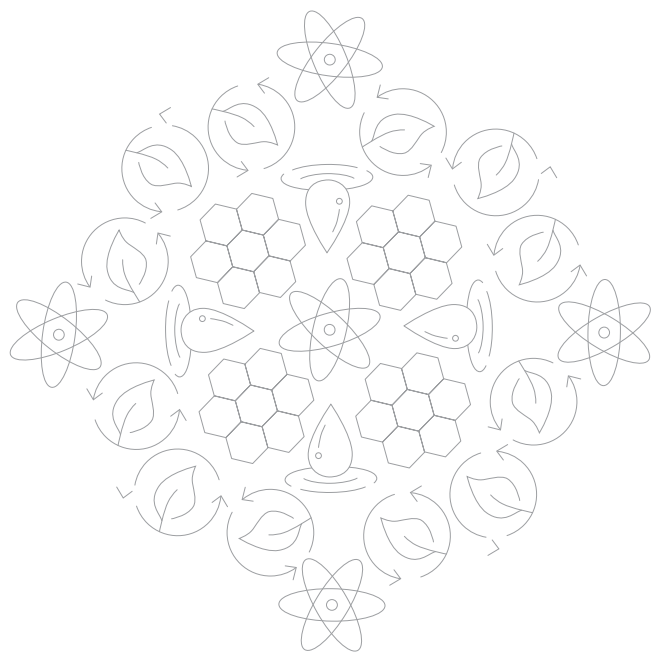




INTEGRATED REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022



ONE AECI, 
FOR A BETTER WORLD

good chemistry

 **AECI[®]**

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

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

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

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

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

Our purpose

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

Our BIGGER values

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

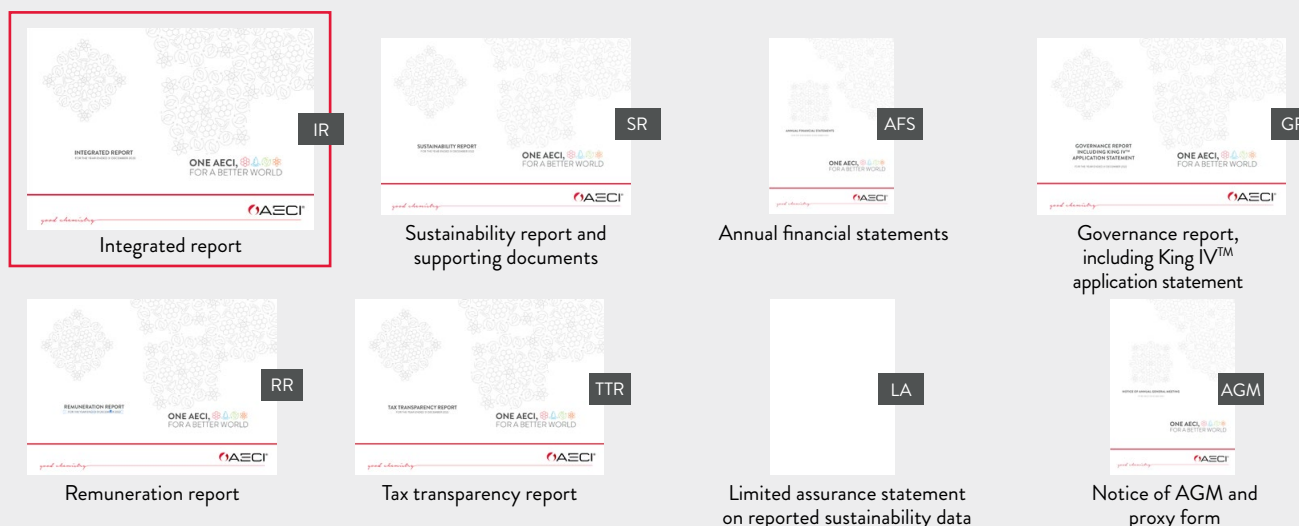
Leveraging momentum for sustainable growth

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

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



OUR SUITE OF ANNUAL REPORTS



These are available at www.aeciworld.com



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VALUE CREATION
AND
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FORWARD-LOOKING
INFORMATION

This report contains certain forward looking statements about AECI group's financial position, results, strategy, operations and businesses. These statements and forecasts involve risk and uncertainty, as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently, no reliance should be placed on such expectations, estimates and intentions expressed in such forward-looking statements, as they may change as a result of new information, future events or otherwise.

NAVIGATING OUR REPORT



Read more on our website



Read more in our reporting suite

Throughout this report we use icons for our report suite referencing (page 1), the six capitals (page 4) and our material matters (page 7). Similarly, we cross-reference our risks, which are numbered 1 to 9, and are defined on pages 22 to 24.

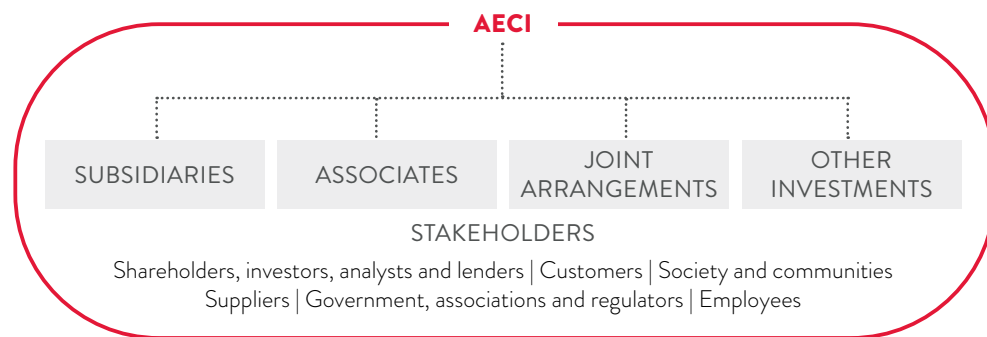
How we report

This integrated report is our principal communication to all stakeholders. It is designed to give concise, balanced and meaningful insight into AECI's performance in 2022 in terms of our use of, and impact on, the six capitals as well as our outlook for 2023 and beyond.

Directed chiefly at providers of financial capital and prepared in accordance with the Integrated Reporting Framework, it aims to help them make an informed assessment of our strategic delivery, prospects and impact. The process to prepare our report includes the reporting team's discussions with top management and AECI directors throughout the year, site visits and meetings with executives on their areas of responsibility. The preparation of this Integrated Report has been supervised by AECI's group CFO, reviewed and approved by the Board on the recommendation of the Audit Committee.

Reporting boundary for the integrated report

(Risks, opportunities and outcomes)



Reporting frameworks

FINANCIAL INFORMATION

This report was prepared in accordance with:

- International Financial Reporting Standards
- The Companies Act, No. 71 of 2008
- The SA Institute of Chartered Accountants' Financial Reporting Guides as issued by the Accounting Practices Committee and financial pronouncements as issued by the Financial Reporting Standards Council

NON-FINANCIAL INFORMATION

We use local and international standards and guidelines including:

- The Integrated Reporting Framework
- The Companies Act, No. 71 of 2008
- The JSE Listings Requirements and JSE Debt Listings Requirements
- The King IV™ report on Corporate Governance for South Africa*
- Our memorandum of incorporation
- Global Reporting Initiative standards
- CDP standards
- The Responsible Care® programme in South Africa
- The Greenhouse Gas Protocol
- The 10 principles of the United Nations Global Compact
- Selected UN SDGs
- Task Force for Climate Related Financial Disclosure (TCFD) alignment

Reporting period

This report relates to the period from 1 January 2022 to 31 December 2022. Any significant events after year-end and before the report's approval date are also included.

Changes in reporting and enhancements

- Detailed disclosure of delivery against strategy
- A dedicated stakeholder engagement section
- Inclusion of ESG metrics in the calculation of long-term incentives (LTIs)
- Greater disclosure of governance
- The evolution of the stand-alone reports on governance, remuneration, sustainability, tax transparency and five-year review
- Refreshed design
- Greater cross-referencing linking strategy, capitals, SDGs, material matters, risks and opportunities, etc.

Operating businesses

Our operating business segments are – **AECI Mining**, **AECI Water**, **AECI Agri Health** and **AECI Chemicals**. All significant items are on a comparable basis.

Materiality

In assessing this report's content, we include only information that we determine to be material: that which has or may have a significant impact on our ability to deliver on our strategy and create value. On **page 7**, we give an overview of our materiality determination process. The process is informed by those matters deemed to be most important with regards to our stakeholders, our risks and opportunities and the availability of and impact on the six capitals over the short-, medium- and long-term.

Time frames

We consider the short term as being up to 12 months ahead; the medium term as 12 months to three years ahead; and the long term as more than three years out.

How we report CONTINUED

How we define the capitals

**FINANCIAL**

Financial performance of the businesses, cash generated by operations, capital allocation, working capital management, financial position of the group

**HUMAN**

Our diverse, passionate, purpose-led, ethical, skilled and experienced people

**MANUFACTURED**

Our property, plant, equipment and facilities and public roads, railways, ports and airports

**INTELLECTUAL**

Our team's knowledge and expertise, experience in operations, processes and licensed technologies as well as our innovative product and solution developments

**NATURAL**

Consistent and affordable supplies of renewable and non-renewable natural resources including water, energy, land and air

**SOCIAL**

Relationships with all our stakeholders based on trust, transparency and mutually beneficial goals

Internal control and assurance

An effective control environment, which supports the integrity of information, is facilitated by the board of directors. During the year we made significant progress on maturing the combined assurance model. The board assessed our controls to be adequate and effective through the confirmation of management and reports from internal and external assurance providers.

Approval by the board

The board acknowledges its responsibility to ensure the integrity of this integrated report. The directors confirm that, in their opinion, the 2022 integrated report provides an accurate and balanced account of AECI's performance and prospects and addresses all material matters. The board approved this integrated report for release on 26 April 2023.

