TRIR below 0,25 by 2025.

We were therefore delighted that our 2021 TRIR was 0,23** – the lowest on record and a 40% year-on-year improvement.

In addition to recording Zero fatalities or life-altering injuries there were no major process safety** nor transportation** incidents. Three of our businesses achieved TRIRs** of Zero.

The reduction represented the culmination of several years' work on our Zero Harm strategy and the successful execution of a safety improvement plan launched in February 2021. The plan detailed seven priorities:

1. Visible leadership at plants: all Managers, Supervisors and SHEQ teams need to be highly visible on a regular basis. It is important that there be engagement across the board and that concerns or undesirable behaviour be addressed.
2. Entrenching changes in how we behave: we must embed Life-saving Behaviours and implement a revised set of Critical Safe Behaviours aimed at preventing injuries of any kind.
3. Re-invigorate energy for Zero Harm: we have introduced Captain Zero in an extensive campaign to make safety awareness and commitment top of mind for everyone, as we did when we launched Zero Harm.

4. Skills development and safety training.
5. Continuous risk assessment: we are standardising our process to enable every employee to assess tasks properly before starting and while executing them.
6. Incident management (investigations and embedding learning): we need to improve the quality of investigations into incidents and truly learn from them. A new and standardised procedure was approved in December 2020.
7. Priority process safety improvement areas must receive even more focused attention.

The year-on-year step-change in safety performance bore testimony to the commitment of everyone across the organisation to on-boarding the safety improvement plan. Having already achieved the 2025 milestone, the Board will set a new “stretch” TRIR target in the course of 2022.

Managing COVID-19

At the time of reporting (April 2022), 12 colleagues had succumbed to COVID-19. Eight passed away in 2021. A 15-member COVID-19 task team, established in March 2020 and headed by the Chief Executive, continued to meet (virtually) every week. The team's work focused on minimising the spread of the virus, supporting staff and ensuring business continuity.

By 1 April 2022, approximately 62% of our people worldwide had declared that they had received COVID-19 vaccines. On 18 March 2022 the AECI task team approved a Mandatory Vaccination policy for all businesses in South Africa, effective from 1 April 2022. The policy makes provision for a 90-day grace period to allow all employees who are not “fully vaccinated” to do so or, for those who wish to apply for exemption, to complete related applications and for these to be processed in time. The policy will thus be enforced on 1 July 2022. We firmly believe that vaccines are an important part of our ongoing mitigation of the pandemic.

Transformation and culture

In 2021 we undertook an extensive, global culture survey, the first since 2018. The survey was conducted in six languages and achieved a much-improved participation rate (75% versus 64% in 2018). Overall, it reflected an engaged, motivated workforce.

Results were benchmarked against mining, chemical and food-sector norms and, where such information was available, against national peer companies.



* Responsible Care® is the global chemical industry's voluntary initiative which commits signatory companies to continuously improve the environmental, health, safety and security performances of their technologies, processes and products so as to avoid harm to people and the environment.

** Indicates limited assurance

Very encouraging results in terms of implementing our Growth Strategy were:

- 86% of respondents said they had a clear understanding of the goals and objectives of the Company
- 93% said they understood how their work contributed to achievement of the Company's goals
- 72% believed that AECI's purpose was about more than just profit.

Engagement levels and areas for improvement varied widely. Particular areas for improvement included communication by the Group's leadership and a need for all to feel that they are respected by their managers. Work needs to be done on improving the "sense of teamwork" and on demonstrating to employees that leaders are able to effectively manage change.

We were pleased to have been certified as a Top Employer in South Africa for the second consecutive year. The Top Employers Institute is the global authority on recognising excellence in people practices.

The divergent nature of the latest survey findings led to the establishment of task teams within local teams, focused on areas for improvement and leveraging parochial strengths, with minimal support from the Corporate Head Office.

In 2021 we made solid progress on digitalising our integrated human-resources platform (labelled internally as AECI Connect) and on migrating functionality and HR analytics to the cloud. This progress was achieved worldwide. As of April 2022, 137 of 206 required human-resources digitalisation actions had been completed; 91% of these were done in 2021.

In South Africa 98% of employees had engaged with these new services which include payroll, leave and performance management. For other countries the figure was 96%. It is planned that 100% will be achieved by Q1 2023.

Also in 2021 our HR practices and culture were evaluated for the first time by the global Top Employers Institute. The institute's certification process, which included a robust evidence-based audit, returned extremely pleasing results, showing that we outperform our peers in South Africa in a number of people-management categories.

The Board intends prioritising transformation at AECI in 2022 (see the message from our Chairman, page 13).

Our social impact

In 2021 we spent R34,9 million on Socio-economic Development (SED) with a continuing focus on COVID-19 relief. This was similar to the amount invested in 2020. Some 98%



A global, multilingual business, we regularly undertake employee communications in languages including English, Brazilian Portuguese, German, West African French, Mexican Spanish and Bahasa Indonesian. Increasingly, we all speak One AECI.

of our 2021 funds were disbursed in southern Africa. In 2021 we impacted more than 380 000 beneficiaries, an impact that is further unpacked in our Sustainability Report.

Expenditure on Enterprise and Supplier Development in 2021 was R12,7 million, bringing to R111 million the amount we have spent on developing emerging enterprises and black-owned small- and medium-sized suppliers since 2018. One-third of ESD funds have been allocated to the construction sector. Our Khula app (page 17) is an investment avenue through which we believe we can achieve a significant upliftment impact for emerging farmers.

In the year we commissioned an expert, third-party local economic impact assessment of ourselves and other businesses operating within the Umbogintwini Industrial Complex (UIC), which is managed by AECI Property Services. The study evaluated the direct, indirect and induced economic impacts of AECI and the complex's tenants to give an estimate of total economic impact. This total included the value of procurement, employment and production output.

With direct employment of some 2 600 individuals, the researchers estimated that the UIC was responsible for more than 20 000 permanent positions. Business activity and employment translated into local economic value creation of some R4 billion, positively impacting 83 000 individuals.



Broad-Based Black Economic Empowerment

Although we are an increasingly international business, we are listed on the JSE and conduct a large part of our business in South Africa, where we are headquartered. Our roots will always remain South African and we are deeply committed to transformation. As such, our B-BBEE performance is closely monitored by both management and the Board.

In five years, we improved our B-BBEE compliance from Level 8 (as measured by the Codes of Good Practice) to Level 2 – which we achieved in 2019 (2020 and 2021: Level 3).

In terms of the B-BBEE scorecard, we perform extremely well on the Ownership element, our Black ownership easily exceeding all sub-elements. On Enterprise and Supplier Development, we achieve full points for both Supplier Development and Enterprise Development and, in 2020, received an independently assessed 18,46 points (out of 25) for Preferential Procurement. The score for 2021 was 20,73. Since 2019 we have underperformed on Management Control and Employment Equity – although we recorded a small improvement under the Management Control element from 2020 to 2021.

Under COVID-19 conditions, with the restrictions they brought, our Skills Development recognition deteriorated as expenditure on training, and learnership opportunities decreased in line with the fewer opportunities available. In the course of 2021, we adjudged that our reduced investment in Skills Development would translate into a Level 4 Contributor rating. The various measures we took meant that we were able to end the year at a self-assessed Level 3.

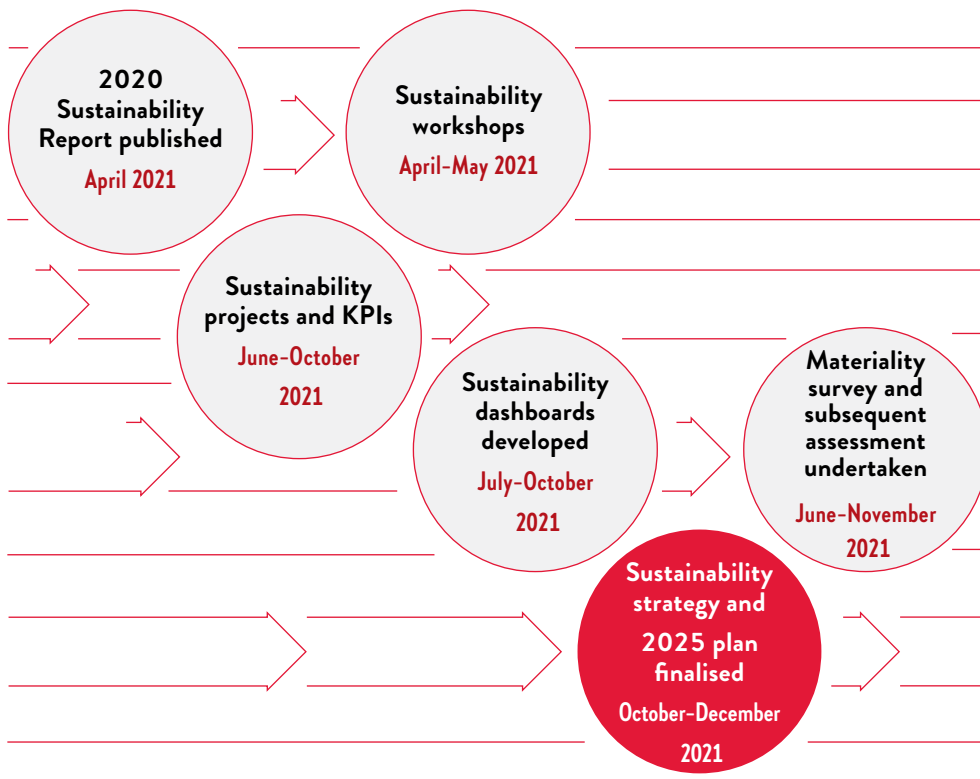
Our new ESG framework

In 2021 we formalised a Group-wide Sustainability strategy.

A Sustainability framework and key performance indicators (KPIs) were developed. To track and communicate performance, a sustainability database and dashboard were also created. After a stakeholder survey identified a number of new material issues, we added 16 KPIs to seven others carried forward from 2020.

Our 2021 performance against the framework is unpacked in our second dedicated Sustainability Report, which also explains improvements to our ESG data capture and reporting that are planned for 2022.

Our sustainability journey



Our direct environmental impact

In 2020 we set ourselves a number of targets to reduce our deleterious environmental impact by 2025, against baselines derived from our 2017-2019 performance.

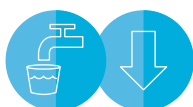
Here we present our targets in the three key areas of water, emissions and renewable energy and our 2021 performance against them. Although it must be borne in mind that COVID-19 restrictions curtailed activity in some of our operations in 2020, we are nonetheless encouraged by the progress made.

In 2021 the Board agreed that AECI should embrace a pathway for a **carbon net zero transition to the year 2050**. To this end, management will draw up interim targets during 2022.

Environmental performance data



Potable water consumption (m³)



target by 2025
25% decrease

result in 2021
30% decrease



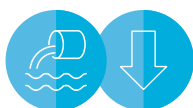
* Indicates limited assurance.

^Δ Increase due to inclusion of data from AECI Schirm and AECI Much Asphalt.

[□] Changes from historical data <2021

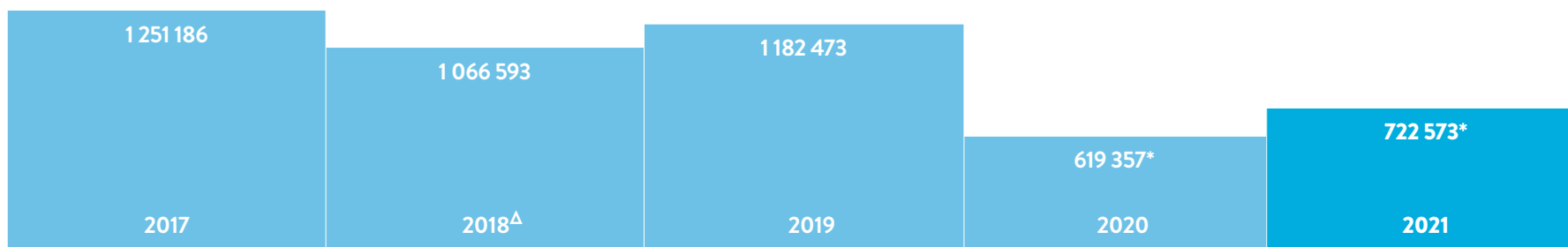
This outcome was achieved on the back of several AECI Mining Explosives' plants being on pandemic-related shutdowns in the prior year. Nonetheless, proactive reduction projects made a positive contribution.

Effluent discharged to sea and sewer (m³)



target by 2025
20% decrease

result in 2021
16% decrease



In 2020 a number of plants were not operational for the full year. One business was sold and a recycling project at AECI Mining Chemicals came online.

GHG emissions

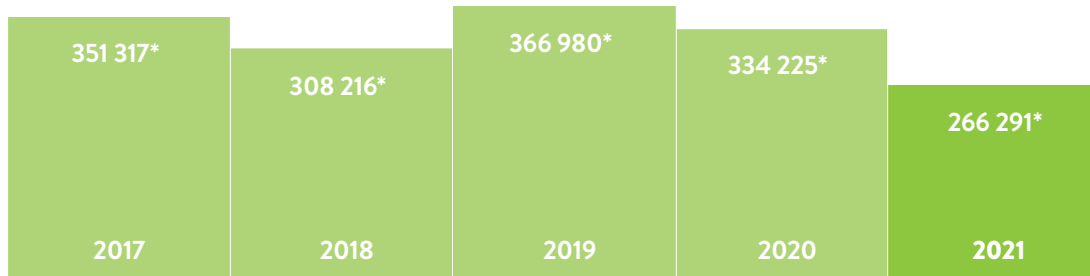
Scope 1 emissions (tonnes CO₂e)

* Indicates limited assurance.



target by 2025
20% decrease

result in 2021
34% decrease

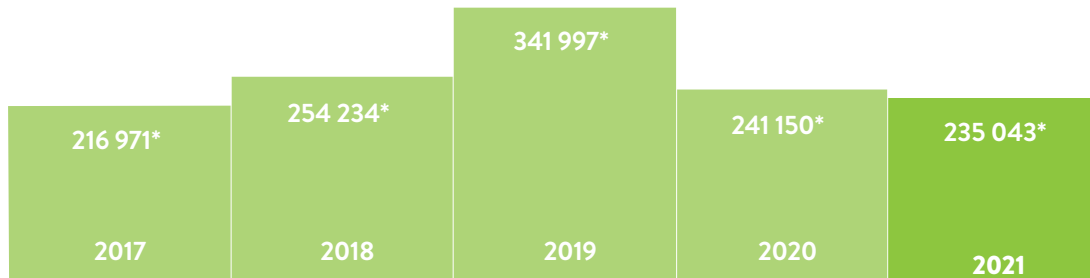


Major contributors to this achievement included the installation of abatement technology at AECI Mining Explosives, idling of sections of AECI Mining Explosives' plants, fuel recycling (AECI Much Asphalt) and improved plant efficiencies achieved by AECI Mining Chemicals.