Khotso Mokhele
CHAIRMAN

Sam Coetzer
**INTERIM
CHIEF EXECUTIVE**

Steve Dawson
**NON-EXECUTIVE
DIRECTOR**

Fikile De Buck
**NON-EXECUTIVE
DIRECTOR**

Walter Dissinger
**NON-EXECUTIVE
DIRECTOR**

Godfrey Gomwe
**NON-EXECUTIVE
DIRECTOR**

Mark Kathan
**EXECUTIVE
DIRECTOR**

Patty O'Brien
**NON-EXECUTIVE
DIRECTOR**

Marna Roets
**NON-EXECUTIVE
DIRECTOR**

Philisiwe Sibiyi
**NON-EXECUTIVE
DIRECTOR**

Aarti Takoodeen
CHIEF FINANCIAL OFFICER

This is AECI

AECI is a diversified chemicals solutions company employing 7 168 people at more than 100 sites. We have a presence in 22 countries on six continents.

Founded in 1896 to service South Africa's burgeoning gold and diamond mining industries, the company was formally established in 1924. AECI was listed on the Johannesburg Stock Exchange in 1966. At the end of 2022 we had a market capitalisation of R 9.2 billion (R 12.3 billion in 2021).

A mainstay of the economy in South Africa, over the years we have expanded our presence and evolved our product and service offering to a broad base of customers. Our operating businesses are structured into four key operating business segments – **AECI Mining**, **AECI Water**, **AECI Agri Health** and **AECI Chemicals**

Guided by the UN SDGs, we aim to ensure

- **Better Mining**
- **Better Water**
- **Better Food (and Agricultural) Systems**
- **Better Chemicals**

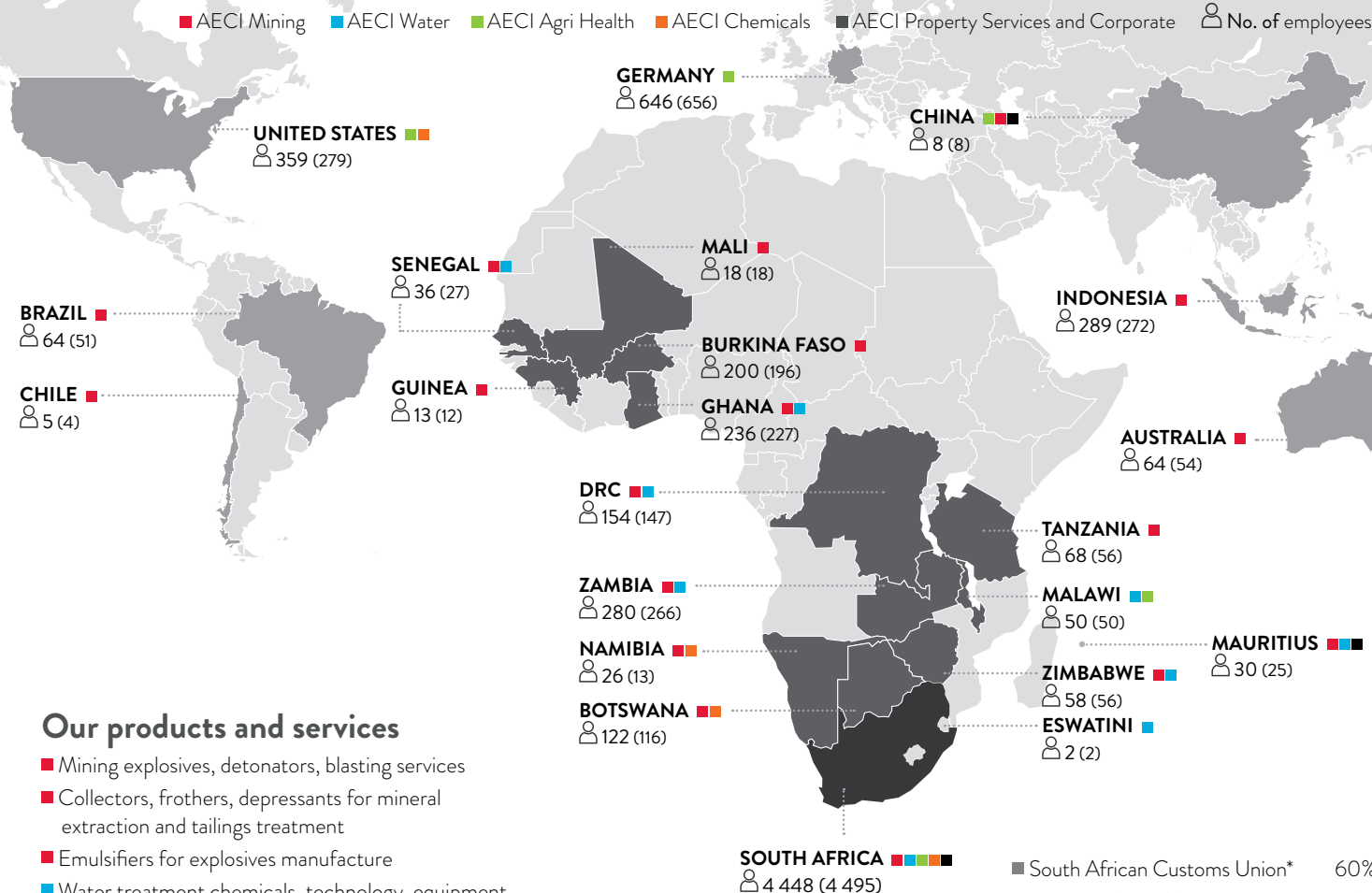
Together, as **One AECI** we work to deliver **sustainable solutions for a better world through innovation and excellence, founded on 'good chemistry'.**

Our products and services

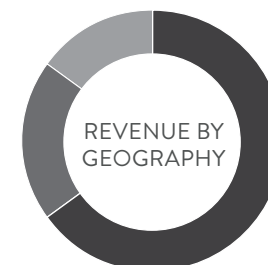
- Mining explosives, detonators, blasting services
- Collectors, frothers, depressants for mineral extraction and tailings treatment
- Emulsifiers for explosives manufacture
- Water treatment chemicals, technology, equipment and plant
- Bulk chemicals
- Blended chemical products
- Asphalt and bitumen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

Our customer sectors

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



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



Note: 2021 comparatives are in brackets

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

This is AECI CONTINUED

We create value through the four operating business segments

AECI® MINING

REVENUE: **R 18.1bn**
(R 12.0bn)

EMPLOYEES: **4 046**

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

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

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

CUSTOMERS: the global mining sector enabling function.

AECI® WATER

REVENUE: **R 2.0bn**
(R 1.5bn)

EMPLOYEES: **403**

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

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

CUSTOMERS: the water treatment services market in Africa.

AECI® AGRI HEALTH

REVENUE: **R 7.1bn**
(R 6.0bn)

EMPLOYEES: **1 376**

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

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

ASPIRATION: to be the premier Agri Health products and solutions provider in chosen markets.

CUSTOMERS: the Agri Health industries in Africa, Europe and the USA and Europe.

AECI® CHEMICALS

REVENUE: **R 8.5bn**
(R 6.5bn)

EMPLOYEES: **1 068**

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

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

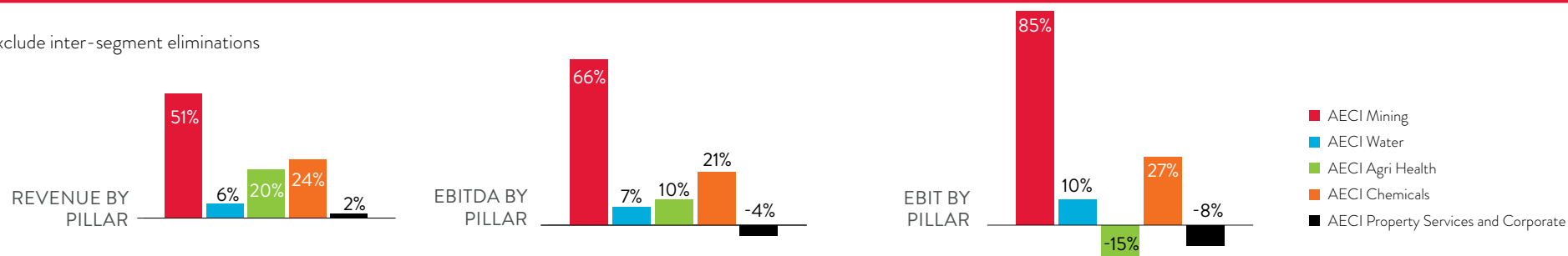
CUSTOMERS: the manufacturing, food and beverage, road infrastructure and general industrial sectors, mainly in Southern Africa. AECI SANS Fibers targets manufacturers in the USA and elsewhere.

AECI® PROPERTY SERVICES AND CORPORATE*

AECI Property Services leases space and provides management and other services in the industrial, office and retail sectors. The business has 145 tenants and generated R 568 million in revenue in 2022. Centralised corporate functions enable the group's delivery of better products and services by supporting the businesses in all operating business segments. These functions include treasury and finance; human capital; safety, health and the environment; ESG and sustainability; stakeholder relations; legal and company secretariat; risk and compliance; information technology and strategy execution. The reporting segment has a total of 275 employees.

*Enabling functions

The numbers exclude inter-segment eliminations



EBIT: Earnings before interest and taxation is defined as profit before interest, taxation and share of profit of equity-accounted investees, net of taxation

EBITDA: Earnings before interest, taxation, depreciation and amortisation calculated as profit from operations and equity-accounted investees plus depreciation, amortisation and impairments. EBITDA is not audited by the company's external auditor

Note: 2021 revenue comparatives are in brackets

Our material matters

Material matters are those that have a meaningful positive or negative effect or potential impact on the delivery of our strategy and our ability to create, preserve or erode value in the short-, medium- and long-term. They relate to our opportunities and risks, the issues most relevant to our stakeholders, the context in which we operate and the major factors that shape our prospects and impact.

Determining our material matters

To determine material matters, we carried out an extensive survey and process:



In the materiality determination process, we identified **22 issues** of high importance to both our external stakeholders and to AECI. These were then grouped into **five themes, or material matters**:



MM1 Strong governance



MM2 Consistent value creation



MM3 Climate action



MM4 Responsible operations



MM5 Passionate purpose-led people



Managing our material matters



STRONG GOVERNANCE



Strong governance is critical to building trust, protecting value and preventing corporate failure.

Our actions

- Identify relevant regulatory and policy developments
- Adhere to laws, rules, standards and other requirements
- Effectively manage risks to ensure compliance
- Safeguard robust governance as the foundation of our business

Progress in 2022:

- Amended and expanded board committee structures; appointed an additional committee and broadened the scope of work of committees, with more defined terms of reference
- Further strengthened the board's composition in terms of international skills, expertise and experience
- Supported and monitored the execution of the growth strategy and related plans
- Ongoing work to enhance the risk management and control environment, especially in relation to combined assurance and IT
- Supported the recruitment of the CE, as well as the successful transition of the new group CFO and the new AECI Mining CEO
- Supported the monitoring of progress in ESG matters, including the establishment and deployment of a group-wide ESG dashboard system
- Increased transparency in disclosure as well as market guidance

Strategy link:

- Growth; business excellence



The outlook:

- Continue to enhance AECI board processes and committees to ensure future fit
- Define detailed digitalisation and innovation strategies
- Focus on the company's ESG imperatives
- Support the transition and induction of the new group CE

Relevant capitals and SDGs



CONSISTENT VALUE CREATION



Consistent value creation allows us to fulfil our purpose of One AECI, for a better world. Our financial sustainability ensures we contribute towards creating work and economic growth in the countries in which we are present. Socio-economic and macro-economic conditions impact both supply of and demand for our products. Apart from the moral imperative to reduce inequality and poverty, we protect our markets by creating jobs, assisting in a just transition and supporting thriving societies.

Our actions

- Ensure an innovative approach to markets transformation imperatives, regulatory and environmental changes and global energy transition risks
- Invest in R&D for innovative technologies, green products and services and the digitalisation of our business activities
- Support skills development, enterprise development and youth employment

Progress in 2022:

- Record financial performance
- Invested R 247 million in R&D
- Roll-out of SAP OneWorld progressed

Strategy link:

- All three strategic platforms and all six strategic themes



The outlook:

- Deliver Zero Harm and ESG commitments in an integrated way
- Continue to gain new business and market share gains across geographies
- Ensure invested capital contribution to performance accelerates in 2023
- Focus on converting revenue growth to earnings
- Deliver on AECI Schirm Germany turnaround
- Active portfolio management and ongoing resource allocation to maximise value creation
- Balanced capital investments to prioritise organic growth and value extraction initiatives to contribute to performance in the medium term
- Active management of working capital to minimise impact
- Approve the group capital allocation policy

Relevant capitals and SDGs



Managing our material matters CONTINUED

 CLIMATE ACTION


Tackling climate change is a fundamental obligation of our time. Its effects already include extreme weather events across the world, and harm to our own operations, communities and value chains. These include the road, rail and ports on which we rely.

Our actions

- Deliver on our commitment to net zero by 2050
- Make increasing use of sources of renewable energy
- Reduce our GHG emissions and increase our energy usage efficiency
- Incorporate climate action KPIs in our ESG scorecard and link this to executive remuneration
- Focus on Better Mining, Better Water, Better Food (and agricultural) systems and Better Chemistry

Progress in 2022:

- R 184 million investment in emissions abatement installations completed
- Initiated the development of a group-wide climate-change policy
- Completed quantification of our Scope 3 GHG emissions in line with the Greenhouse Gas Protocol
- Approved capital expenditure to produce 14 313 927 kWh per annum of own renewable (solar) power

Strategy link:

- Zero Harm and sustainability; innovation; business excellence; passionate, purpose-led people

**The outlook:**

- Disseminate and publish the climate change policy in 2023
- Set Scope 3 baselines and targets
- Commission phase 1 of our embedded renewable-energy programme

 RESPONSIBLE OPERATIONS


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

Our actions

- Reduce risks through effective management
- Implement business opportunities to safeguard our sustainability
- Incorporate 'key responsible operations' KPIs into our ESG scorecard and executive remuneration

Progress in 2022:

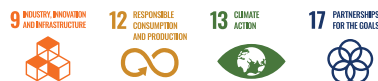
- All zero milestones met
- Formalised a risk maturity roadmap, entailing measurable deliverables over the next three years, to raise AECI's risk maturity
- In 2022, we recorded success on measuring and reporting our multiple contributions to a better, safer world. Highlights are on (see [page 44](#))
- Annual savings on abstraction of potable water for industrial use of 2 billion litres

Strategy link:

- Zero Harm and sustainability; business excellence; financial and risk stewardship

**The outlook:**

- Deliver zero harm and ESG commitments in an integrated way as One AECI
- Continue to transition our products and our customers to a less harmful, more circular future through Better Mining, Better Water, Better Food (and agricultural) systems and Better Chemistry
- Reduce/repurpose 1 billion litres of liquid effluent discharged by 2025
- Target savings on abstraction of potable water for industrial use of 2 billion litres in five years
- Continue to invest in Water Sustainability Initiative, including within the group
- Continued development of in-house formulated products focused on softer greener chemicals

Relevant capitals and SDGs**Relevant capitals and SDGs**

Managing our material matters CONTINUED



PASSIONATE, PURPOSE-LED PEOPLE

RISK
1RISK
9

To deliver on our purpose, we must create a culture of high performance and inclusion. We must attract and retain the right people and ensure gender equality as well as opportunity for professional progress. We must contribute to social stability by supporting communities in terms of education, youth development, food and water security, health, well-being and development.

Our actions

- Promote equal opportunities and fair practices globally across all businesses
- Empower our employees through education and training
- Focus on employee wellness by providing appropriate support
- Incorporate key passionate people KPIs into our ESG scorecard
- Stay on course in terms of driving our B-BBEE ownership goals

Progress in 2022:

- Approved the integration of gender equality metrics into our LTIs
- Revised our policies and processes to ensure a sustainable shift in accommodating people with disabilities in the workplace
- Started implementing our integrated talent management approach
- Awarded bursaries worth approximately R 1.9 million
- Launched our holistic 'Better You for a Better World' employee wellness initiative

Strategy link:

- Zero Harm and sustainability; business excellence; partnerships and ecosystems; customer centricity

MM2
MM4

The outlook:

- Pursue our 2025 target of 40% women representation in senior, middle and junior management
- Implement a new Black ownership scheme incorporating learnings and improvements from the previous transaction
- Prioritise a shift to a more progressive and inclusive culture

Relevant capitals and SDGs



Key features of 2022

FOR THE ENVIRONMENT



Zero

MAJOR OR SERIOUS
ENVIRONMENTAL
INCIDENTS

INCREASED
SCOPE 1 EMISSIONS

BY **1%**

AND SCOPE 2
DECREASED

BY **4%**

ELECTRICITY FROM
RENEWABLES 2025
TARGET ON TRACK

TOTAL WATER
CONSUMPTION
INCREASED

BY **2%**

FOR EMPLOYEES



SAFETY - TRIR

0.15

(0.23)

SALARIES AND WAGES

R 5.0bn

(R 4.5bn)

NUMBER OF EMPLOYEES

7 168

FOR SOCIETY



IMPROVED FEMALE
REPRESENTATION AT
TOP LEVELS

TO **40%**

(38%)

B-BBEE CONTRIBUTOR
STATUS IN SOUTH AFRICA

Level 3

(Level 3)

TOTAL TAX
CONTRIBUTION ^{TTR}

R 2.4bn

(R 1.8bn)

FOR PROVIDERS OF FINANCIAL CAPITAL



REVENUE

UP 37%

R 35 583m

(R 26 053m)

EBITDA

UP 16%

R 3 570m

(R 3 091m)

HEPS

UP 15%

1 287cents

(1 116 cents)

GROWTH CAPEX

R 952m

61% of total R 1 552m capex

TOTAL CASH DIVIDENDS
FOR THE YEAR

UP 13%

774cps

(685 cps)

EPS

DOWN 22%

878 cents

(1 125 cents)

GEARING

AT

45%

(24%)

WORKING CAPITAL

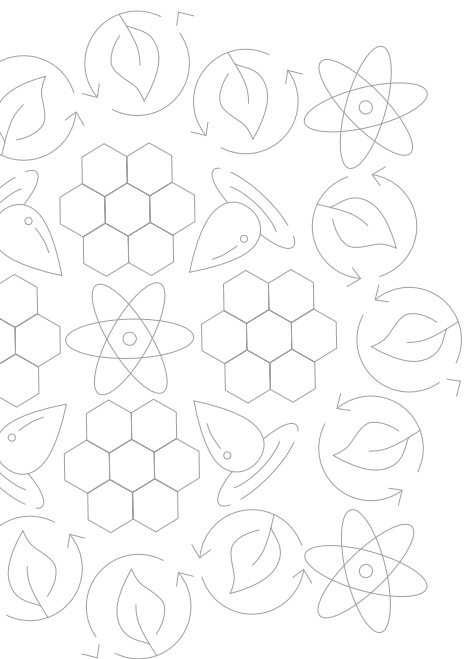
19% of revenue

(18%)

Note: 2021 comparatives are in brackets

Our operating environment

The environment in which we operate is a key consideration in the development of our strategy and our ability to deliver on it. It also influences our work to create and preserve value (**page 15**); our risks and opportunities (**page 22**); as well as our ability to support the SDGs. It impacts our stakeholders (**page 18**) and the material matters we identify (**page 7**).



MACRO-ECONOMIC CONDITIONS

The Russia-Ukraine war, the lingering effects of the pandemic and tighter financial conditions led to a sharper-than-expected slowdown in global economic activity and an acceleration in inflation and interest rates. Global economic growth was expected to have slowed to 3.2% from 6.0% in 2021.