Scope 2 emissions (tonnes CO₂e)

target by 2025
8% decrease

result in 2021
14% decrease



Reduced capacity utilisation at AECI Specialty Chemicals and AECI Schirm contributed, as did planned plant shutdowns at AECI Mining.



Generation of renewable electricity



target by 2025
8% increase



result in 2021
0% increase



4 solar energy projects
will come into operation in Q4 2022

In 2021 the Board agreed that AECI should embrace a pathway for a net carbon zero target to be achieved by 2050. To this end, in 2022 management will draw up interim targets and implementation measures.

Demonstrating our difference

AECI Water is building a bespoke plant to repurpose process water at AECI Mining Explosives' Modderfontein site, to reduce the intake of potable water and achieve zero liquid effluent discharge (ZLED).

The project, a section of which is illustrated below, addresses the numerous challenges associated with the fact that the site has three distinct and very different water sources, each of which has its own chemical properties and, hence, treatment requirements. Phase 1 was completed in 2021, enabling the replacement of 250 000m³ of potable water annually. Phase 2 involves effluent discharge reduction and water reuse. An Environmental Impact Assessment application for this was in progress in Q2 2022. Pilot work for ultimate ZLED will be completed in 2022 with the aim of full-scale implementation from Q3 2023.

It is envisaged that the end result will be a reduction in the site's potable water requirement by up to 400 million litres of potable water per year – and serve as a demonstration of how AECI Water practises what it preaches.



On a daily basis, our **four strategic pillars** practise everything we preach, to deliver our strategy

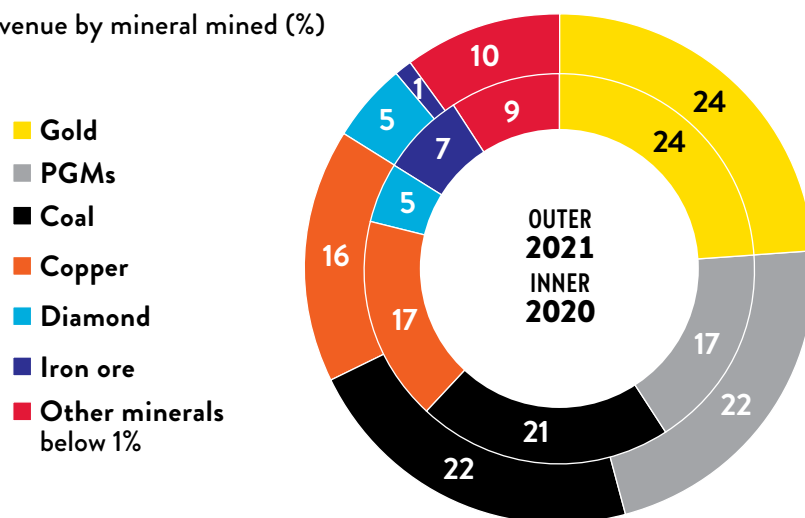
Our pillars creating value



AECI Mining reported stronger overall results, assisted by a recovery in the global mining sector's performance.

REVENUE R11 969m +7%	EBITDA R1 813m +4%	PROFIT FROM OPERATIONS R1 277m +14%	TRADING MARGIN 10,7% 2020: 10,0%	TRADE WORKING CAPITAL 15,3% 2020: 13,7%	TRIR 0,16% 2020: 0,30%
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Revenue by mineral mined (%)



A 7% increase in revenue and 4% rise in EBITDA were supported by an outstanding performance from AECI Mining Chemicals – particularly extractive chemicals – and increased sales of the initiating systems.

Revenue was positively impacted by a pass-through of higher ammonia prices. The benefits of this were offset by a decline in bulk explosives sales volumes. Despite a resilient average rand exchange rate, foreign revenue remained at 61% of total revenue year-on-year.

AECI Mining led the Group towards our best safety performance yet.

AECI Mining Explosives

Overall bulk explosives volumes declined by 6%, impacted by the loss in 2020 of sales to iron ore and platinum surface mining customers in South Africa. By year-end, we had recovered 60% of these lost volumes. Furthermore, explosives volumes were affected by lower offtake from South Africa's coal mining sector – owing to logistics challenges, the consequences of heavy summer rainfall and reduced demand for thermal coal, together with weaker demand in some African territories and weather-related challenges in Indonesia early in the year.

Sales volumes of initiating systems rose by 15% as sustained higher gold and platinum prices and a relaxation of COVID-19 restrictions on mining activity boosted demand from underground mining customers in South Africa. We were pleased to be able to provide an uninterrupted supply of our locally manufactured initiating systems to customers.

On the rest of the African continent, strong copper, nickel and gold prices, as well as new contracts secured, supported overall demand. However, mining activity was curtailed by socio-political instability in some of our Francophone West African markets. Strong competitor activity in the region increased pressure on operating margins.

AECI Australia recorded excellent growth on good demand for coking coal and new business secured. We have built a new bulk explosives plant to service a new contract awarded in the Hunter Valley region, New South Wales. The supply of explosives from this plant commenced in March 2022.

Indonesia returned a solid performance, notwithstanding the disruption of extreme weather events, machine breakdowns experienced by a mining contractor and free digging (mining that does not require explosives) by customers. The newly acquired ammonium nitrate granulator is being installed at the Black Bear Resources Indonesia (BBRI) operation and will be commissioned towards the end of 2022. The granulator will enable us to enhance our market reach in the region and also improve the utilisation of BBRI's ammonium nitrate production facility.

In South America, the roll-out of growth plans at our Brazilian operations remained slow, affected by continued disruptions to international travel and in-country restrictions to mitigate the spread of COVID-19. We remain focused on expanding our customer base in Brazil's mining sector. Site plans for the construction of a bulk explosives production facility in Chile have been approved by the requisite authorities. It is anticipated that this project will be completed early in 2023.

In terms of capex (which was stepped up), we invested in support of new business gained, particularly in Australia, and also completed projects that had been deferred from 2020. These included the air emissions abatement project at AECI Mining Explosives in Modderfontein, the No. 11 Nitric Acid plant shutdown at that same site, the Underground Bulk Emulsion Automated Bagging plant and the ongoing replacement and upgrade programme for mobile manufacturing units (MMUs).



AECI Mining Chemicals

A robust recovery in demand for metallurgical chemicals in the platinum mining sector underpinned an excellent performance in the year. In the face of severe supply constraints we were better placed to serve South African customers than most of our competitors. Overall exports were lower due to certain customers not resuming their operations after being on 'care and maintenance' due to COVID-19 challenges. We debottlenecked our solid xanthate plant, increasing capacity and reducing costs.

Stakeholder relations

Customers

Considered essential services during the height of COVID-19 restrictions, AECI Mining engaged closely with all stakeholders to support the return to full mining activity. With vaccine mandates in force at many customers' premises, AECI Mining was able to continue to offer our services by ensuring our teams were well versed in our own Response Plan and also complied with customers' own on-site requirements.

Regulators

In 2018, amendments to the South African Mining Charter required at least 60% local content in the manufacture or assembly of mining goods. Also, in 2021 organised business agreed, through the National Economic Development and Labour Council (Nedlac), to replace 20% of non-petroleum imports with locally manufactured goods. We were among the first mining-sector suppliers to receive verification from the SA Bureau of Standards to the effect that at least 80% of the products we supply to mining customers are locally manufactured.

Suppliers

Facing considerable supply constraints, AECI Mining onboarded a number of new raw-material suppliers based, in particular, in Europe and China. In diversifying its supply sources, the pillar has mitigated a key risk but continues to value traditional suppliers who we have developed, whose quality we have assured and with whom we have established working relationships. We were also compelled to find alternative suppliers, in the Middle East and South Africa, after Petro SA discontinued a particular production line.

Joint-venture partners

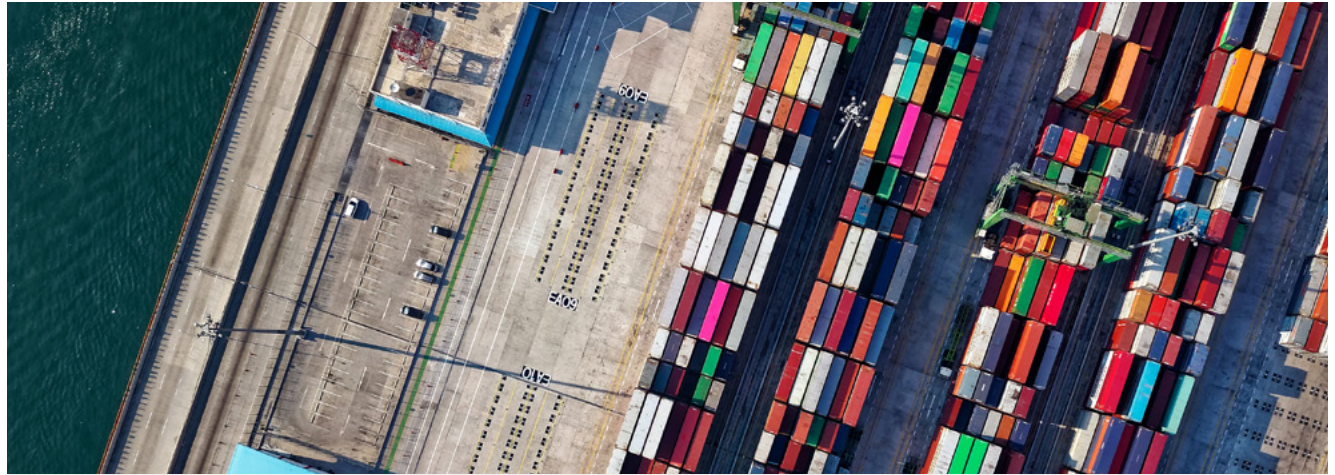
In 2021, AECI Mining's partnership with blasting engineering firm, DetNet, advanced further in the field of wireless detonation. Joint-venture developments promise to bolster the pillar's competitiveness in a number of markets.

Customer-centricity

- When COVID-19 restrictions meant AECI Mining Explosives' electronic initiation support team could not travel to some customers in West Africa, we deployed our LogShot™ technology to extract data from detonator units. Through virtual invention, we could consult remotely and overcome customers' difficulties in initiating electronic blasts.
- In Indonesia, we were able to deliver significant efficiency and safety improvements to a large customer through the deployment of AECI Mining Explosives' IntelliShot™ electronic blasting initiation system's capability to initiate systems wirelessly – otherwise known as remote firing.
- Despite the supply chain challenges experienced during the pandemic, AECI Mining's global distribution network achieved "On Time In Full" delivery of above 95% at the height of the disruptions. By putting in place business continuity plans, no customer's business was halted on the basis of non-supply.

Digitalisation

AECI Mining Explosives' high-accuracy Differential Global Positioning System (pictured below), which is part of the IntelliShot™ system, is helping to bring large-scale mining into the digital era and supports new blasting techniques and mining methods to increase productivity and reduce blasting costs. IntelliShot™ brings autonomy to the blast hole tagging process, enabling faster blast deployment, greater accuracy and increased efficiency.



Risk and opportunity

- To address the risk of supply chain disruptions (Risk 4), we leverage the benefits of local supply, particularly in markets such as Indonesia and South Africa. Amid strong demand for detonators in South Africa in 2021, we benefited from local production, with our manufacturing facility producing to capacity.
- We will continue to leverage our position as a reliable supplier of ammonium nitrate (which in 2021 meant that none of our customers' operations experienced a shortage of supply amid shortfalls suffered by some competitors). In 2021, we started building a production facility in Chile for the local supply of new emulsion explosives.
- Unstable infrastructure (Risk 3) including loadshedding and poor rail services in South Africa disrupted export sales of coal in 2021, in turn affecting mining activity. If this continues, the country could miss out on much of the upside of the commodity boom.
- The trend towards more safety-related mine stoppages in South Africa interrupts mining activity and ultimately, demand for our products and services. We remain focused on Zero Harm in our operations and our customers', mitigating the likelihood of catastrophic safety, environmental or quality incidents (Risk 2).
- As we use our own technology to manufacture our products, we are not limited by licence restrictions and see opportunity to expand into new markets, including North America.
- In 2022, AECI Mining Explosives will launch a new explosive booster made from non-explosive, less environmentally harmful, raw materials. In aggressively pursuing our Better Mining agenda, we will be able to use our manufacturing and intellectual capital to produce the new product, PowerBoost™, at smaller, modular production plants close to customers' sites across the world. In this way we gain significant competitive edge by assuring customers of security of supply.
- The Ukraine conflict and soaring commodity prices have presented the opportunity to ship ammonium nitrate-based products to new mining customers in West Africa. Previously it had not been cost-effective to compete against supplies which miners in these states had traditionally sourced from Eastern Europe.

Outlook and Growth Strategy

At the start of 2022, all AECI Mining production facilities were running optimally and exports were very promising. The sustained increase in commodity prices is likely to provide a boost to the mining sector, with more mines re-opening or expanding their activities. In line with our Growth Strategy, we plan to scale AECI Mining to become a true global player and expect this pillar to contribute more than half the growth the Group envisages.

In Indonesia, AECI Mining Explosives has secured a five-year contract extension with a large customer and will focus on the construction of a granulator plant. This will enable the sale of ammonium nitrate in solid form in addition to the liquid ammonium nitrate solutions currently available. In Australia, after our best ever performance in 2021, in the year ahead we expect to benefit from the rolling over for five years of a large contract and the start in March 2022 of a new contract with another customer. In Botswana, we start work on a new contract in the second half of 2022. We have also gained large underground accounts in South Africa, Ghana and Zambia.

AECI Mining Chemicals has a strong pipeline of R&D projects underway and is adding plant capacity at Umbogintwini to support higher emulsifier volumes.

In pursuing Better Mining, we intend commercialising our two-component booster (PowerBoost™) and carrying out further field trials with our innovative new wireless detonator (CyberDet™, pictured below), with advanced technological and safety features.



This pillar's financial performance disappointed this year.

REVENUE	EBITDA	PROFIT FROM OPERATIONS	TRADING MARGIN	TRADE WORKING CAPITAL	TRIR
R1 541m	R262m	R212m	13,8%	20,4%	0,34
+6,5%	+1,2%	+0,5%	2020: 14,6%	2020: 19,1%	(Including one occupational illness)*
					2020: 0,85%

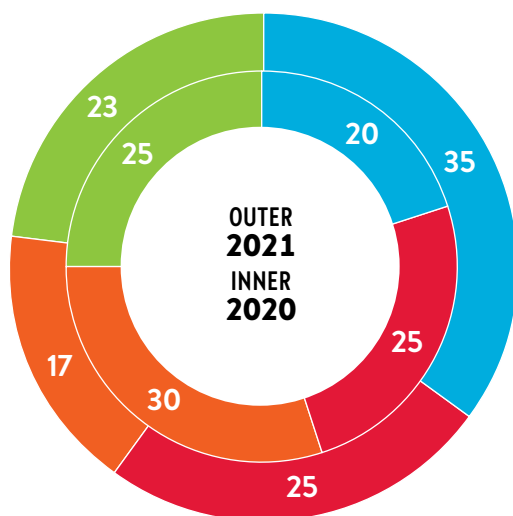
Undermining the result were various stresses experienced by our industrial customers, notably in the oil and gas sector, and a poorer-than-expected recovery in trading volumes from the effects of COVID-19 restrictions experienced in 2020. (Only 30% of the volumes lost in 2020 were recovered in 2021.)

Offsetting the impact of the downturn in our industrial business was a pleasing increase in public-water orders (year-on-year growth of more than 20%). This increase was supported by extremely good rains in South Africa, which heightened demand for water-treatment chemicals. The contrasting fortunes of our public sector and industrial businesses were reflected in the fact that, at year end, these made up approximately 35% and 20% respectively of AECI Water's revenue. Traditionally, industrial accounted for some 40% of revenue and public 20%.

The improvement in public water income was achieved at lower margins than has traditionally been the case with industrial and mining clients and was not without its challenges. In particular, supply-chain difficulties meant that we were unable to source large amounts of raw materials from our regular suppliers. The imperative to keep the public supplied with safe water meant, however, that we had to purchase more costly raw materials. Because of the strictures of Public Finance Management Act regulations, our public-sector customers were mostly unable to compensate us in the year for these additional costs. Margins were further eroded by port constraints and higher shipping costs.

** Indicates limited assurance*

Revenue by industry (%)



- Public water
- Mining
- Oil & refining
- Industrial & other

Revenue was also affected by travel restrictions which limited our ability to be on site at (export) clients' premises to progress project development. In the year, some 80% of new projects were postponed but we are confident of executing this backlog in 2022.

AECI Water exercised effective controls over cash and costs and, under often adverse circumstances, working capital was well managed. Fixed-cost savings which resulted from a 2019 restructuring exercise were consolidated.

In 2021 we were disappointed by client uptake on projects proposed or tendered. However, AECI Water ended the year extremely strongly with a growing order book and project pipeline. It was apparent that business "lost" to COVID-19 in 2020 was increasingly being won back. This performance continued into Q1 2022 and we expect it to continue for the remainder of the year.

Most encouragingly for AECI Water was the progress made in 2021 on a number of strategic interventions. In 2019 the pillar launched Project Purpose, an initiative to achieve greater alignment between our water business and our promise of One AECI, for a better world. Towards this end, we are focused on offering holistic, value-adding projects which deliver sustainable financial, environmental and social value.

Stakeholder relations – potential partners

In line with the Group's Growth Strategy, AECI Water is increasingly cementing partnerships with complementary businesses that own intellectual property we do not possess, to deliver more integrated solutions. These are in areas including waste to value, cleaner water, eco-friendly cleaning, energy efficiency and viscosity modification.

Customer-centricity

AECI Water has developed two tools to better deliver and measure customer-centricity. One is the Large Account Management Programme (LAMP), which aligns product offerings and service delivery with customers' business strategies and priorities. Another, Voice of Our Customer (VoC), is used to give detailed measurement of individual customers' satisfaction.



Risk and opportunity

Expansion outside South Africa is a key objective for the pillar but significant investment in aggressive expansion could entail considerable risk, requiring careful consideration. AECI Water plans to mitigate this investment risk, to a large extent, by leveraging the footprint of other AECI Group businesses' resources and presence in the rest of the African continent.

Innovation

AECI Water has a number of "internal" customers – other pillars and businesses within the Group. It is actively helping them to deliver on our 2025 environmental targets. In this way AECI Water is practising what it preaches to clients.

Our work to eliminate effluent discharge to sea from the Umbogintwini Industrial Complex began to show some extremely pleasing results from development work – which we will be able to commercialise. Now in the final stages of evaluation, technicians working at Umbogintwini have succeeded in reducing the amount of liquid left after the dehydration phase of effluent treatment to 98%. Traditional methodologies seldom achieve rates above 75%. Our new approach also reduces the amount of thermal energy needed for dehydration by 98%. Our ultimate goal is zero liquid discharge.

In 2021 AECI Water brought to market a skid-mounted solar-powered unit that remotely monitors discharge wastewater in real time. It does this with extreme precision but without the need for static laboratory testing or manual data processing, meaning that exceedances can be detected immediately. Such units are currently being deployed by the Zambian Environmental Management Agency.

Outlook and Growth Strategy

In 2022 we expect that more than 15% of AECI Water's revenue will be from sales/lease of equipment (in 2021 this was less than 5%). We are also seeing strong growth in the uptake of newly developed business models including build, operate, transfer (BOT), build, lease, operate, transfer (BLOT) and build, own, operate, transfer (BOOT). Through these mechanisms we use AECI's balance-sheet strength to deliver positive environmental, social and financial outcomes sooner than would otherwise be the case.

In 2021 AECI Water invested in recruiting new skills to deliver greater technology-enabled benefits to its customers. These include engineering and project-management skills. Whereas previously the business was only able to bid for project values in the region of R100 million, our strengthened intellectual capital means we are now able to compete for projects worth up to R500 million.

Expansion in RoA and international mining will be key pillar focuses in 2022.



The Agri Health pillar's performance was mixed.

REVENUE	EBITDA	PROFIT FROM OPERATIONS	TRADING MARGIN	TRADE WORKING CAPITAL	TRIR
R6 020m	R383m	R179m	3,0%	17,4%	0,36
-0,6%	-26,1%	-38,3%	2020: 4,8%	2020: 13,1%	2020: 0,86

The pillar improved its overall safety performance – its TRIR reducing from 0,86 in the previous year to 0,36 and recordable injuries declining from 12 to five. AECI Schirm contributed significantly in this regard.

AECI Plant Health

AECI Plant Health recorded an exceptional financial performance on the back of strong demand from the agricultural sector in South Africa across all regions and all crops. Revenue and Profit from operations increased by 13% and 24% respectively. Strong sales of our in-house formulated products drove this performance as did higher sales volumes of liquid Bulk Nutrition products.

In its first full year being managed as part of the Agri Health pillar, AECI Animal Health's sales volumes disappointed relative to projections and some inventory had to be written off.

During the year, the pillar's overall working capital deteriorated on higher, more costly, inventory levels. Logistics challenges in Germany continued, to the detriment of AECI Schirm.

At R152,5 million, capital expenditure was similar to that of recent years and mostly committed to upgrading and debottlenecking AECI Plant Health's synthesis plant in Gauteng and expanding the Biocult facility in the Western Cape. The in-house formulation of, particularly, greener products remained the focus of AECI Plant Health's R&D team.

Stakeholder relations

For the second year, in 2021 the head of AECI Plant Health served as president of CropLife SA, an association representing manufacturers, suppliers and distributors of crop health and agricultural biotechnology. We support CropLife SA both financially and, particularly, by deploying senior personnel. Working with the full value chain, including competitors, we believe we can enhance the sustainability of farmers and the food they produce.

In 2021 a big focus of AECI Plant Health was on communicating the advantages of, and best practices for, sustainable farming. Working with our more than 180 crop advisers, we held scores of information sessions with, mostly South African, end users of our products and systems. These sessions covered the use of safe/greener chemicals, local community upliftment and human-capital development.

Risk and opportunity management

Achieving AECI Plant Health's ambitions for geographic expansion requires in-country presence to drive registrations and gain market share. This can translate into considerable cost (and risk). To mitigate these risks, in most territories we pursue a shared-resource model in terms of which we share costs with distributors. AECI Plant Health has solid experience in acquiring distribution capacity to establish and grow new markets.

AECI Schirm

AECI Schirm's USA and German operations returned contrasting performances in the year, the net result being an overall drop in revenue (by 25%) and a small operating loss.

In the USA, capital expenditure in the previous year drove another strong result despite the negative impact of unseasonably cold weather and storms in Texas early in the year.

In 2020, AECI Schirm's results in Germany were supported by euro strength against the rand and the once-off sale of 1,9 million litres of sanitiser to the German government. This year, rand strength, the slow pace of German economic recovery and various other external factors undermined results.

In particular, the business was adversely affected by poor demand from the European automotive sector due to COVID-19-related shortages of components and lingering supply-chain challenges. Recovery in the German chemicals market also disappointed.

In the second half, the prospects of the European business improved as management was strengthened, demand for crop protection products firmed and the automotive sector returned to more normal levels of production. A significant (and growing) number of tenders was secured towards the end of the year and the traditionally significant production of sugar beet herbicide resumed in Q4.

Encouragingly, efforts to rectify AECI Schirm's historically poor safety performance appeared to be bearing fruit in 2021 as its TRIR dropped to 0,35 (2020: >1,00).

Stakeholder relations

Customers, researchers and trade organisations

- *Relations with most key accounts actually improved under pandemic lockdown conditions as these customers increasingly relied on AECI Schirm's technical capabilities to reduce their own production risks. However, for many (particularly smaller) customers, interaction was restricted by a lack of physical contact.*

- *Co-operation with universities, research institutes, innovation hubs and external analytical laboratories was expanded in 2021 – to increase our stock of intellectual capital and expedite the introduction of new products. A particular focus was on leveraging the business's German/EU footprint to develop green products – to the benefit of AECI Schirm and the Group.*
- *In the USA, AECI Schirm is a member of CropLife America. This trade organisation's mission is to "... help ensure growers and consumers have the technologies they need to protect crops, communities, and ecosystems from the threat of pests, weeds, and diseases in an environmentally sustainable way".*

Customer-centricity

This year AECI Schirm Germany centralised its customer relationship function and strengthened it through new appointments.

Risk and opportunity

In 2021 supply-chain interruptions (currently the Group's Number 4 top risk) and pandemic disruptions negatively impacted sales in Germany. However, AECI Schirm's management took steps to turn this risk to the business's competitive advantage.

In the second year of COVID-19, several German-based chemical majors moved to mitigate their supply risks by replacing offshore production in (especially) China with manufacture closer to their European markets, a phenomenon known as "near-sourcing". Typically, however, these companies lack the required local manufacturing capacity – which plays to AECI Schirm's competitive advantage. Exploiting this opportunity has already translated into a significant number of new-business leads and the opportunity to secure ongoing contracts.



Outlook and Growth Strategy

AECI Plant Health began 2022 on a strong note, sales continuing to build on the growing momentum witnessed throughout 2021. Favourable climactic conditions are expected to continue for at least most of the new year. Debottlenecking of the synthesis plant (completed in 2021) will add approximately 30% greater capacity, to take advantage of anticipated stronger demand.

The business will continue to focus on developing greener products and on its technology offerings.

By year-end, 31 product registrations had been completed in the USA, focusing on the West Coast. Management sees considerable export potential in both North and South America for their in-house products, notably those from Biocult. Additional registrations are expected in the new year. Developing distribution capability in these markets will be a key focus in 2022.

Buoyant demand and sales in the USA bode well for AECI Schirm's prospects, as does the start-up of a suspension concentrates herbicide facility in Texas and the continuing excellent performance of our recent investment in new production capacity in Illinois. The awarding of additional contracts and improved overall demand augur well for the German operation's outlook.

At the time of reporting, the ongoing conflict in Ukraine and its effects on European economies and markets represented a material uncertainty.



The pillar achieved a sharp turnaround in 2021.

REVENUE R6 462m +19,1%	EBITDA R778m +40,2%	PROFIT FROM OPERATIONS R586m +>100%	TRADING MARGIN 9,1% 2020: -9,8%	TRADE WORKING CAPITAL 14,9% 2020: 14,2%	TRIR 0,32 2020: 0,49
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At R586 million, AECI Chemicals' profit represented a more than 100% improvement on the negative result reported in 2020.

Informing the positive outcome was a level of recovery in South African manufacturing, the achievement (in line with expectations) of the R100 million sustainable annualised benefits from the 2020 strategic realignment project, a significant improvement in the quality of earnings and a better performance from AECI Much Asphalt.