In South Africa, growth of 1.9% (vs 4.9%) was forecast (source: IMF), impacted by unprecedented power cuts, devastating floods and disruptions to key transport services. Growth in other key AECL markets was as follows: the USA 1.9% (5.7%), Germany 1.8% (2.9%), Australia 0.5% (4.2%) and Brazil 3.0% (4.6%).

A growing proportion of our revenue is generated in foreign currencies (46% in 2022 from 41% in 2021) so a weaker Rand generally supports our revenue ambitions. In 2022, the Rand averaged R 16.37 against the US Dollar (R 14.78/USD) and R 17.21 against the Euro (R 17.48/€).

OUR ACTIONS:

- Capital investments as well as proactive action taken by management to manage costs, leverage customer relationships and ensure security of supply resulted in increased sales
- Company remains robust in its approach to unlock future value with particular focus on optimising existing businesses
- Strong foothold improvements in various new jurisdictions

THE OUTLOOK:

Global growth is expected to slow to 2.7% in 2023, with South African economic activity seen at 0.1% (source: IMF) amid severe power constraints. Inflation is seen easing slightly. Much of the global outlook depends on the war, the possibility of further pandemic-related disruptions and more extreme weather events impacting recovery.

A growing population and increasingly scarce resources will support the expansion of mining and food-provision businesses, providing greater opportunities for AECL Mining and AECL Agri Health.

Link to strategy and material matters



Related risks



Our operating environment CONTINUED

CONTINUED DISRUPTION TO SUPPLY CHAINS

Pandemic-related backlogs and the Russia-Ukraine war continued to disrupt global supply chains, marked by long lead times and high shipping costs. Globally, extreme weather-related conditions impacted infrastructure and supply chains. This affected raw materials supply as well as the ability to move product.

During the period, the group experienced supply chain challenges following numerous *force majeure* events that impacted key raw material suppliers. However, due to effective supply chain management and regular communication with all our customers, we were able to efficiently manage the product supply.

THE OUTLOOK:

Continued supply chain disruptions. Manufacturers will increasingly look to secure reliable domestic supply which may translate into increased demand of AECI products and services.

OUR ACTIONS:

- Worked to ensure security of supply to customers, many of them providers of essential services such as water, electricity and sanitation, as well as those in the mining sector and farmers
- Increased inventory of key products and raw material to ensure security of supply to customers. Proactive action taken to manage inventory levels and minimise cost impact
- Often procured raw materials at elevated prices to meet our obligations to customers, but this increased our working capital requirement
- Contractual arrangements, strong customer relationships and pricing policies enable the pass through of most price increases

CLIMATE CHANGE AND THE GROWING REQUIREMENT FOR GREENER PRODUCTS

The importance that customers, governments, regulators and civil society attach to the green credentials of products continues to grow. Shareholders demand more transparent and thorough reporting on these matters, including companies' broader contribution to sustainable societies.

Extreme weather events are becoming more common. In 2022 this included severe flooding in KwaZulu-Natal, which severely damaged infrastructure and impacted our customers, suppliers and people. Heavier rainfall in Southern Africa underpinned the performance of the agriculture sector, in turn supporting demand for AECI Agri Health products. It also drove demand for AECI Water's water-treatment solutions. However, the high rainfall negatively affected blasting at AECI Mining's open-cast customers and demand for AECI Much Asphalt's road-surfacing products.

OUR ACTIONS:

- Increased our focus on reducing our carbon impact; committed to reach net zero by 2050
- Introduced new LTI KPI metrics – four environmental and one social – in our LTI remuneration calculations to incentivise executives to work harder to achieve the more ambitious targets
- Appointed a dedicated ESG manager soon after year-end
- Earmarked R 145 million for investment in group solar energy projects in 2023
- Continued investment in water sustainability initiatives, including within the group, to reduce costs and achieve sustainability goals
- Innovation: implementation of three new water-related technologies gained momentum in 2022
- Development of in-house formulated products focused on softer greener chemicals

THE OUTLOOK:

World-wide, companies and governments are stepping up their efforts to reduce their reliance on carbon-based activities and drive efforts towards zero emissions. The drive towards greener, more circular products will play increasingly to our strengths in terms of intellectual capital, patents, global partnerships and scientific and technical skills. As we work to reduce our own emissions as well as discharges and intake of potable water, we will learn lessons that can be deployed to the benefit of our customers and society at large.

Link to strategy and material matter



Related risks



Link to strategy and material matters



Related risks



Our operating environment CONTINUED

CONTINUED STRONG GLOBAL COMMODITY PRICES

Commodity prices moved in a wide range in the year. In January 2022, the crude oil price, a driver of chemical input prices, traded around R 80.61/bbl. It peaked at some R 121.93/bbl in June and then hit a low of R 78.59/bbl in December, before ending the year close to where it had started.

Many other commodities including ammonia and sulphur followed a similar pattern.

Mining activity in most AECI Mining jurisdictions was in line with previous periods. In South Africa, mining activity was disrupted by rolling power cuts, logistical challenges and higher rainfall. Mining exports were also affected by challenges on the railways and at the ports.

OUR ACTIONS:

- Proactive sourcing of raw materials (AECI Mining, AECI Chemicals) and finished products (AECI Chemicals) using our extensive global supplier base enabled continued customer supply
- Customer agreements in place to pass on increases in input costs for the majority of products
- In the process of negotiating with customers to pass on the full costs of the change

THE OUTLOOK:

Commodity prices are expected to remain elevated in the short term although lower than the peak in 2022. Analysts expect the oil price to moderate in 2023, barring any supply disruptions.

Link to strategy and material matters



Related risks



Our **value-creating** business model

Skilled AECI people (human capital) use our group's patents, trademarks and processes (intellectual capital) and property, plant and equipment (manufactured capital) to create and preserve value for our many stakeholders, among them customers, society, investors (financial capital) and communities (social capital).

We depend on financial capital provided by shareholders and lenders, raw materials and other products and services (natural and manufactured capital), as well as partners (social capital) in our business activities. In pursuit of our growth strategy, we strive to maximise positive outcomes and minimise instances in which value is eroded.

Material matters



MM1 Strong governance



MM2 Consistent value creation



MM3 Climate action



MM4 Responsible operations



MM5 Passionate, purpose-led people



FINANCIAL

- Market capitalisation R 9.2 bn (R 12.3 bn)
- Equity R 11.8 bn (R 11.6 bn)
- Net debt R 5.3 bn (R 2.8 bn)



HUMAN

- Employees 7 168
- Salaries and wages R 5.0 bn (R 4.5 bn)
- Employee development 1 636 participants in learning opportunities



MANUFACTURED

- Production facilities at >100 sites in 22 countries
- Public infrastructure
- Plant and equipment of R 3.2 bn (R 3.5 bn)



INTELLECTUAL

- Patents 982 (874)
- Trademarks 2 506 (2 439)
- Multiple licensing agreements
- Experienced and diverse board, management and staff



NATURAL

- Electricity used **LA** 217 992 MWh (223 419 MWh)
- Potable water consumed **LA** 1 793 455 m³ (1 755 929 m³)
- Energy consumed **LA** 3 390 023 GJ (2 886 457 GJ)



SOCIAL

- Well-established and trusted brand
- Agreements to manufacture or distribute for other producers

Informed by our vision and purpose, guided by our strategy and supported by our governance structures and processes, we create value through five distinct value-chain activities:

1. FOUNDATION R&D

We develop and take to market innovative products and services that enhance our business and that of our customers.

2. APPLICATION R&D

We have multiple licensing agreements for products and applications. Working in state-of-the-art laboratories, our scientific and technical personnel adapt these to tailor-make customer solutions.

3. PRODUCTION AND MANUFACTURING

We manufacture finished or intermediate products for customers using our own IP or under licence. We distribute thousands more products in terms of agreements with other producers.

4. 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.

5. WAREHOUSING AND DISTRIBUTION

We produce finished or intermediate products and applications for our customers and also on-sell products. Our in-house and third-party logistics capabilities include warehouses across the world.

INVESTMENT: R 247 m (R 209 m)

R 2.3 bn (R 2.2 bn)

R 1.6 bn (R 1.3 bn)

R 415 m (R 324 m)

LA: limited assurance statement on reported sustainability data

Note: 2021 comparatives are in brackets

Our value-creating business model CONTINUED

Outputs

Products and services

- Mine-to-mineral solutions
- Water treatment solutions
- Chemical raw materials and related services
- Asphalt and bitumen for road construction
- Food and beverage ingredients and commodities
- Vitamin and mineral animal feed premixes
- Crop protection products and plant nutrients
- Property leasing and provision of utilities

Waste

Scope 1 CO₂ emissions (tonnes CO₂e)**267 919** LA (266 291)Scope 2 CO₂ emissions (tonnes CO₂e)**225 882** LA (235 043)Discharge to sea or sewer (m³)**751 880** LA (722 573)

Hazardous waste (tonnes)

16 783 LA (14 035)6 CLEAN WATER
AND SANITATION13 CLIMATE
ACTION

Key outcomes

8 DECENT WORK AND
ECONOMIC GROWTH

- EBITDA
R 3.6 bn (R 3.1 bn)
- EBIT
R 2.0 bn (R 2.0 bn)
- HEPS
1 287 c (1 116 c)
- Cash dividends of
774 cps (685 cps)
- Cash generated from
operating activities
R 77 m (R 1.5 bn)
- Gearing at
45% (24%)

8 DECENT WORK AND
ECONOMIC GROWTH

- TRIR
0.15 (0.23)
- Women on the board and
in top management
40% (38%)
- Women in senior, middle
and junior management
30% (30%)
- Learnerships/internships
apprenticeships
376 (188)
- Employee volunteers
547 (78)

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE

- Capex for expansion
and growth
R 952 m (R 193 m)
- Depreciation
R 956 m (R 957 m)