Costs were well contained, despite raw material and shipping costs being sharply up year on year. These challenges were managed extremely successfully overall, translating into a trading margin that, at 9,1% was within reach of the 10% target. Capital expenditure was restricted to (mostly) stay-in-business investment and limited to a level similar to that of 2020.

The better financial results were mirrored by an improved safety performance – AECI Chemicals' TRIR dropped from 0,49 to 0,32.

AECI Industrial Chemicals secured higher prices and volumes for sulphuric acid and sulphur, and further growth in sales to the Homecare sector. The new bulk commodity trading business also performed well as new product lines were introduced. The phosphoric acid market recovered sharply. Volumes for Foundry & Timber were stable. Key to AECI Industrial Chemicals' overall success and to capitalising on improved demand was the effective securing of all key raw materials.

AECI Specialty Chemicals' personal care, polymers, coatings, construction and metal coatings portfolios all reported volume and margin improvements. Oleochemicals and can coatings



benefited from two major contract renewals. The business achieved revenues that were similar to those of 2020 (which included sales by the paper chemicals business prior to its disposal) and despite disappointing sales to state-owned enterprises. There was good growth in exports.

AECI Food & Beverage achieved commendable growth across all food categories, with outstanding contributions from the dairy and specialty portfolios. The focus on Better Food Systems benefited the Health & Nutrition portfolio. There was consistent improvement in beverages, particularly in traded juice markets in both the local and export markets. Local demand for formulated juices remained depressed..

AECI SANS Fibers delivered a superb result as it benefited from local manufacture in the USA – enabling it to meet demand amid a recovery in the US automotive and apparel markets.

AECI Much Asphalt's performance improved, despite the negative effects of limited infrastructure spend and delays caused by very high rainfall. In 2021 the business reported a recovery in volumes although this was off an extremely low base in 2020 (when an impairment was recognised). AECI Much Asphalt's poor performance in the previous year derived largely from the deferral of infrastructure upgrades and new investments as the South African government reprioritised state spending to deal with effects of COVID-19.

Many AECI Much Asphalt customers' liquidity remained a key risk. An added difficulty stemmed from the closure of several oil refineries which, in 2021, disrupted bitumen supplies, requiring AECI Much Asphalt to maintain significantly higher inventories. Towards the end of the year and into 2022, however, we were encouraged by the growing number of contracts being awarded and we expect asphalt demand to normalise.

Risk and opportunity

AECI Industrial Chemicals has recently had to contend with soaring commodity prices. From an average of approximately US\$60/tonne in 2020, crude sulphur prices rose to over US\$500/tonne by the time the conflict in Ukraine erupted in February 2022. (Following the 2008 global financial crisis, sulphur prices reached US\$800/tonne before rapidly dropping to negative values – meaning that holders of crude sulphur were paying off-takers to reduce their inventories).

In the year reported, yellow phosphorus prices rose six-fold. Under these circumstances, risk mitigation was essential. In 2021 this was achieved by committing customers, as far as possible, to forward pricing and by reducing the size of deliveries of raw materials. (Extreme spikes in input costs have put customers, particularly those in the homecare sector, under considerable financial pressure. Unable to pass on the quantum of raw-material cost increases to consumers, some smaller manufacturers, including a number of our customers, have faced closure.)

Availability of raw materials was a notable challenge in 2021 for AECI Specialty Chemicals which requires as many as 13 individual inputs for a single product; the non-availability of one “ingredient” could stymie production. The imperative of keeping customers supplied required strategic and focused management of inventories. This ensured that production was uninterrupted, albeit that higher levels of working capital were required.

In terms of opportunities, the supply of linear alkylbenzene (LAB) is a key strength of AECI Industrial Chemicals. The business is now actively pursuing how the Group’s developing partnership with Clariter can equip it to market greener, recycled, LAB. This opportunity could translate into significant competitive advantage as well as enhancing our delivery of Better Chemistry.

Trade-offs

The ONE e-commerce platform was developed and launched in 2021 at a cost of over R1 million. Spearheaded by AECI Food & Beverage with a limited product range, the initial uptake was (as anticipated) moderate. However, feedback from, particularly, smaller customers was overwhelmingly positive.

It is expected that in the medium to longer term, the investment in ONE will be strategically important, not only to defend existing markets but also to achieve the Group’s growth objectives.

Customer-centricity

Under pandemic lockdown conditions, the performance of AECI Food & Beverage’s distribution function deteriorated alarmingly. In response, the business insourced all South African and African distribution. The results were a modest reduction in operating costs but a very marked improvement in customer satisfaction.

The new ONE e-commerce portal (See below) proved particularly popular with smaller AECI Food & Beverage customers who have commended the platform for its simplicity and convenience.

Stakeholder relations

Principals

In 2021 AECI Food & Beverages reached an agreement with its largest dairy principal to alter the fundamentals of the parties’ long-standing distribution arrangement. Under the new agreement, the principal will do technical sales but we will continue to “own” the customer relationship and undertake value-chain activities including warehousing, distribution and invoicing. The principal will continue to benefit from the work of the AECI Dairy Application Centre (laboratory).

Distributors

This year AECI Food & Beverage terminated its distribution agreements with agents in West and East Africa and appointed a number of new, often smaller, agencies. This was done to ensure a greater agent focus on customers and to realise the business’s Growth Strategy ambitions for sub-Saharan Africa.

AECI Food & Beverage achieved good growth in Zimbabwe and Zambia and also enjoyed a volume, revenue and profitability uplift from new products developed and sold in West Africa by a long-standing beverage customer.

Communities

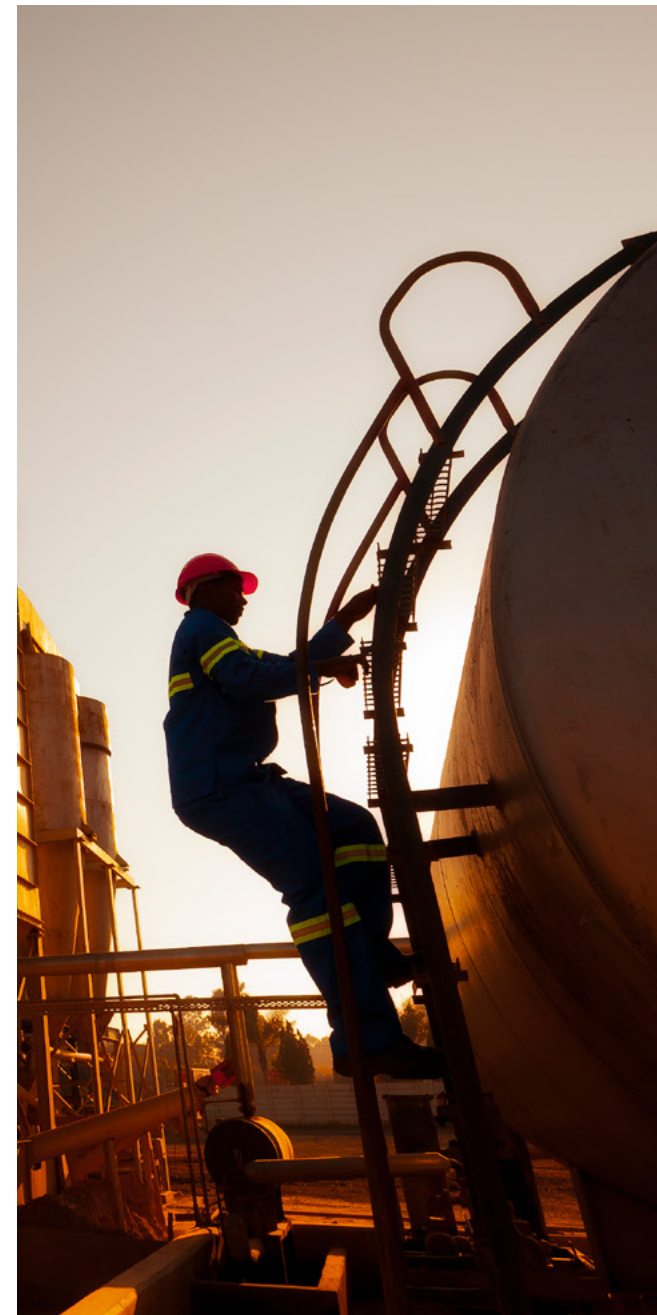
Recently, communities near the Umbogintwini Industrial Complex have raised legitimate questions about our business and local socio-economic impacts. We appreciated that we – and the communities concerned – needed to better understand these (mostly) positive outcomes and so, in 2021, we commissioned an impartial, expert assessment (page 26 for a summary of results).

Outlook and Growth Strategy

At the time of reporting, the South African manufacturing environment remained under pressure with business confidence clouded by concerns around raw materials availability, supply chains and power supply. In line with our Growth Strategy, all AECI Chemicals businesses are focused on innovation, emphasising greener chemistries as well as growing their footprints in sub-Saharan Africa. AECI Specialty Chemicals, for example, is actively pursuing further expansion opportunities in lubricants and personal care in Southern, West and East Africa.

In 2022 AECI Much Asphalt will use its greater geographic spread (in 2021 it established a presence in Mpumalanga) to capitalise on new opportunities including an upliftment in national and provincial government contracts. At the same time, management are actively working to develop diversified (non-government) revenue streams.

Collaboration with a number of strategic partners, including Origin Materials, is being actively pursued.



Our Non-executive Directors



Khotso Mokhele

Chairman

(Born 1955)
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 Nomination and Investment Committees and a member of the Remuneration Committee.

Khotso is the Lead Independent Non-executive Director at the MTN Group, Non-executive Director at Hans Merensky Holdings and President of the Hans Merensky Foundation.

Fikile De Buck

(Born 1960)
BA Economics and Accounting, FCCA

Fikile joined the AECI Board in 2019. She chairs the Social and Ethics Committee, and is a member of the Audit Committee and AECI Mining's Financial Review Committee.

Until December 2021, Fikile was an Independent Non-executive Director of Harmony Gold Mining Company, where she chaired the Audit and Risk Committee and was a member of the Social and Ethics, Remuneration and Nomination Committees. She 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. Fikile is the South Africa Chapter President of the Global Forum of Women Entrepreneurs. She is also a member of Women in Mining South Africa.

Walter Dissinger

(Born 1962)
MEng (Industrial)

Walter joined the Board in 2020. He is a member of the Risk and Investment Committees, and the Integrated Chemicals Financial Review Committee.

Walter is an Independent Non-executive Director at a number of international companies in Brazil. He served as Chief Executive Officer of Votorantim Cimentos S.A.; and prior to that he held senior positions at BASF in South America and Europe.

Philisiwe Sibiya

(Born 1977)
CA(SA)

Philisiwe (Phili) was appointed to the Board in 2018. She chairs the Audit Committee and the Integrated Chemicals Financial Review Committee and is a member of the Risk Committee. Other directorships include the Investec Group and Gold Fields.

She is also CEO and Chair of the Shingai Group, the investment holding company she founded.

Phili was formerly CFO at MTN South Africa and CEO at MTN Cameroon.

Godfrey Gomwe

(Born 1955)
BAcc, MBL, CA(Z)

Godfrey has served on the AECI Board since 2015. He is Chairman of the Remuneration Committee and the AECI Mining Financial Review Committee as well as a member of the Audit, Nomination and Investment Committees.

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.

In his career he was, among others, Chief Executive of Anglo American Thermal Coal and was also responsible for Anglo American's manganese interests in the joint venture with BHP Billiton.



Patty O'Brien

(Born 1965)
BSBA Industrial Marketing, MBA

Patricia (Patty) joined the Board in July 2021. She is a member of the Social and Ethics and Investment Committees and also serves on the Integrated Chemicals Financial Review Committee.

Patty most recently was the Chief Commercial Officer at USA-based CoorsTek Inc., a global manufacturer of technical ceramics for aerospace, automotive, chemical, electronics, medical, metallurgical, oil and gas, semiconductor and other industries.

Her experience in the chemicals industry includes her time as Chief Marketing Officer at A. Schulman (now part of LyondellBasell) and as Global Director of Marketing Excellence at Dow Inc.

Rams Ramashia

(Born 1957)
Bluris, LLB, LLM

Rams has served on the Board since 2010 and will retire on 31 May 2022. He chairs the Risk Committee and is a member of the Audit, Social and Ethics, Nomination and Remuneration Committees. He is Non-executive Chairman of Rand Refinery and a board member at the Mineworkers Investment Company, where he serves on the Social and Ethics and the Remuneration Committees. In 2021 Rams was appointed to the board of MTN Cameroon where he chairs the Remuneration Committee. He is also a board member of MTN South Africa and serves on its Remuneration and Human Resource Committee.

Rams is a practising advocate of the High Court and a member of the Johannesburg Society of Advocates. His past responsibilities include Non-executive Chairman of BP Southern Africa, Regional President of BP Africa and Director-General of the South African Department of Labour.

Marna Roets

(Born 1967)
CA(SA)

Marna joined the Board in 2020. She is a member of the Audit and Remuneration Committees, the Integrated Chemicals Financial Review Committee and the AECI Captive Insurance Financial Review Committee.

Marna has extensive experience in business, financial services, banking, corporate finance and auditing. She has served as an executive at major banking groups on the African continent.

Marna is a Non-executive Director and shareholder of No More Plastic, a company that manufactures biodegradable products.

Steve Dawson

(Born 1964)
BSc (Hons), MBA, Australian
Institute of Company Directors

Steve joined the Board in 2020. He is member of the Risk and Investment Committees and the AECI Mining Financial Review Committee.

In his career Steve has fulfilled senior global roles at Dyno Nobel and Incitec Pivot across sales, operations, safety and risk related to explosives and fertilisers.