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE

- Goodwill and
intangible assets
R 3.2 bn (R 3.3 bn)
- R&D spend
R 247 m (R 209 m)

12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION

- No electricity from renewables
in 2022 – commissioning
of solar installations will take
place in 2023
- Moderate environmental
incidents 6 (15)
- Commitment to net zero
emissions by 2050
- Introduced 'increase
recycled waste' and 'increase
recycled materials' as new
metrics and targets

13 CLIMATE
ACTION17 PARTNERSHIPS
FOR THE GOALS

- Total tax contribution
R 2.4 bn (R 1.8 bn)
- Economic value added
R 9.3 bn (R 10.5 bn)
- B-BBEE contributor status
in South Africa **Level 3**
(Level 3)
- Certified a Top Employer
in South Africa for the third
consecutive year
- CSI spend
R 36.2 m (R 34.8 m)
- ESD local spend
30% (20%)
- SMEs supported
14 (10)

EBIT: Earnings before interest and taxation is defined as profit before interest, taxation and share of profit of equity-accounted investees, net of taxation**EBITDA:** Earnings before interest, taxation, depreciation and amortisation calculated as profit from operations and equity-accounted investees plus depreciation, amortisation and impairments. EBITDA is not audited by the company's external auditor

Note: 2021 comparatives are in brackets

Our trade-offs

As we make business decisions to deliver on our strategy and ambitions, we manage trade-offs. Our aim is to create and preserve value and to reduce instances where value is eroded as a consequence of our decisions and actions. Here we present the four main material trade-offs we made in 2022.

Working capital management



Our relationships with our customers, the quality of the products we supply as well as the service we offer them drive the achievement of our growth strategy. In 2022, our investment in inventories increased by 39% to R 6 780 million (2021: R 4 880 million) driven primarily by higher commodity prices. We also took on additional volumes of raw materials to ensure that our customers were kept supplied in a context of continuing supply chain disruptions and shortages of raw materials.

Many of our customers are providers of essential services such as water, electricity and sanitation, as well as those providing vital products in the mining and agricultural sectors.

Financial capital	✓
Social capital	↑

Capital allocation



In 2022, we continued to follow our clear capital allocation priorities (page 42). We believe that we must continue to share our financial success with shareholders while continuing to invest in our ability to generate greater value and maintaining balance sheet strength. In 2022, we maintained our strong dividend track record by increasing the total cash dividend to 774 cents (2021: 685 cents), representing growth of 13%.

Financial capital	✓
Social capital	↑

Environmental impact



We aim to create shared value even while we endeavour to deliver on our commitment to net zero by 2050. In 2022, we achieved our water consumption targets and completed a R 184 million investment in various emissions abatement installations.

Financial capital	✓
Natural capital	↑
Social capital	↑
Human capital	↑

Employment and skills development



In order to deliver on our purpose and strategy we need to recruit and retain the right people and ensure gender equality as well as opportunity for professional progress. Our total international headcount increased by 127, in line with our growth and diversification objectives. During the year 142 of our employees underwent training and development. We awarded bursaries to 26 students.

Financial capital	✓
Human capital	↑
Intellectual capital	↑

Manufacturing and R&D capacity



Utilising financial capital to invest in manufacturing as well as R&D capacity for the group is key for sustaining our ability to grow and create value for all stakeholders. During the year, capital expenditure almost doubled to R 1 552 million (2021: R 777 million). 61% of the spend was focused on investment to support organic growth; this included growing our manufacturing capacity and expanding our footprint. In the short- to medium-term, these investments will be financial-capital positive. Expenditure on R&D, on our people's skills and knowledge and our stock of intellectual property rose to over R 247 million.

Financial capital	✓
Manufactured capital	↑
Human capital	↑
Social capital	↑
Intellectual capital	↑



Engaging our stakeholders

We rely on a wide range of stakeholders in order to create value. Proactive and regular engagement with all our stakeholders helps us identify and address material issues of interest or concern to them, as well as risks and opportunities.

Engagement informs our strategy development and delivery. One of our values is to be responsible by acting in a manner that is mindful of all stakeholders' interests. During the year, we recognised and committed to strengthening our stakeholder engagements, with a focus on external stakeholder identification and management.

Early in 2023 we formalised our group stakeholder management framework (SMF), seeking to have a seamless and uniform approach to engagement. The SMF will enable us to structure engagements to achieve our purpose. It will also provide the tools for us to assess and evaluate the effectiveness of the relationships we have and seek to foster with our stakeholders.

Preserving and enhancing stakeholder trust is critical to the value creation process and requires transparency and proactive stakeholder engagement. Our SMF outlines how we engage and collaborate with stakeholders to ensure that our critical relationships continue to deliver mutually beneficial value. It also ensures that our stakeholder engagement activities are integrated and are undertaken in a coordinated manner to improve their effectiveness further. It identifies the engagement 'owners' with the appropriate knowledge and competencies.

Our stakeholders are as follows:

SHAREHOLDERS, INVESTORS, ANALYSTS AND LENDERS

AECI strives to deliver sustainable value, consistently.

CUSTOMERS

AECI strives to provide the highest quality of goods and services to customers.

SOCIETY AND COMMUNITIES

AECI continues to invest in corporate responsibility initiatives to uplift the communities in which we operate.

SUPPLIERS

AECI builds and maintains sound and ethical partnerships with all suppliers.

GOVERNMENT, ASSOCIATIONS AND REGULATORS

AECI complies with all legislative and regulatory requirements in all jurisdictions.

EMPLOYEES

AECI provides employees with job security, fair pay and appropriate benefits in a safe work environment.

Engaging our stakeholders CONTINUED

SHAREHOLDERS, INVESTORS, ANALYSTS AND LENDERS

WHY WE ENGAGE

The investment community requires timely and accurate disclosure of key information on our business to assess the appropriate equity or debt funding. It seeks strong sustainable total shareholder returns and equally strong environmental, social and governance performance.

What matters most

- The AECI group's financial performance, growth prospects and strategies to improve the profitability of AECI Schirm and AECI Much Asphalt
- Our capital allocation strategy and philosophy, ability to extract earnings from particular jurisdictions and succession plans
- Delivering against ESG targets

Value shared

- Recorded HEPS of **1 287 cents**
- Cash dividends of **774 cents** per share for the full year
- Improved environmental outcomes

How we engage

- One-on-one and group earnings calls and other meetings
- Roadshows and conferences
- Presentations, AGM and calls
- Communication via the website and the JSE Stock Exchange News Service (SENS)
- Dissemination of media releases, publications and other information

Our actions

- Utilised technology to reach shareholders effectively
- Enhanced our communication practices through establishing clear investor and stakeholder relations
- Board and management ensured improved disclosure to the market
- Held a capital markets day in June 2022 to unpack the growth strategy in detail
- Proactively engaged with stakeholders to manage issues and concerns that arose during the year
- Attended investor conferences in South Africa and internationally
- Endeavour to create a no-surprise business environment

Link to strategy and material matters



Related risks



CUSTOMERS

WHY WE ENGAGE

By collaborating with our customers, we develop the products and services they require, that enable them to produce, improve their ESG credentials and enhance their resilience to climate change.

What matters most

- A reliable supply of trusted products that improve efficiency and safety; increase yield; support fuel savings; reduce potable water offtake; reduce effluent discharged; increase water treatment and re-use; increase crop yields and reduce water use; and reduce costs

Value shared

- Provided high quality products on time and in full
- Provided exceptional customer services to a broad spectrum of customers in the diverse markets and geographies where we operate

How we engage

- Customer engagement forums
- Industry meetings including forums on safety, security and the environment
- AECI events
- Through our website and social media

Our actions

- Operationalised and embedded our customer centricity programme in our businesses
- Adopted a baseline customer centricity dashboard; all businesses monitor their progress and that of the group and their peers. Learnings and key customer touchpoints are shared
- Developed nine customer performance indicators
- Rolled out a customer centricity change journey and toolkit
- Broadened the base of our businesses and products that use ONE, our e-commerce platform, giving customers an improved, more comprehensive and user-friendly means to engage with us

Link to strategy and material matters



Related risks



Engaging our stakeholders CONTINUED

COMMUNITIES

WHY WE ENGAGE

The communities that host our operations are critical stakeholders. Actively engaging with the communities is an imperative of our sustainability strategy. These engagements are a priority to ensure that we address vital socio-economic issues to support thriving communities who are an integral part of our contribution towards national development imperatives.

What matters most

- Maintaining our license to operate
- Providing social services that are a basic human right
- Access to quality education
- Education and skills development opportunities
- Job creation and empowerment
- Creating procurement opportunities
- Providing access to clean water and sanitation

Value shared

- Achieved local procurement of 30% across all business internationally
- Invested R 36.2 million in corporate social investment initiatives, with 160 000 beneficiaries impacted
- 567 employees volunteered to support worthy causes
- As at the end of 2022, our Good Chemistry Fund investment totaled R 30 million in ESD through loans, equity and grant funding **SR**

Our actions

- Carried out holistic stakeholder inclusive engagement
- Performed needs analysis and assessments
- Worked to understand key local development imperatives
- Aligned development imperatives and funding criteria with focus areas of our CSI funds
- Identified strategic and credible partnerships
- Implemented sustainable water solutions

How we engage

- Community forums
- Traditional and community leaders
- Local municipal community forums
- Non-profit partner networks
- Annual general meetings of the CSI trusts, as relevant
- Roadshows and site visits

Link to strategy and material matters



Related risks



SUPPLIERS

WHY WE ENGAGE

We require a reliable supply of an array of products and services to sustain our business and deliver on our strategy. Through consistent engagement, we help mitigate supply constraints and anticipate trends. By engaging with our suppliers, we develop new products and services that reduce our customers' environmental impact and improve their profitability.

What matters most

- Unrelenting supply chain disruptions
- Continued strong global commodity prices
- Severe power interruptions in South Africa

Value shared

- Paid approximately R 17.4 billion to suppliers in the ordinary course of business

How we engage

- Engagements at the most senior levels
- Preferential procurement forums
- Meetings and other communication methods

Our actions

- Improved strategic sourcing of product for key customers
- Held frequent engagements to manage risks/challenges and implement quick solutions to minimise impact on operations
- Negotiated preferential supply terms to minimise the impact of supply chain challenges, as appropriate

Link to strategy and material matters



Related risks



Engaging our stakeholders CONTINUED

GOVERNMENTS, INDUSTRY FORUMS AND REGULATORS

WHY WE ENGAGE

We actively seek to build trusted long-term relationships with the governments and regulators in the countries in which we are represented to safeguard our licence to operate; help support the achievement of the UN SDGs; align with and support country-specific objectives; and to comply with laws, regulations and policies directly impacting our business model in all jurisdictions.

What matters most

- Alignment of our values and objectives with respective countries' vision and objectives
- Compliance with laws, regulations and policies

Value shared

- Total tax contribution of R 2.4 billion
- Invested significantly in capex totalling R 1.6 billion

How we engage

- Industry association meetings, conferences and events
- Government or regulator events aligned to industry and strategy
- Regular reviews
- Regulatory inspections, plant visits and audits

Our actions

- Engaged to foster relationships to reinforce compliance and safeguard operations
- Formed partnerships with other organisations, together with government structures, in line with our CSI work
- Engagements to support ongoing projects with multiple stakeholders

Link to strategy and material matters



Related risks



EMPLOYEES

WHY WE ENGAGE

Our people's skills and work are fundamental to our growth. By engaging we can create a safe, innovative and inclusive culture that lets our people achieve their full potential.

What matters most

- A safe and healthy workplace
- Skills and career development
- Motivated, engaged and suitably skilled people
- Remuneration that keeps up with inflation and is aligned to market norms
- Employee wellness
- A potential new Black ownership scheme in South Africa

Value shared

- Disbursed R 5.0 billion in wages and salaries to employees
- 1 636 employees participated in learning opportunities
- Recorded a TRIR of 0.15, the lowest since AECL started tracking this metric
- No Major incidents across the areas of occupational and process safety, environment or product transportation

Link to strategy and material matters



Our actions

- Approved the integration of gender equality metrics into our long-term incentive scheme
- Revised our policies and processes to ensure a sustainable shift in accommodating people with disabilities in the workplace
- Started implementing our integrated talent management approach
- Awarded bursaries worth approximately R 1.9 million
- Launched our holistic 'Better You for a Better World' employee wellness initiative

How we engage

- Employee engagement forums and roadshows
- Leadership engagements
- AECL intranet and emails, policies, procedures and frameworks
- Performance management feedback
- Employment equity forums
- Bargaining councils

Related risks



Managing our risks

AECI's risk landscape underwent considerable change in 2022. Geopolitical upheaval that was centred on (but by no means confined to) the Russia-Ukraine war which directly impacted our operations and prospects. Repercussions included soaring and volatile commodity prices (among them those of ammonium nitrate), continuing supply chain disruptions, inflation and heightened energy-related challenges. These developments as well as ongoing and emerging risks in our operating environment are discussed from **page 12**.

At all levels at AECI, including board oversight level, safety, health and risk mitigation remains at the forefront of our efforts across every aspect of the business. While the group has made great strides in achieving our current world-class safety record, safety remains a key priority.

Here we present a brief synopsis of our top inherent strategic risks in 2022. None of our top risks is unique to AECI, as they are also experienced by our competitors and customers. Conversely, our opportunities – which we discuss in some depth from **page 23 to 24** – set us apart from those we compete against and are derived from our unique strengths. Our growth strategy is designed to maximise these competitive strengths and to mitigate our risks.

In 2022 a risk maturity roadmap was formalised and presented to a joint meeting of the Risk and Audit Committees. This entails measurable deliverables over the next three years, to raise AECI's risk maturity. The roadmap incorporates various elements such as operational resilience workshops and opportunity assessments.

Our management of risks and opportunities is discussed in more detail on **pages 23 and 24**.

Our top risks

1. Group financial performance
2. South Africa's socio-political environment
3. Global supply chain difficulties
4. Cybersecurity threats
5. Climate change/global warming
6. Commodity prices impact production costs and pricing
7. Emerging market vulnerabilities
8. Market's ESG expectations not being met
9. Inadequate succession planning and skills retention

Mapping our top risks

We determine a risk event's CONSEQUENCE in terms of its financial, operational, non-compliance, safety, reputational and environmental impact on our sustainable ability to deliver value for stakeholders as follows:

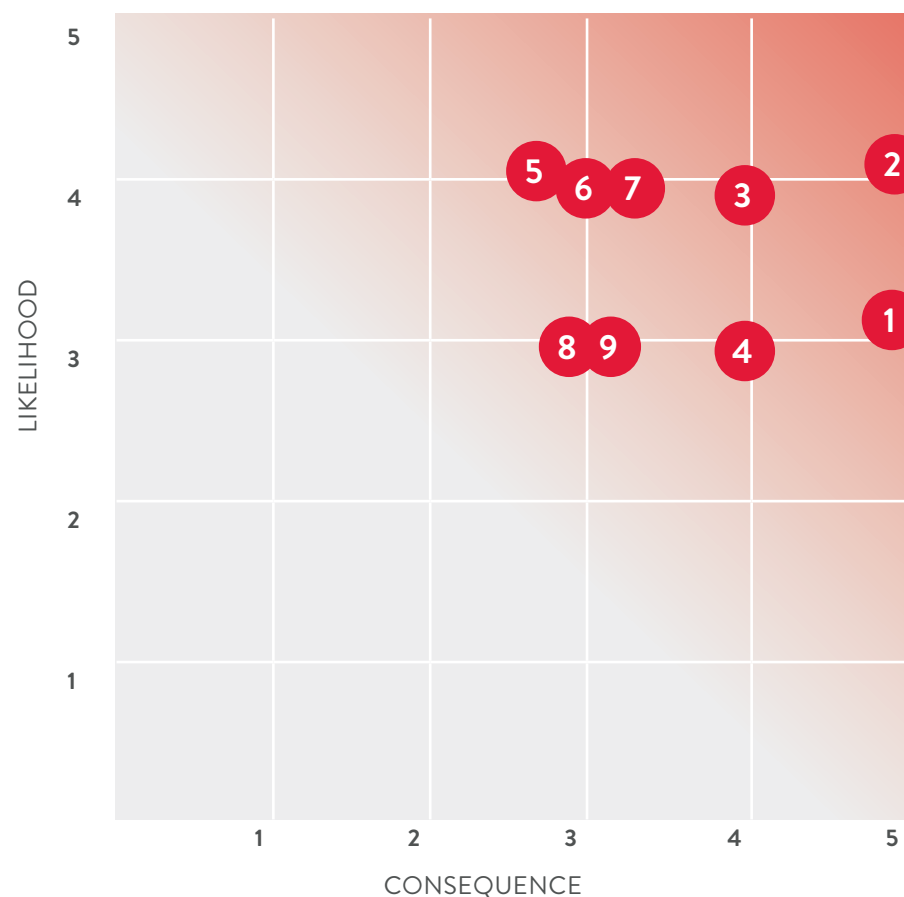
1. Minor
2. Moderate
3. Serious
4. Major
5. Severe

LIKELIHOOD is defined as:

1. Not likely
2. Slight
3. Likely
4. Highly likely
5. Nearly certain

Our top risks

Note: Status as at the end of Q4 2022



Managing our risks CONTINUED

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

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
4. Limited improvement opportunity	Controls and/or management activities are properly designed and operating with opportunities for management identified
5. Effective	Controls and/or management activities are properly designed and operating as intended

Our top risks

		Control	Control effectiveness	Consequence	Likelihood
RISK 1	Group financial performance as it relates to exposure to commodity prices, working capital management and interest rates	Group approved growth strategy provides for regular monitoring and oversight of business performance Focused organic growth strategy in appropriate sectors	3 4	5	3
RISK 2	South Africa's socio-political environment results in unstable state-owned enterprises, low economic growth, high unemployment and social upheaval Opportunity: sustainability initiatives – strategic projects in key market segments	Geographic diversification Focused organic growth strategy in appropriate sectors Portfolio management approach adopted by each pillar Generator back-up supply at key sites National key points status	4 4 4 4 4	5	4
RISK 3	Global supply chain difficulties exacerbated by the Russia-Ukraine war and high inflation disrupt supplies and undermine competitiveness	Commodity policies – sulphur and ammonia Back-to-back agreements with customers AECI Mining rise-and-fall clauses applied on a monthly basis Storage facility at the port of Richards Bay for ammonia imports, as required A well-established and effective procurement office in China bolsters our supply chain resilience	4 4 4 4 4	4	4
RISK 4	Cybersecurity threats result in serious and prolonged business interruption	Cyber insurance cover – 'A' rated insurers Cybersecurity plan and roadmap IT disaster recovery plan	4 3 4	4	3

Managing our risks CONTINUED

		Control	Control effectiveness	Consequence	Likelihood
RISK 5	Climate change/global warming lead to extreme weather events, negatively affecting operations and customers	R&D of new/alternative products for affected markets	3		
		Effects of climate change monitored and reacted to	3		
		Sustainability initiatives – products and know-how that maximise the use of natural resources, such as water	4		
	Opportunity: sustainability initiatives – strategic projects in key market segments	Sustainability framework with relevant reduction goals and targets and task team	4	3	3
	Commercialisation of innovative technology that enables the efficient use of natural resources, particularly water	Abatement technology at AECI Mining Explosives' Nitrates facility, Modderfontein, to reduce CO ₂ levels and improve compliance	4		
	Khula agri-platform for emerging farmers	2020 minimum emission standards and CO ₂ reduction targets	4		
	Investment in innovative companies and technologies, such as Clariter and Origin Materials	Investment in solar power generation	4		
RISK 6	Commodity prices impact production costs and pricing	Diversification into different commodities such as 'new world' commodities	4	3	4
	Opportunity: assessing 'new world' commodities (such as lithium)				
RISK 7	Emerging market vulnerabilities including instability and regulatory changes disrupt operations	Compliance universe per group entity	4	3	4
	Opportunity: compliance puts us at a competitive advantage	Timely repatriation of cash and dividends from foreign entities	4		
RISK 8	Market's ESG expectations not being met may result in loss of customers and business partners, and increased cost of funding	Zero Harm campaign	4		
		Sustainability strategy that realises 10 sustainability goals and their KPIs by 2025	3	3	3
		Integrating the sustainability strategy and KPIs in the supply chain	3		
	Opportunity: meeting and exceeding ESG expectations is a competitive advantage, most notably for AECI Mining	Development of sustainable and green business opportunities	3		
RISK 9	Inadequate succession planning and skills retention may undermine competitiveness	Succession planning	2	3	3
		Talent management, leadership development and retention strategy	4		



Our **value-creating** passionate, purpose-led people

Every day our employees are expected to work safely to produce and deliver world-class products and services reliably, cost-effectively and on time, to create value for all stakeholders, for a better world. At AECL, innovation is a constant. It is derived from the work and ingenuity of a highly skilled as well as driven workforce.