Our Group Executives



Mark Dytor

Chief Executive

(Born 1961)

HNDP (Metalliferous Mining), PMD (UCT)

Mark has served as Chief Executive since 2013. He joined the Board in the same year after having joined the Executive Committee in 2010. He has overall responsibility for the performance of all Group businesses as well as Group strategy and oversees AECI's Legal and Secretariat and SHEQ functions.

Mark is also Chairman of the Executive Committee and AECI Mining, the largest business in the Group; a Board member of the Chemical & Allied Industries' Association (CAIA); and is one of only a few select CEO Champions involved in the Business Unity South Africa/ National Business Initiative climate change project. He is closely involved in managing unique challenges such-as the COVID-19 pandemic and defining a transitional pathway to net zero and a sustainable future.

In 2021, Mark was a finalist in the Conscious Companies Awards, which recognise leaders who are unwavering in their commitment to ethics, integrity and value systems. In this regard, he plays a key role in embedding AECI's purpose and values in the DNA of every business and employee.

Mark's 38-year career in the Group goes back to 1984 when he joined Chemical Services (Chemserve) as a Sales Representative. He served as Managing Director of two Chemserve companies and Chairman of others. He was appointed to Chemserve's Executive Committee in 1998 and subsequently to its Board.

Mark Kathan

Chief Financial Officer

(Born 1970)

CA(SA), AMP (Harvard)

Mark joined AECI as CFO in 2008. In addition to overall responsibility for Finance and Treasury, he oversees AECI's Corporate Communications and Investor Relations, Internal Audit and IT functions as well as its Retirement Funds. He also plays a leading role in M&A activities and is Chairman of AECI Schirm and AECI Property Services. Until the end of 2021, he was Chairman of AECI SANS Fibers.

Mark was appointed Chief Executive of AECI Mining in 2022. AECI Mining is the Group's largest and most international business. Mark will relinquish his CFO responsibilities once Aarti Takoordeen takes over in May 2022.

Mark's career has included his time as Financial Director for South Africa and Africa at Nampak, where he also served on the Group Executive Committee.



Dean Mulqueeny

(Born 1966)
NHD Analytical Chemistry,
Global Executive Development
Programme (GIBS)

Dean is Group Executive:
Water and Chairman of AECI
Much Asphalt. He also oversees
the AECI Growth Office
which spearheads the Group's
innovation drive.

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. 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.

Cheryl Singh

(Born 1976)
B.Proc, LLB, MBA

Cheryl took up her position
as Group Company Secretary
and General Counsel in 2021.
She is an admitted attorney and
GIBS MBA alumna with over 15
years' experience as a company
secretary, including the legal,
compliance and risk management
disciplines.

Cheryl started her career at a
leading law firm and went on
to work at various listed and
unlisted companies in a number
of sectors. She is also a certified
Ethics Practitioner with the Ethics
Institute of Southern Africa.

Dean Murray

(Born 1968)
NDip Chemical Engineering,
Global Executive Development
Programme (GIBS)

Dean is the Group Executive
responsible for AECI Agri Health
and AECI Chemicals.

He joined the Group as Managing
Director of Chemiphos when
Chemserve acquired that
business in 2006 and went on to
serve in a number of leadership
roles in the Chemserve group.

Dean was appointed to the then
AECI Chemicals Executive in
2013 and the AECI Executive
Committee in 2018.

John Mahlase

(Born 1961)
B. Admin (Hons), Advanced
Diploma in Labour Law

John joined the Group in 1995.
He is currently the Human Capital
Executive for AECI Mining.

During his career, John has
served in several roles including
Group Industrial Relations
Manager, Group Human
Resources Manager and Group
Transformation Manager.

John joined the Group Executive
Committee as Acting Group
Executive: Human Capital in April
2022 following the resignation of
Candice Watson.

Aarti Takoordeen

(Born 1980)
CA(SA) AMP (Harvard)

Aarti Takoordeen will join the
Group as CFO and Executive
Director with effect from
20 May 2022. In addition
to these roles, her extended
portfolio will include M&A, IT,
Enterprise Risk Management,
and Strategic Projects. Aarti will
be appointed Chairman of AECI
Property Services.

She has served as Group CFO
and Executive Director of the
JSE for the past nine years.

Prior to the JSE, she held Executive
roles at Johnson Controls
International and Hewlett-Packard
across the Middle East and Africa.
She was named a Young Global
Leader by the World Economic
Forum.

Governance in support of growth

In 2021 the AECI Board of Directors (the Board) worked with purpose to ensure that a clear Growth Strategy was documented and cascaded throughout the organisation. The Board also ensured that support and functions critical to ensuring the success of the Company's strategy and vision were in place.

Further, Directors embarked on a journey to enhance the Company's approach to practising and reporting ESG matters. Accordingly, they took a keen interest in reporting on these matters to external stakeholders through communications including this Integrated Report and AECI's second Sustainability Report.

The Board continued to provide strong and ethical leadership across the areas of good governance, internal controls, risk management and combined assurance.

By the end of 2022, the Company plans to align its reporting with the JSE Sustainability and Climate Change Disclosure Guidance and the International Sustainability Standards Board requirements (see the Sustainability Report).

The Board aligned its governing processes to new amendments of the JSE Listings Requirements, other regulatory changes across the Group's geographic footprint and general best practices and governance codes, including King IV™.

Our implementation of King IV™ is published on our website. Implementation of all 16 King IV™ principles is reviewed and updated annually.

Leadership in the time of COVID-19

As the markets in which AECI operates endured a second year of COVID-19, the Board continued to provide leadership in navigating the related uncertainties.

It prioritised keeping our people safe and steering the business through the associated disruptions, drawing first-hand on the experience of Directors in different parts of the world. The Board continues to monitor the impact of the pandemic on our people and economic activity around the world.

Our Board structure

The Board is the custodian of all corporate governance systems and processes and ensures that the Group's business is conducted with integrity in line with appropriate governance practices and policies.

Our Board is led by an Independent Non-executive Chairman, eight other Independent Non-executive Directors and two Executive Directors. Through its Nomination Committee, the Board regularly assesses any skills gaps to ensure that its composition reflects the levels of experience and expertise required by the Company to achieve its objectives including the Growth Strategy.

In 2021, the composition of the Board was strengthened with the appointment of Ms Patricia O'Brien on 1 July. Her appointment was in line with the Board Nomination, Composition and Diversity Policy. She further strengthens the Board's capacity in terms of knowledge and experience of the chemicals industry at an international level. Ms O'Brien joined the Social and Ethics Committee and the Integrated Chemicals Financial Review Committee on 1 August 2021.

The current Board composition is in line with AECI's Memorandum of Incorporation (MOI) and the Board Charter (the Charter).

The Charter creates a clear balance of power and authority between Directors and ensures that no single Director has unfettered decision-making powers.

AECI and the Board complied with the Charter, the MOI, the Companies Act, the JSE Listings Requirements and all other relevant laws and regulations in the financial year ended 31 December 2021.

Board Committees						
Audit Committee, assisted by: Mining Financial Review Committee and Integrated Chemicals Financial Review Committee	Risk Committee	Social and Ethics Committee	Nomination Committee	Remuneration Committee	Investment Committee	Executive Committee

**All chaired by a Non-executive Director except the Executive Committee*

Board Nomination, Composition and Diversity Policy

The Charter and the Board Nomination, Composition and Diversity Policy detail procedures and considerations for Director appointments. Both documents, and policies relating to Board Committees, are available for viewing online.

In 2021 the Board exceeded the voluntary target stipulated in the Policy of 30% female director representation. In line with the Policy's broader Board diversity aims, the graphics that follow depict progress made on gender, race, age and fields of knowledge, skills and experience.

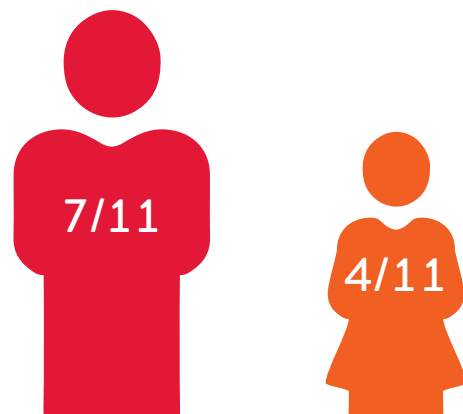
Independence

■ Independent Non-executive ■ Executive



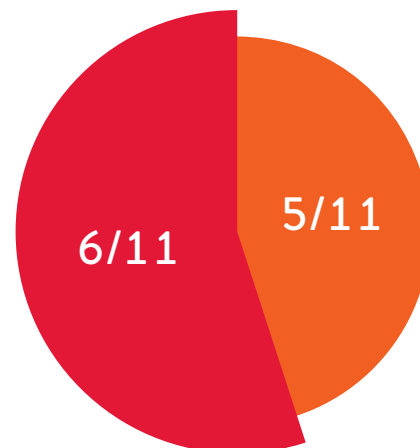
Gender

■ Men ■ Women



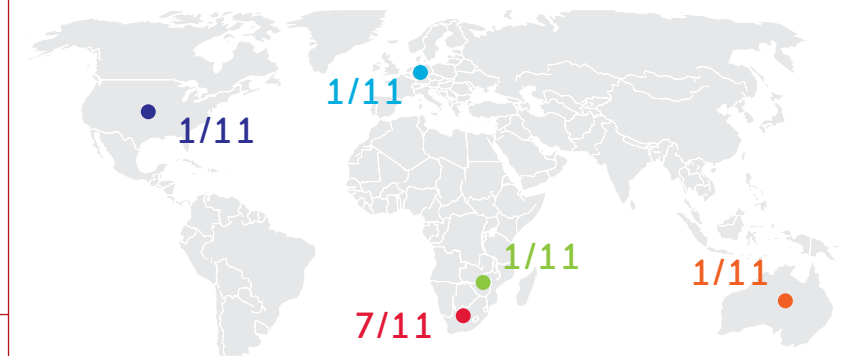
Race

■ White ■ Black



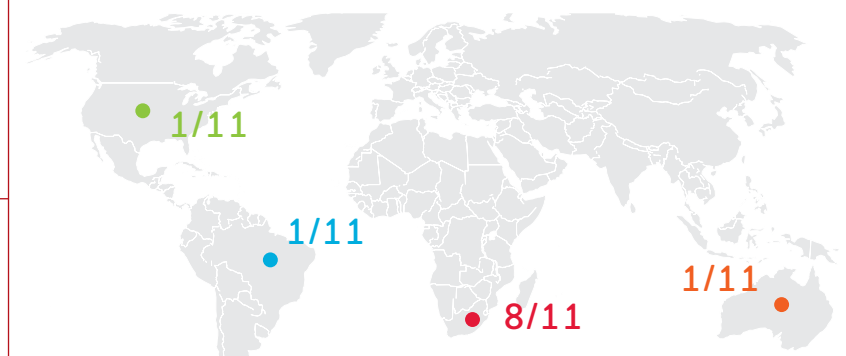
Nationality

■ South African ■ Australian ■ German ■ Zimbabwean ■ American

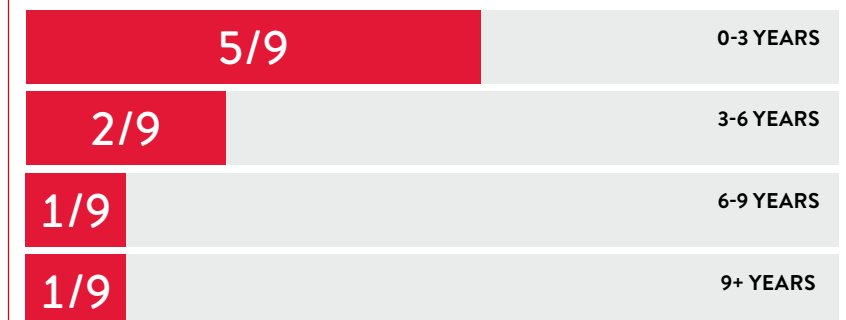


Location

■ South Africa ■ Australia ■ Brazil ■ USA



Tenure of Non-executive Directors



Note: All numbers are at year-end 2021

Board meetings

The Board met a total of 10 times in the year, including a two-day session to provide input into the development of the Growth Strategy. Among special meetings convened in the year was one to focus on the Group's risk management and other strategic imperatives, aligned with the strategy. Goals and targets to be achieved by 2026 have been set as the medium-term aspirations.



The Board's 2021 focus included:

- Approval of the Group's Growth Strategy
- Approval of the Group Environment, Sustainability and Governance (ESG) strategy and reporting model.
- Approval of the Company's integrated Risk and Opportunities register
- Strengthening of the Board's skills and experience
- Establishing the "Board of the Future" aligned to deliver the Growth Strategy

There was a strong focus on risk and opportunity management and combined assurance to further enhance the Group's integrated approach to governance and compliance oversight.

2021 Priorities

Establishing a refocused group structure to fit the new One AECI, for a better world purpose

Progress

Fully achieved

Supporting and enhancing processes and systems for the execution of strategies, especially for new markets

Fully achieved in line with the work plan. Further enhancements to be done in 2022

Reframing risk management and the control environment, especially in relation to COVID-19 considerations and IT

Fully achieved in line with the work plan but ongoing initiatives will continue in 2022

Board composition, tenure and diversity imperatives

Progress made and further enhancements will be a focus in 2022

Director	17 FEB'	18 FEB'	23 FEB	26 FEB'	10 MAR'	8 APR'	25-26 MAY ²	27 JULY	20 OCT ²	23 NOV
KDK Mokhele (Chair)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
SA Dawson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
FFT De Buck	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
WH Dissinger	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
MA Dytor	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
G Gomwe	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
KM Kathan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
P O'Brien (appointed on 1 July 2021)	–	–	–	–	–	–	–	✓	✓	✓
R Ramashia	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
AM Roets	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
PG Sibiya	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

1 Special meeting | 2 Strategy meeting

Board processes and leadership

Non-executive Directors engage before each Board meeting to raise matters of interest and concern, without participation by the Executive Directors. This contributes to the overall maturity of governance and allows the Board to have unfettered discussions. The Chairman of the Board conveys 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 timeously with the information required for them to prepare for meetings and formulate their views on matters.

Organisational transformation is well underway and the Board understands AECI's culture. Recent Board assessments have confirmed that the culture of the Board is healthy, with good working relationships and commitment consistently displayed by all Directors. Management is strongly focused on a strategy founded on sustainability.

This is supported by the Board in all respects.

In recent Board assessments, the Chairman was acknowledged for his strong leadership, experience, knowledge and focus. He is inclusive and has led the Board proactively through the challenges of COVID-19, ensuring that meetings are well managed and achieve desired governance outcomes.

Relationships between the Board and management are healthy and appropriate. There are adequate levels of trust. Management is duly empowered to execute Board-agreed strategy and policies.

The Committees are viewed as being effective. With a small Board and a relatively high number of Committees, there is a significant workload on each Non-executive Director. This work is discharged responsibly and with commitment. Committee Chairs are highly regarded and they lead Committee meetings well.

Board effectiveness and interaction with management

The Directors consider AECI to be well led by a competent Chief Executive and Executive team. They believe that management is open, sharing both good and bad news, and willing to take criticism and advice from the Board.

The Board is cohesive, supportive and comprised of professional and skilled members. Although some members have limited tenure, contributions are balanced. There is good diversity (race, gender, personality, geography) and members prepare and contribute well.

A good atmosphere and “good chemistry” are displayed during Board meetings and members show respect for each other and the work of the Board. Deliberations are robust and rigorous and no subject is off limits.

The size of the Board is appropriate and its work is relevant, focused and professional. Board meetings are managed efficiently and focus on the most material issues facing AECI.

Tenure and rotation

In terms of the Charter, the Company submits 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 Directors concerned).

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

After a 12-year tenure, Advocate Rams Ramashia will step down as a Non-executive Director at the next AGM, on 31 May 2022. The Board thanks him for his valuable contribution over the years.

Terms of employment and remuneration 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. Through the Nomination Committee, the Board had detailed discussions with the two Executive Directors regarding succession plans for all key roles including their own. Although the Board is generally satisfied that the potential risk associated with the continuity of leadership at this level has been mitigated, succession planning at the most senior levels received even greater focus in 2021.

On the recommendation of the Remuneration Committee, the Board determines the remuneration of Executive Directors, Executives and other Senior Managers in line with AECI’s remuneration philosophy. No Non-executive Director is a Company employee. Non-executive Directors’ remuneration is determined after an annual benchmarking exercise performed by the Executive Directors and the approval by shareholders of the proposed fees, on the Board’s recommendation.

Sustainability governance

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

- *Responsible leadership*
- *Ethical behaviour*
- *Compliance and risk management and*
- *Tax transparency.*

The Social and Ethics Committee (SEC) meets three times a year to oversee and review management’s social and environmental decisions and the implementation of policy. Assisted by the Executive Committee and guided by the SEC, the Chief Executive is responsible for reviewing AECI’s sustainability strategy and framework. A centralised sustainability steering committee meets quarterly and is responsible for the implementation of our sustainability strategy.

Aligned to efforts to create shared value, in the year there was an enhanced focus on ESG matters, improving our performance and considering more ambitious ESG targets. The 2021 AECI Sustainability Report unpacks in greater detail our governance of sustainability and our performance in the year.

Board Committees

Standing Committees assist the Board in executing its duties. Each has a formal annual work plan and all executed their plans and their mandates in the year. Committees report on their work to the full Board. Other than the Executive Committee, membership comprises mainly Non-executive Directors as shown in the tables in the following pages.



Audit Committee

Members	17 FEB'	19 FEB	12 APR'	21 MAY	23 JUL	19 NOV
PG Sibiya (Chair)	✓	✓	✓	✓	✓	✓
FFT De Buck	✓	✓	✓	✓	✓	✓
MA Dytor*	✓	✓	✓	✓	✓	✓
G Gomwe	✓	✓	✓	✓	✓	✓
KM Kathan*	✓	✓	✓	✓	✓	✓
AM Roets	✓	✓	✓	✓	✓	✓

1 Special meeting | * By invitation

Mandate and 2021 focus areas

- Reviewing and recommending the audited annual financial statements for the financial year to 31 December 2021, and the unaudited interim financial results for the half-year to 30 June 2021 to the Board for approval
- Performing an oversight role for the entire JSE Proactive review process on AECI's 2020 annual financial statement and the interim results for the half-years to 30 June 2020 and 30 June 2021
- Ensuring that complete and detailed explanations were provided through management on the three items queried by the JSE. (The queries were resolved with the JSE and assurance provided that disclosure would be enhanced)
- Ensuring that all companies within the AECI Group included in the consolidated financial statements have established, appropriate financial reporting procedures and that these operate effectively
- Reviewing the experience, performance and expertise of the CFO and the Finance Function, and the performance of the Internal Audit function
- Evaluating the independence, effectiveness and performance of the Internal Audit Function and overseeing a follow-up on the external quality assessment performed on Internal Audit in 2020
- Reviewing the effectiveness and independence of Deloitte & Touche and obtaining information as set out in paragraph 22.15(h) of the JSE Listing Requirements on the assessment of the suitability of Deloitte & Touche as audit firm and Eric Tshabalala as designated individual audit partner

- Considering reports of the Internal and External Auditor insofar as these are relevant to risk management and IT and could have an impact on financial controls and reporting, and satisfying itself with related risk mitigation plans
- At a joint meeting of the Audit Committee and Risk Committee held in September 2021, the AECI Enterprise Risk Management Process and Frameworks were considered and recommendations for improvement made
- The Committee reviewed processes for the implementation of a formal Combined Assurance model and was satisfied with the progress made
- Monitoring complaints received via the Company's whistle-blowing line on potential violations of law and questionable accounting or auditing matters. (The Committee also considered reports provided by Internal & External Audit and regarding compliance with legal and regulatory requirements)
- Assisting the Board in overseeing the quality and integrity of the AECI integrated report and the reporting process for 2021
- Considered the key audit matter as set out in the External Auditor's Report on the impairment assessments of goodwill on the acquisitions of Schirm GmbH and Much Asphalt (Pty) Ltd, and was satisfied that these were represented correctly

The full Audit Committee report is in the AFS. The Committee is assisted by the Mining Financial Review Committee and the Integrated Chemicals Financial Review Committee, each chaired by Independent Non-executive Directors

2022 focus areas

- Enhance the Committee's policies and procedures on internal controls and governance
- Monitor reporting on ESG targets
- Oversee IT governance which impacts financial reporting
- Continued focus on the Combined Assurance model
- Ensure that plans are in place and properly executed to remedy any identified weaknesses in internal financial controls
- Oversee the successful induction of the newly appointed CFO
- Monitor progress of the SAP One World Project including the monitoring of action plans to address remaining control weakness
- Focus on continuing to improve IT controls, particularly within the AECI Mining Pillar, to enable full audit reliance to be placed on IT controls
- Monitor the implementation of financial and risk stewardship initiatives as part of the execution of AECI's strategy
- Ensure that a joint meeting between the Audit and Risk Committees is convened to undertake complete coverage on Enterprise Risk Management



Risk Committee

Members	18 FEB	20 JUL	18 NOV
R Ramashia (Chair)	✓	✓	✓
SA Dawson	✓	✓	✓
WH Dissinger	✓	✓	✓
MA Dytar	✓	✓	✓
KM Kathan	✓	✓	✓
EE Ludick	✓	✓	✓
DJ Mulqueeny	✓	✓	✓
DK Murray	✓	✓	✓
PG Sibiya	✓	✓	✓
CBH Watson	✓	✓	✓

Mandate and 2021 focus areas

- Consideration of emerging risks and their mitigation, at business and Group levels
- IT risks and continuity
- Business continuity management
- Current or potential litigation matters
- Compliance and ethics
- Ongoing training in risk-related matters
- Renewal of Group insurance cover
- Assessment of Enterprise Risk Management maturity
- Localisation policies
- Pandemic effects, vaccination policies and insurance matters
- Impact of South African social unrest

🔍 2022 focus areas

- Enhance policies and procedures on internal controls and governance
- Monitor embedding of the Risk and Opportunities register
- Exercise oversight of key compliance projects
- Risk Appetite Framework
- Risks and opportunities emanating from the Group's ESG context
- Litigation matters



Social and Ethics Committee

Members	18 FEB	20 MAY	18 NOV
FFT De Buck (Chair)	✓	✓	✓
R Ramashia	✓	✓	✓
MA Dytar	✓	✓	✓
NA Franklin*	✓	✓	✓
KM Kathan*	✓	✓	✓
P O'Brien (appointed on 1 July 2021)	–	–	✓
CBH Watson	✓	✓	✓

* By invitation

Mandate and 2021 focus areas

- B-BBEE, including the AECI Employees Share Trust and the AECI Community Education and Development Trust
- Employment Equity in South Africa
- Labour and employment
- Safety, health and the environment
- Socio-economic development of defined communities
- Ethical business conduct
- Stakeholder engagement

🔍 2022 focus areas

- Roll-out of new B-BBEE and Localisation strategies
- Monitor ESG strategy implementation and achievement of ESG targets
- Ethical business practices across geographies
- Formalise a global stakeholder engagement framework
- Ongoing responses to COVID-19 including workplace safety
- Safety performance including Zero Harm strategy



Nomination Committee

Members	19 FEB	21 MAY	23 JUL	19 NOV
KDK Mokhele (Chair)	✓	✓	✓	✓
MA Dytor*	✓	✓	✓	✓
G Gomwe	✓	✓	✓	✓
KM Kathan*	✓	✓	✓	✓
R Ramashia	✓	✓	✓	✓

* By invitation

Mandate and 2021 focus areas

- Nominations for appointment to the Board and Executive succession planning, and appropriate
- Recommendations based on qualifications, experience, race and gender when gaps are identified or vacancies arise
- Appointment of Board members to various Committees
- Assessing the Board and its Committees in pursuit of continuous governance improvement
- Reviewing the Board effectiveness survey
- Considering suitable candidates to be appointed to the Board; to the position of Company Secretary; and as AECI Mining Executive
- Reviewing and approving amended draft policies – the AECI Board Nomination, Composition and Diversity Policy and the Directors and Executive Management supplement: Declaration and Conflict of Interest Policy

2022 focus areas

- Formalise succession plans for Non-executive Directors and Executive management
- Strengthen the Board's skills and diversity composition
- Progress the establishment of the "Board of the Future"
- Restructure Board Committees to best support AECI's Growth Strategy



Remuneration Committee

Members	19 FEB	21 MAY	23 JUL	19 NOV
G Gomwe (Chair)	✓	✓	✓	✓
MA Dytor*	✓	✓	✓	✓
KM Kathan*	✓	✓	✓	✓
KDK Mokhele	✓	✓	✓	✓
R Ramashia	✓	✓	✓	✓
AM Roets	✓	✓	✓	✓
CBH Watson*	✓	✓	✓	✓

* By invitation

Mandate and 2021 focus areas

- Establishing the remuneration philosophy
- Determining the remuneration framework for Executives and Senior Managers
- Considering, reviewing and approving Group policy on Executive remuneration and communicate this and the implementation thereof to stakeholders in the Company's Remuneration Report
- Considering the minimum shareholding requirements for Executive Directors and Members of the Executive Committee
- COVID-19 impacts on the STI
- STI key performance indicators for CE and CFO
- Undertaking engagements with shareholders on remuneration-related matters
- Approving discretionary incentives for AECI High Potential and High Performing employees
- Ensuring appropriate benchmarking of remuneration level

2022 focus areas

- Review of the LTIP and STI schemes
- Consider the AECI talent management and retention policies to ensure alignment with the Strategy
- Ensure alignment between Human Capital strategies and remuneration policies
- Monitor measures taken to close remuneration disparity gaps
- Review AECI's Performance Management methodology and systems
- Shareholder engagement
- Succession planning and people development
- Remuneration equity
- Non-executive Directors' remuneration including benchmarking.



Investment Committee

Members	10 FEB ¹	26 JUL ¹	28 SEP	11 NOV
KDK Mokhele (Chair)	✓	✓	✓	✓
SA Dawson	✓	✓	✓	✓
WH Dissinger	✓	✓	✓	✓
MA Dytor*	✓	✓	✓	✓
G Gomwe	✓	✓	✓	✓
KM Kathan*	✓	✓	✓	✓

¹ Special meeting | * By invitation | All Directors have standing invitations to attend Investment Committee meetings. PG Sibiya and P O'Brien attended the Committee meeting on 11 November.

Mandate and 2021 focus areas

- Assisting and advising management on acquisition opportunities or significant projects outside of the ordinary course of business
- Making recommendations to the Board on material transactions or acquisition opportunities
- Monitoring the progress, performance and impact of material transactions/acquisitions and reporting these to the Board
- Considering potential strategic investment and partnership opportunities including AECI's investment in Clariter
- Overseeing the performance of previous investments, including lessons learnt from recent acquisition activities

🔍 2022 focus areas

- Formalise AECI's M&A Playbook
- Support and provide guidance to management on advancement in Innovation, per the Growth Strategy
- Continue to monitor the performance of AECI Much Asphalt and AECI Schirm
- Oversee management's plans and strategy in terms of digitalisation and disruptive technologies
- Consider potential investments in support of the Growth Strategy
- Oversee progress on initiatives undertaken by strategic partnerships, including those with Origin Materials and Clariter



Executive Committee

Highest executive decision-making structure

Mandate and 2021 focus areas

- Manage the day-to-day operations of the Group per the authority derived from the Board in line with the Delegation of Authority framework
- Formulate, implement and execute the Group's strategy and policy direction, ensure that all business activities are aligned in this respect and that the business strategy is implemented accordingly.
- Scheduled meetings are held monthly and ad hoc meetings are convened as necessary.