What matters most

Engaged, motivated, diverse and expert individuals and teams who buy into our purpose, values and strategy and go above and beyond to delight customers by delivering outcomes that our competitors simply cannot match.

Value shared through our actions



Recognised as a Top Employer in South Africa for the third year running, highlighting our commitment to shaping a better world of work for all employees through excellence in HR policies and people practices. AECL scored well in the 'Unite' domain and the categories of purpose and values; ethics and integrity; and diversity and inclusion. The quality of our people is what differentiates us, their passion and being purpose-led, and our culture of accountability and learning based on our BIGGER values.

Salaries and wages

R 5.0 billion

Benefits for full-time employees include:

- Fair and responsible remuneration
- Medical aid
- Life and disability insurance
- Wellness support
- Paid maternity leave

Training and skills development

- Delivered bespoke programmes to enhance leadership skills
- Oversaw graduation of 80 Future Managers Development Programme participants
- Delivered the Middle and Senior Management Development Programme with GIBS
- Introduced 'board walks', 'leader walks' and 'voices of change' events to support women's leadership skills
- 1 636 employees participated in at least one learning opportunity in 2022
- Introduced a structured in-house technical internship programme (piloted at AECL Plant Health)
- Awarded bursaries worth R 1.9 million; updated our bursaries policy to enhance competitiveness
- Funded various university students; offered workplace experience.

Diversity and inclusion

- Was recognised at the Gender Mainstreaming Awards for 'Empowerment of Women in Communities'; 'Investing in Young Women'; and was the 'Overall Gender Mainstreaming Champion 2022, Southern Africa'
- Increased female representation on our board and in Top Management. Achieved 40% (versus 2025 target of 33%)
- Revised policies and processes to accommodate people with disabilities in the workplace
- Approved the integration of gender equality metrics into LTI scheme

Employee wellness

- Launched our 'Better You for a Better World' initiative in which more than 4 900 employees participated in addition to training
- Launched our new employee well-being portal to provide easy access to wellness content
- Held month-long mental health awareness and education campaign
- Engaged with employees on results of culture survey to understand issues and identify actions to improve culture

Talent management

- Established talent boards to oversee optimal recruitment and fair succession plans, attract the right people, ensure gender equality as well as the opportunity for professional progress
- Made significant progress on human capital strategic objectives, focusing on talent management and development, leadership development, organisational culture, digitisation, diversity and inclusion, social responsibility and employee wellness
- New group CFO appointed

Safety

- Achieved all zero harm milestones for the second consecutive year
- Recorded lowest TRIR yet of 0.15; zero fatalities or life-altering injuries

Links to strategy and material issues



Related risks and opportunities



Note: For details on our people initiatives, see the **SR** and the **RR**

Creating **social value**

We contribute to the economic, social and environmental development of the communities in which we operate. This includes the wealth and employment we create, the products and services we provide as well as programmes and initiatives we implement in line with our ambition.

Our people use our products, knowhow, infrastructure and systems to create a better world by working with other people. We act fairly, use resources prudently, foster competition and local enterprise, and innovate.

What matters most

Actions taken to uplift and empower communities and individuals, and do no harm.

VALUE SHARED THROUGH OUR ACTIONS



Enterprise and supplier development

- Invested R 30 million through loans, equity and grant funding in 2022
- SMMEs operating in construction, engineering, agriculture and waste management were supported at a cost of R 13 million
- Grew the number of emerging farmers registered on the Khula! digital trading app to 10 500
- Invested R 30 million in Black-owned business beneficiaries in Gauteng, Eastern Cape, KwaZulu-Natal, Limpopo and the North West
- Supported the state-run Chemical Incubator for the group
- Achieved local procurement of 30% – up from 20% in 2021, across all businesses internationally

Community impact

- Invested a total of R 36.2 million (2021: R 34.8 million) in socio-economic development programmes. These investments were made up of:
 - R 12.2 million from our South African corporate social responsibility fund
 - R 6.1 million spent internationally
 - R 14.7 million disbursed by our community trusts
 - R 3.2 million 'value-in-kind' property support
- Delivered potable water to 10 schools and various villages, providing more than 50 million litres of potable water to learners and other individuals in rural areas
- Ran five volunteerism projects involving 567 employees and impacting 30 000 individuals

Link to strategy and material issues



Related risks



Note: For more detail on our social impacts, see page 49 and our 2022 sustainability report



KHOTSI MOKHELE
CHAIRMAN

From our Chairman

We are building an AECL that will have a pervasively innovative and empowering culture, leveraging the fundamental strengths of the group to continue to deliver value for all stakeholders in a sustainable manner.

Dear stakeholders

A century of AECL

In March 1924, African Explosives and Industries was registered in South Africa and 20 years later, Chemicals was added to its name. Not only was a great company born but so too a legacy that would stand the test of time. Very few companies in the world today can boast such a long history and demonstrable endurance.

AECL was established in the aftermath of a terrible world war and, as we look to ushering in our second century, we find ourselves again in a world of uncertainty. Next year, from the company's perspective, we will pause to reflect

on a century filled with a number of achievements, challenges, triumphs and misfortunes. We will embark on the next 100 years with a determined approach and better equipped to grow in directions that our founders would be extremely proud of.

Today, AECL is represented in 22 countries globally; in Africa, North and South America, Europe and Asia-Pacific; and it all started in Modderfontein with our South African-grown products and expertise. The group is at an inflection point, undergoing profound change and driven by the desire to accelerate our growth trajectory and continue to create sustainable value for all stakeholders.

A new century of possibilities

The AECL board has been substantially transformed and includes world-class non-executive directors drawn from six nationalities, representing a broad spectrum of skills and experiences fit for the group's growth strategy.

Our existing culture with the typical attributes of a strong South African enterprise will evolve over time into a culture that fully embraces the attributes of a global company.

Since I joined the board of directors six years ago, it has been satisfying to see AECL continue its evolution into a company that has a united focus and a singular identity, a clear brand and a strong operating model. From this vantage point, opportunities for modernising and broadening the culture of the group are being well harnessed. The One AECL purpose is evident across our assets, with commonality in digitalisation, customer approach and the elevation of Zero Harm and sustainability imperatives, including ESG, across all regions.

2022 in review

Looking back, I am particularly pleased by the progress made over the years in advancing towards Zero Harm. After a record workplace safety performance in 2021, we did even better in 2022 with an even lower Total Recordable Incident Rate. Having said this, on 8 March 2023 my fellow board members and I learned, regretfully, of the tragic passing of a contract employee at AECL Mining in Ghana. The full board and management join me in expressing our sincere condolences to the family, friends and colleagues of the deceased. Appropriate actions have been taken by management to offer support and ensure that an incident of this nature is prevented in the future.

In 2022, we cemented significant strides we made in sustainability and continued to progress the realisation of our related goals; see [pages 15 and 44](#) as well as our [SR](#). Here I should acknowledge not only AECL's people, including management, but also the broader civil society in supporting the delivery of a sustainable future for our children and grandchildren. We still have a long road to travel but I firmly believe that we are headed in the right direction.

The last few years have been very testing for people and economies everywhere, yet AECL again delivered solid results on various fronts and gives me the sense that our value proposition will remain strong for years to come.

Our strong financial performance for the year was bolstered by market share gains, and further supported by high input chemical commodity prices, reconfirming the fundamental value of the group's four key operating business segments.



From our CHAIRMAN CONTINUED

As at the extended vesting date of 9 February 2023, regretfully, the AECI Employee Share Trust was not value accretive to beneficiaries and was therefore wound up. The Group remains committed to driving the group's B-BBEE ownership goals. Therefore, a new scheme is currently being reviewed with the clear intention to make it a value add to all involved.

Board changes

In 2022, the board as a whole undertook an inordinate amount of work to lay the foundation for the 'board of the future'. Our first stand-alone governance report provides information on the progress made and what we believe our priority areas for the coming year will be.

In an ever-changing world, and to prepare the company for an international future for greater, sustainable growth, a number of key management changes have been made. In May 2022, Aarti Takoordeen joined us as group CFO and, in May 2023, Holger Riemensperger will take up the position of group CE.

Our interim CE, Sam Coetzer, is actively engaged in integrating Holger into the company. We firmly believe Holger has the tone, experience and skills to lead the company into the new phase and into its second century.

During the year Mr Rams Ramashia retired as an independent non-executive director (INED) at the AGM on 31 May 2022.

AECI of the future

I am excited about the future of AECI and I wish for all stakeholders, especially our people, to share this excitement. We are building an AECI that will have an innovative and empowering culture; a culture that encourages self-starters and rewards those who go the extra mile to create a better world for themselves and their colleagues, and for all stakeholders including investors, societies and customers.