Board and Committee performance evaluation

The next Board and Committee performance evaluation will take place in 2023, in line with the Board's Charter.

The Board has therefore complied with its responsibilities under the evaluation policy, as contained in the Board Charter.

Induction and ongoing development of Directors

The Company's Directors have expertise and experience in diverse industries including banking, chemicals, mining, technical, accounting and strategy.

Ms Patty O'Brien joined the Board in 2021 and participated in a comprehensive induction process.

Site visits are planned for the full Board in 2022 when Directors will visit three of AECI's major sites and engage with functional and technical staff to gain first-hand experience of the Company's operations.

With regard to formal training, the Group Company Secretary sources and organises relevant training for Board members, based largely on the specific needs of each Director. In 2021, all Directors participated in training to refresh their knowledge of the JSE Listings Requirements and familiarise themselves with amendments. The Group Company Secretary also sources and distributes information on key trends, changes in the Group's regulatory universe and topical industry issues.

Relationships with employees and external advisors

Board members have unrestricted access to the Company's records, information, documents and property to the extent that they require this to make informed decisions. They also have unrestricted access to Executives, Senior Managers and the Internal and the External Auditors to consult on any aspect of the Company's operations. Board members may collectively or individually, at the expense of the Company, consult external professional advisors on any matters of concern to themselves or the Company after having advised the Chief Executive or the Chairman.

Group Company Secretary

The Group Company Secretary oversees a portfolio of secretariat, legal services, and compliance management. The Group Company Secretary assists the Board and Committees in preparing annual plans, agendas, minutes and terms of reference as warranted, and attends all Board and Committee meetings as secretary.

Risk management

During 2021 the following initiatives took place with regard to risk management in the Group:

- The Group Risk Management function continued to facilitate strategic, functional and operational risk workshops at Group business, operational plant and the Corporate Head Office levels, in line with the CA project plan (details alongside)
- The ERM framework was reviewed and updated to reflect current risk initiatives in the Group. The amended framework was approved by the Risk Committee in November 2021
- The framework includes strategy regarding opportunity management (the upside of risks). When relevant, the Group strategic risk register was updated to reflect associated opportunities
- The Group strategic risk register was also aligned with the strategic growth objectives and execution plans
- A draft Risk Appetite framework has been developed, which will be finalised in 2022 before being rolled out
- An Operational Resilience model has been developed and included in the ERM framework. The first Operational Resilience workshop was held towards the end of the year. During 2022 the model will be rolled out at key sites
- An ERM methodology document and an ERM work plan were developed and approved
- The annual independent review on the effectiveness of the ERM process was performed by PwC Internal Audit. Based on this review, the maturity of the ERM process applied in the Group has improved. Further initiatives are being implemented to enable continuous improvement in this regard.

Business continuity management

COVID-19 specific business continuity plans (BCPs) were implemented at all key sites in the Group in 2020. During 2021, the BCPs continued to be rolled out in the Group, specifically at AECI Mining's subsidiaries on the continent and other foreign entities.

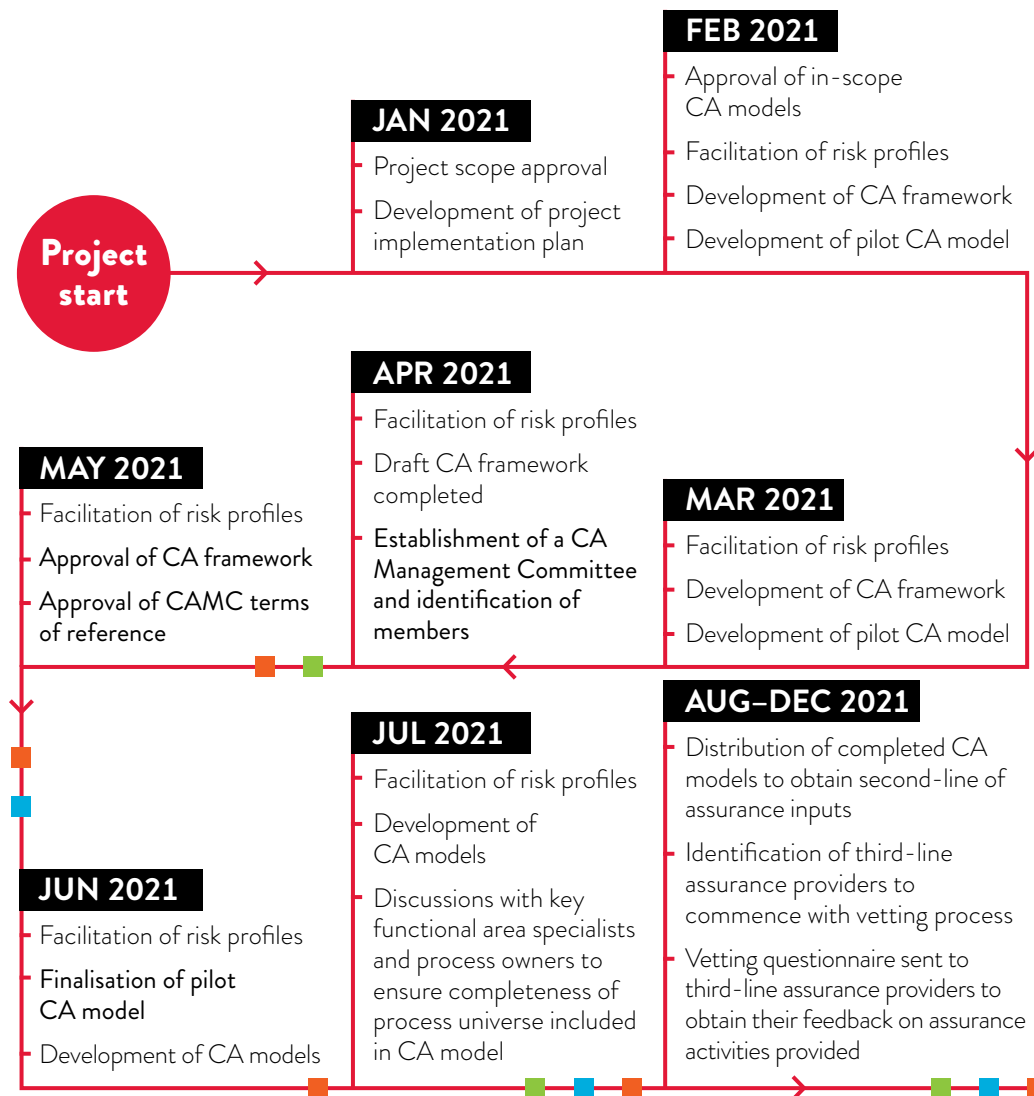
Combined assurance

A project to implement a formal CA model in the Group, with the assistance of a consulting firm, was initiated in January 2021 and the following project plan elements were implemented during the year

- Drafting and approval of a formal CA framework
- Set-up of a CA Management Committee (CAMC), chaired by the CFO and comprising representatives of corporate functions (second-line assurance providers), as well as business representatives, with monthly meetings being held since April 2021
- Drafting and approval of formal CAMC terms of reference
- Facilitation of risk workshops and development of risk registers, in line with the CA project plan scope
- Compiling and continual updating of CA models for Group businesses, operating plants and corporate functions in scope for the project
- Training at various levels of the organisation on the CA principles and process
- Benchmarking against CA processes being applied by other corporates
- Commencement of vetting of key third-line assurance providers for Priority I and II risks
- Continual assessment and amendment of the CA process, as deemed necessary by the CAMC. This ensures that the process being implemented will suit the AECI environment optimally and enable maximum value to be derived by the business and the Board
- CA initiatives from 2021 will continue to be reviewed, enhanced and rolled out in the Group.

CA project roadmap

Project activities/deliverables



The road ahead

- CA Management Committee (CAMC)
- Audit Committee presentation
- Executive Committee – Status update

Vetting of third-line assurance providers and reporting of results

Assisting management to complete CA models

Maintenance of CA matrices for all entities

CA advisory services, such as attendance at CA meetings and reporting at management and governance forums

Work with those individuals charged with the responsibility for considering the key control activities in terms of the assurances provided

Project sign-off end July 2022

Information technology (IT)

Governance

The Board's accountability for IT governance is embedded in its Charter. The Board has delegated overall responsibility for overseeing IT governance structures, policies and procedures to the CFO. The Chief Information Officer reports to the CFO and is responsible for the implementation and execution thereof.

The IT Steering Committee (the Committee) is chaired by the CFO. Its membership comprises the Chief Information Officer, most other members of the AECI Executive Committee, subject matter specialists from individual businesses and, at Group level, the centralised Group IT function.

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

In line with the annual audit plan, the Internal and External Auditors perform assessments of the Committee, its work, IT management and governance. All significant IT-related audit findings are reported to the Risk Committee for review and the approval of remedial actions, as required.

The IT and operational technology (OT) functions continue to be managed separately. **A decision has yet to be made on whether to integrate these functions, but it is expected that this will be decided in 2022.** Key elements of the updated strategy will focus on AECI's ability to manage cyber security, enhance business/technology partnerships and enable digital transformation.

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

Key activities in 2021

- Defined the IT strategy to 2025, including AECI's digitalisation journey (incorporating OT functions and alignment with the overall business strategy, enabling digital transformation and enhancing business process efficiency)
- Further improved cybersecurity controls including user awareness, in line with the Cyber Security framework roll-out plan
- Completed the resolution of segregation-of-duties conflicts in respect of the SAP ERP system in AECI Mining
- Initiated a longer-term project to address the internal control weakness as it relates to the segregation of duties in certain other Group businesses and functions
- Matured the Project Management office
- Designed and commissioned IT solutions to support the business in the areas of human capital management, financial shared services, working capital reduction, supply chain efficiencies and inter-Group collaboration. All of this aligns closely with the Group's renewed customer-centricity focus as detailed in AECI's revised Growth Strategy
- Improved software-defined wide area network reliability and performance through increased redundancy and automation
- Migrated the IT technical environment from a traditional model to the cloud, resulting in there being no traditional data-centre hardware on the balance sheet.

Key focus areas in 2022

- Finalise the migration to the Group's software-defined network and improve overall network performance
- Migrate AECI Schirm's IT services from Imperial International Ltd to an AECI-managed, EU-based IT service
- Migrate AECI Much Asphalt to our simplified, consolidated and standardised architecture
- Continue to consolidate the business system application portfolio and drive cloud-based adoption

- Continue to support the project that will consolidate the non-AECI Mining pillars' businesses into a Group ERP solution (OneWorld project)
- Implement a standard global SHEQ solution
- Continue to implement enhancement projects according to the cybersecurity roadmap.

Accountability and internal control

Directors are required by 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. The External Auditor must also confirm whether the financial statements meet the requirements of the Companies Act and IFRS. In 2021 the auditor also carried out certain agreed upon procedures pertaining to the Group's half-year results to 30 June.

On conclusion of discussions with the External Auditor, the Directors 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 Board reviewed the budgets and forecasts of the Group and concluded that it will continue in business for the foreseeable future. Liquidity and solvency tests in this regard were conducted as required by the Companies Act. Accordingly, the going concern basis of accounting remains appropriate.

AECI Group legal and regulatory compliance

The Board subscribes to compliance with applicable laws and regulations in all jurisdictions in which the Group operates. During the financial year ended 31 December 2021, AECI was compliant in all material respects with the requirements of the Companies Act, the Companies Act Regulations, the Listings Requirements, and acted in conformity with its MOI.

The Board, together with the Risk Committee, monitors the implementation and effectiveness of AECI's Compliance framework and related processes. Laws identified as key compliance risk areas remain of primary focus. Key among these are laws relating to competition, anti-bribery and corruption and SHE matters.

Notwithstanding COVID-19 restrictions, significant and progress was made in the further roll-out of the Compliance Management framework in African countries of operation and South America. In southern, central and west Africa, compliance platforms for six Francophone and eight Anglophone jurisdictions were completed, allowing for integrated compliance universes, regulatory scanning, regulator engagement and exception registers across the region. Work to digitalise and centralise compliance management data to improve the monitoring of compliance with legislation, permits and licences for South African operations is advancing well. Seventy-six compliance assurance centres have been identified across the local business footprint. Completion of the current phase of the roll-out will see business managers enabled to provide increasingly informed and reliable positive attestations as to compliance maturity and facilitate improved levels of assurance monitoring by Group functions. Regular monitoring of developments in citizen empowerment, tax and local employment regulations by the Foreign Investment Committee is taking place and is reported at the Risk Committee through a Localisation dashboard.

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

The compliance focus for 2022 will be on completing the digital integration of compliance assurance centres across the Group and providing corporate functions with specialist subject-matter expertise to enhance their monitoring and assurance capacity.

Ethical business conduct

Code of Ethics and Business Conduct and conflicts of interest

The Code of Ethics and Business Conduct (the Code) provides clear guidance and procedures for Directors on managing and dealing with potential conflict-of-interests situations. The Code applies equally to all Group employees who have outside interests, which must be declared on an annual basis. Employees are also encouraged to declare any gifts that they may have accepted or given above a stated monetary value equivalent, further underpinning the ethos of doing business ethically.

In view of changes in the JSE Listings Requirements, the revised Code was reviewed to confirm that it adequately addresses the identification and management of conflicts of interest. The process duly confirmed adequacy but a Supplement was added for conflicts of interest and the declaration of these by Directors and Executive management. The Code and the Supplement are accessible on the AECI website.

The Group Company Secretary maintains a comprehensive register of Directors' declarations of interests. This is submitted for updating by them before each Board and Committee meeting. They all duly completed and updated this register in 2021. No conflicts of interests were reported or recorded.

An ethical culture is fundamental to driving long-term business value and stakeholders' support of businesses. The Compliance team monitors the application of the Code across the Group and reports periodically to the Social and Ethics Committee.

Ethical risks identified and whistle-blowing

Key risks are conflicts of interest, bribery and corruption. Mitigation processes include a whistle-blowing service, management reports, education and communication.

Ongoing and comprehensive training on the Code is made mandatory for all new employees at junior management level and above. Across the Group, the Code is accessible in six languages. Competition law training for persons identified as being in high-risk positions was completed by 591 employees in 2021 and enrollment of a further 700 for completion in 2022 is underway. A total of 1 595 employees successfully completed training on the Protection of Personal Information Act and a further 15 received specialised personal information training for IT professionals. A Directors' and Executive management Supplement to the Code of Ethics was approved in 2021 to enhance governance and related-party disclosure controls. An automated declaration for all AECI employees has been designed and is in user-acceptance testing prior to deployment.

A Localisation policy has also been adopted to address increasing pressure in the rest of the African continent to implement equity-sharing arrangements in terms of citizen empowerment regulations and policy. Potential equity and joint-venture partners undergo rigorous screening and reputational due diligence processes to ensure alignment with AECI corporate values and local legal requirements. Additional monitoring procedures have been put in place to monitor and anticipate developments in the legislative environment.

Focus areas for 2022 include reviewing the Dawn Raid policy and procedures, reviewing and enhancing anti-bribery and corruption controls and strengthening oversight of third-party conduct within our supply chain.

The whistle-blowing service, Tip-offs Anonymous, is managed by an independent third party (Deloitte). It is a tool for employees to register concerns regarding non-compliance with policies, fraud and other matters relating to acceptable business conduct. Reports are investigated by Internal Audit and are shared with the Board and its Committees as required.

Dealings in securities

In terms of the Dealing in Securities and Price Sensitive Information policy, there is a 'closed period' from the end of a financial reporting period until the publication of financial results for that period. Additional closed periods may be declared if warranted by circumstances.

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 Directors of all closed periods.

The Company also has in place an Information Disclosure and Communications policy which sets out procedures for communicating with stakeholders such as the investment community, securities professionals and the media. The objective is to avoid the selective disclosure of material information and to govern the disclosure of price-sensitive information to the public in a broad, comprehensive and lawful manner. The policy has been brought to the attention of all employees and their compliance is not negotiable.

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 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. Non-executive Directors have a standing invitation to attend such presentations. Presentations, corporate actions and financial results, as well as any other relevant information, are published on the Company website, other electronic media and in print, as specified by the Listings Requirements. Shareholders, noteholders and other stakeholders are advised of publication via SENS.

Other information on the Company, such as its management team and sustainability information, is also available on the website.

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 2021 financial year of AECI Ltd. This report incorporates the requirements of Regulation 43 of the Companies Act.

The Committee executed its work in line with its terms of reference and its 2021 work plan.

Membership

Three meetings were held in the year (page 50). Committee members in the year were:

- FFT De Buck (Chairman)
- R Ramashia
- P O'Brien

Message from the Chairman

I was privileged to serve as Chairman of the Committee for the full 2021 financial year, having succeeded Adv Ramashia as Chair on 1 June 2020. Adv Ramashia will continue to serve as a Committee member until his retirement at the Group AGM in May 2022. In November 2021 we welcomed Ms O'Brien to both the Board and the Social and Ethics Committee. I wish to thank Adv Ramashia for his outstanding contributions and to wish him well. I also thank all Committee members and those management representatives who have attended by invitation and rendered invaluable assistance to the Committee.

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
- Received and reviewed reports on safety, health and environmental incidents
- The 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 as these relate 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 to:

- Monitor that AECI and its operating business entities adhere to the approved Code of Ethics and Business Conduct Policy and Guidelines, including the Conflicts of Interest Supplement
- Provide guidance and advice on sustainability trends and issues relevant to the AECI Group as well as to review and approve the Group's Sustainability Policy from time to time. The Committee is to be informed of sustainability risks as recorded in the AECI Group risk register and provide related input to the Risk Committee, as appropriate
- Monitor 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.

In line with its mandate, key Committee activities in 2021 were:

Response to COVID-19

The Committee continued to focus on management's response to the pandemic across jurisdictions. The response included workplace safety and working arrangements, support for affected families and communities and the roll-out of vaccinations. Sadly, in spite of the robust response, 12 colleagues have lost their lives to COVID-19 since the start of the pandemic. Of them, nine passed away in 2021. Please see the Sustainability Report for detailed commentary.

Subsequent to the year end, the Committee discussed and noted progress being made towards the implementation of a vaccination mandate (the detail of which is disclosed in the Sustainability Report).

Safety, health, environment and quality (SHEQ)

The Committee received and evaluated reports on AECI's SHEQ performance and compliance with applicable laws and regulations. An overall improvement in the Group's SHEQ maturity was noted. The Committee also received and evaluated progress reports on implementation of the Group's Zero Harm strategy. The following was noted:

- *The 2021 overall safety performance was the best on record, a marked improvement from the disappointing outcomes of the previous year*
- *Management diligently executed against the seven priorities of a safety improvement plan, launched in February 2021. The Committee congratulates management on the excellent work done and looks forward to even more being done as Zero Harm continues to be a focus. (Such work is detailed in our 2021 Sustainability Report)*
- *Reports on the recovery of the employee who sustained life-altering injuries in 2020. It is pleasing to report that this employee has recovered and has returned to work*
- *With ESG top of mind, progress continued to be made on environmental compliance, particularly regarding South African Minimum Emissions Standards and no non-compliance issues were raised by the authorities. Management notified the Committee that AECI was on track to remove all emissions non-compliance.*

Sustainability

2020 saw the first publication of the AECI Sustainability Report. The AECI ESG journey continues and management has made a great deal of progress in this regard. This work is detailed in the 2021 Sustainability Report. The Committee closely monitored, consulted and advised management on the development of a One AECI, for a better world Sustainability Framework including goals, key performance indicators (KPIs) and the establishment and functioning of an ESG Steering Committee.

Members were also updated on the development of a new Stakeholder Management framework.

Human capital, including transformation

The Committee received and reviewed reports on:

- *AECI's talent management processes, including retention strategies and succession*
- *The AECI Employees Share Trust, including plans to extend the trust for an additional year*
- *The operation of, and investments by, the AECI Community Education and Development Trust and the need for additional funding*
- *The development of a new, long-term B-BBEE strategy, to commence in 2022*
- *The appointment of a Corporate Diversity and Inclusion Manager*

The Committee noted with approval the results of a Group culture survey and AECI's second participation in the Top Employer Institute's audit.

B-BBEE Scorecard and strategy

The B-BBEE verification audit was concluded in May 2021. The Committee was encouraged that AECI exceeded its targets for women representation on the Board and in top management. The Group also exceeded its target for Supplier and Enterprise Development spending in local communities. There were challenges however, due to the pandemic, that resulted in lower scores on both Employment Equity and Skills Development. We adjudged that our reduced investment in Skills Development would translate into a Level 4 B-BBEE contributor rating. However, the various measures we took meant that we were able to end the year at a self-assessed Level 3. Further details are provided in the 2021 Sustainability Report.

AECI's B-BBEE Contributor status remains an area of key focus for the Committee.

Ethical business conduct

The roll-out of the Code of Ethics and Business and associated Guidelines was completed in 2021.

The Committee reviewed reports on ethics management across the Group, including the Tip-offs Anonymous whistle-blowing line.

On behalf of the Social and Ethics Committee.



Fikile De Buck
28 April 2022

Determining materiality

AECI has a robust but dynamic materiality-determination process which informs the formulation, execution, governance and evaluation of strategy.

We define material issues as those matters that have a meaningful positive or negative effect on our ability to create or erode value over the short, medium and long term. Material issues relate to our business's opportunities and risks in the context in which we operate and the factors that shape our prospects and major financial, social and environmental impacts. (We define the "short term" as the ensuing 24 months, the "medium term" as being from 24 months hence to five years, and "long term" as beyond five years.)

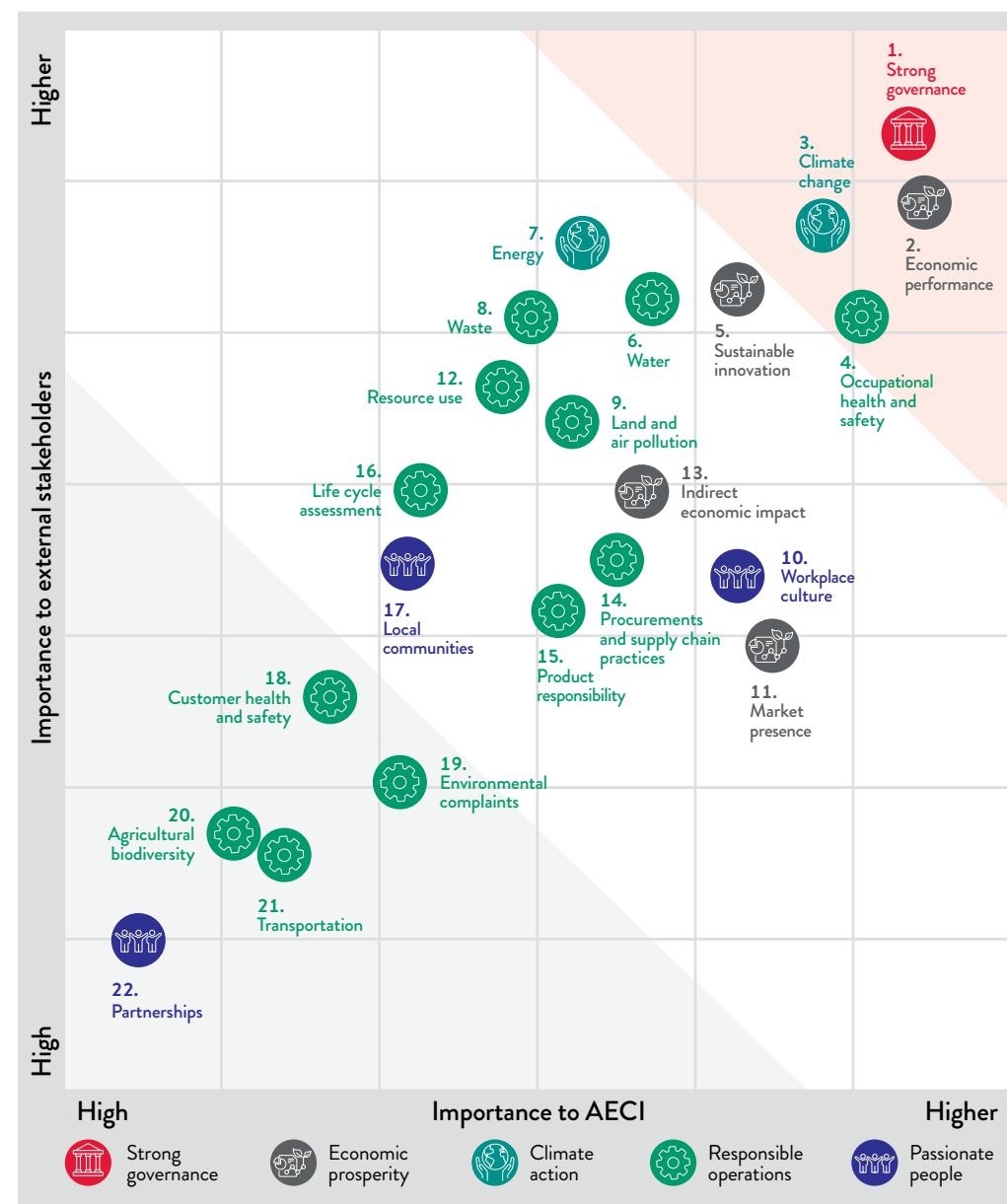
The exhaustive strategy formulation process undertaken by management and our Board was initiated after a thorough examination and evaluation of the material issues limiting or threatening our ability to create value, and those issues that would support our growth ambitions. This process was undertaken in 2019 and 2020.

From July to August 2021, we surveyed almost 4 000 internal and external stakeholders on what they believed were our most material issues. The survey had a good (33%) usable response rate. Survey outcomes were combined with an analysis of local, global and sectoral trends as well as a review of internal documentation including Board packs, risk and opportunity registers and Group policies.

For further details on our materiality assessment, please refer to our Sustainability Report.

This process delivered 22 material issues and five key elements, as presented in the following matrix:

Materiality assessment



Report approval

The Board acknowledges its responsibility to ensure the integrity of this Integrated Report, our most important single annual communication to external stakeholders. All directors whose names appear alongside confirm that individually and collectively they have reviewed the content of this report and believe it to be an accurate and balanced presentation of the Group's integrated performance.

Directors also confirm that they believe this report addresses AECI's most material issues and that it has been compiled in accordance with the International Integrated Reporting Council's <IR> Framework.

The Board approved this Integrated Report, for release, on 28 April 2022.

Directors



Khotso Mokhele (Chairman)



Steve Dawson



Fikile De Buck



Walter Dissinger



Mark Dytor



Godfrey Gomwe



Mark Kathan



Patty O'Brien



Rams Ramashia



Marna Roets



Philisiwe Sibaya

Corporate information

AECI Limited

(Incorporated in the Republic of South Africa)

(Registration No. 1924/002590/06)

Tax reference No. 9000008608

Share code: AFE ISIN: ZAE000000220

Hybrid code: AFEP ISIN: ZAE000000238

Bond company code: AECI

LEI: 3789008641F1D3D90E85

(AECI or the Company or the Group)

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and

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Bristol BS99 7NH

England

External auditor

Deloitte & Touche

5 Magwa Crescent

Waterfall City

2090

South Africa

Primary transactional and funding banks

Absa Bank Ltd

First National Bank of Southern Africa Ltd
(A Division of FirstRand Bank Ltd)

Investec 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 equity and debt sponsor

Rand Merchant Bank

(A division of FirstRand Bank Ltd)

1 Merchant Place

Corner Rivonia Road and Fredman Drive

Sandton

2196

South Africa

good chemistry



aeciworld.com