Change is imperative to ensure that the group remains economically robust in the long term in an environment

where the importance of businesses reinventing themselves to be future-fit is overwhelmingly clear.

AECI has a head start in this regard. Almost every day, we develop and market new products and solutions that meet the expectations of our customers and confound our competitors.

My excitement about the future of AECI is notwithstanding my deep anxiety about the economic prospects in our home market, South Africa. While the private sector has consistently offered to partner with government to deal with the myriad of challenges confronting the country, there exist very little evidence of success in this partnership. I believe the time has come for a more assertive private sector in confronting these economic challenges which are systemically linked to social challenges.

Finally

Ms Takoordeen joined us as group CFO in 2022 and I wish her well in this role. I wish to also salute Mark Dytor for his leadership and his service to AECI. Mark left a legacy of instilling safety in the fabric of the business; he fostered a pervasive culture of innovation and collaboration, and he succeeded in placing the group on the path to a BIGGER, greener future as One AECI. I wish Mark everything of the best in his future endeavours.

I thank all who have shared AECI's remarkable journey so far and those who will be part of our exciting journey into the future.

Khotso Mokhele
Chairman

26 April 2023



Our leadership

Our non-executive directors

The board is committed to the highest standards of ethical leadership. It is cohesive and constitutes professional and skilled members with diverse backgrounds, experience and expertise who ensure the effective leadership and governance of AECI.

For detailed profiles of our directors, please see <https://www.aeciworld.com/leadership>



KHOTSO MOKHELE (Born 1955)
CHAIRMAN

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

Appointed: to board 2016, as Chairman
2017



STEVE DAWSON (Born 1964)

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

Appointed: 2020



FIKILE DE BUCK (Born 1960)

BA (Economics and Accounting), FCCA

Appointed: 2019



WALTER DISSINGER (Born 1962)
MEng (Industrial)

Appointed: 2020



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

Appointed: 2015



PATTY O'BRIEN (Born 1965)
BSBA, Industrial Marketing, MBA

Appointed: 2021



MARNA ROETS (Born 1967)
CA(SA)

Appointed: 2020



PHILISIWE SIBIYA (Born 1977)
CA(SA)

Appointed: 2018



SAM COETZER (Born 1961)
INTERIM CE

BEng (Mining)

Appointed: 2022



C Chairperson **A** Audit Committee **I** Investment, Innovation and Technology Committee **N** Nominations and Directors' Affairs Committee **R** Risk Committee **Rem** Remuneration and Human Capital Committee
SE Social, Ethics and Sustainability Committee **SH** Safety, Health and Environment Committee

Our leadership CONTINUED

Our executive directors and group executives

The non-executive directors consider AECL to be well led by a team of competent executives. Management is open, sharing both good and bad news, and willing to take constructive guidance and steer from the board. Executives are empowered to execute the board-agreed strategy and plans in pursuit of value creation for our stakeholders.



SAM COETZER (Born 1961)

INTERIM CE

BEng (Mining)

Appointed: 2022



MARK KATHAN (Born 1970)

**EXECUTIVE DIRECTOR
AND CEO OF AECL MINING**

CA(SA), AMP (Harvard)

Appointed: to board 2008,
to AECL Mining 2022



AARTI TAKOORDEEN (Born 1980)

GROUP CFO

CA(SA), AMP (Harvard)

Appointed: 2022



JOHN MAHLASE (Born 1961)

**ACTING GROUP EXECUTIVE:
HUMAN CAPITAL**

BAdmin (Hons), Advanced Diploma in
Labour Law

Appointed: 2022



DEAN MULQUEENY (Born 1966)

GROUP EXECUTIVE

NHD Analytical Chemistry, Global
Executive Development Programme (GIBS)

Appointed: 2018



DEAN MURRAY (Born 1968)

GROUP EXECUTIVE

NDip Chemical Engineering, Global
Executive Development Programme (GIBS)

Appointed: 2018



CHERYL SINGH (Born 1976)

**GROUP COMPANY SECRETARY
AND GENERAL COUNSEL**

BProc, LLB, MBA

Appointed: 2021



HOLGER RIEMENSBERGER (Born 1970)

INCOMING CE

Dipl.Ing(FH) University of Applied Science
Mannheim, MDP Hult International Business
School (UK), Global Management Certificate
(INSEAD)

Appointed: with effect from 1 May 2023

For detailed profiles of our
executive leadership, please see
<https://www.aeciworld.com/leadership>

Chairperson
 Audit Committee
 Investment, Innovation and Technology Committee
 Nominations and Directors' Affairs Committee
 Risk Committee
 Remuneration and Human Capital Committee
 Social, Ethics and Sustainability Committee
 Safety, Health and Environment Committee

Governance in support of growth

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

The change process saw the board meeting on no fewer than 14 occasions. Its committee structures were amended and expanded. An additional committee was appointed and the scope of work of all committees was broadened, with more defined terms of reference as appropriate.

Changes to the committees are summarised as follows:

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

2022 focus areas

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

- Further strengthening the board's composition in terms of international skills, expertise and experience
- Driving, supporting and monitoring the execution of AECI's growth strategy and related growth plans
- Ongoing work to enhance the risk management and control environment, especially in relation to combined assurance and IT
- Support for the successful transition of the new group CFO and the new AECI Mining CEO
- Support and monitoring of progress in environmental, social and governance (ESG) matters, including the establishment and deployment of a group-wide ESG dashboard system
- Improved transparency in disclosure to the capital markets
- Led the successful recruitment and appointment of the new CE

Looking ahead to 2023

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

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

Our board structure and composition

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

Our board is led by an independent non-executive chairman and currently comprises eight other non-executive directors, all of whom are independent (NEDs), and three executive directors. At the date of this report, Sam Coetzer was serving as the group's interim chief executive (CE). He took up these duties on 1 February 2023 after the early retirement of Mark Dytter from the role of CE and an AECI executive director, on 31 January 2023.

Sam was appointed to the board in July 2022 as a NED and will resume this role on 1 May 2023, when the permanent incumbent takes up the group CE role. Sam's appointment was in line with the board nominations, composition and diversity policy. He has strengthened the board's knowledge and experience of the mining industry at an international level. Sam became a member of the IIT committee and the SHE committee. Sam's appointment followed the retirement of Rams Ramashia at the AGM on



Governance in support of growth CONTINUED

31 May 2022. The board thanks Rams for his contribution to the board during his tenure.

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

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

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

The current board composition is compliant with AECI's memorandum of incorporation (MOI) and the board charter (the charter). The charter creates a clear balance of power and authority between directors and ensures that no single director has unfettered decision-making powers. The charter also provides that an independent third party is to evaluate the board's effectiveness and

performance every two years with the assistance of the group company secretary. During 2022, the board fulfilled its responsibilities under the evaluation policy, as contained in the charter.

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

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

Group company secretary

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

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

Risk management

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

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

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

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

Risk governance

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

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

Ethical business conduct

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

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

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

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

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



Sam Coetzer
INTERIM CE

From our interim CE

Our greatest achievement in 2022 was our safety, health and environmental performance, with year-on-year improvement in all categories. Most pleasing were increased sales and strong market-share gains in a number of businesses, in a very challenging environment. While the environment remains challenging, we continue to see potential growth opportunities in the countries and markets where we operate.

Dear stakeholders

Our Zero Harm focus

Our Zero Harm journey remains well on track. Having said this, unfortunately and very tragically, I must report the work-related death of a contract employee in Ghana, in March 2023.

This incident is a sober reminder to each of us about the importance of being laser-focused on creating a safe environment for all our people. As a board and the executive team, we extend our deepest condolences to the family, friends and co-workers of our colleague.

At all levels in AECL, including board oversight level, safety, health and risk mitigation remain at the forefront of our efforts across every aspect of the business. The company has a proud history in this area and we remain firmly committed to further improvements in all regions, all time zones and all cultures where we operate.

2022, a transformational year

Since joining this exciting company as an independent non-executive director (INED) in July 2022, I have been

fortunate to witness a wonderful transformation on many fronts at AECL.

During the year the company changed its executive leadership team at the highest level, which will culminate with the new CE taking up the role on 1 May 2023. My time as interim CE can only be described as extremely fortunate, allowing me to experience first-hand the wonderful momentum existing throughout the group.

A definitive can-do attitude is emerging in areas of ESG, health and safety, financial acumen, regional growth and most of all in establishing a strong and resilient culture. In many of these areas we have witnessed record achievements, and although our priority is sustainable growth and not records, our successes in 2022 validated our strategy.

As much as the business as a whole and its constituent operating business segments individually are focused on creating great financial value for shareholders, they're equally motivated to deliver environmental and social benefits.

Business performance review

Our 2022 financial performance was strong, whether measured by growth in revenue, EBITDA or headline earnings per share. We saw solid contributions from AECL Mining, AECL Water and AECL Agri Health. Most pleasing was increased sales and strong market-share gains in a number of businesses, in a very challenging environment.

Our teams have continued to expand their presence into new jurisdictions or markets; we are now focused on unlocking future value by optimising existing businesses and accelerating the growth momentum.

AECL Mining achieved a record performance. Revenue increased by 51% to R 18 096 million (2021: R 11 969 million) on the back of strong market share gains, export growth in mining chemicals and increased chemical commodity prices. In line with the segment's growth strategy, 67% (2021: 64%) of the total revenue was generated outside of South Africa. EBIT for the segment increased by 36% to R 1 743 million (2021: R 1 277 million) and EBITDA by 29% to R 2 342 million (2021: R 1 814 million). The EBIT margin was 10% compared to 11% in 2021, primarily as a consequence of ammonia prices which were, on average in the South African Rand terms, 116% higher year-on-year. Capex spend of R 582 million was invested, R 204 million was for growth projects primarily in Botswana, Australia and Chile in line with our growth strategy.

AECL Water revenue was 31% higher at R 2 018 million (2021: R 1 541 million) following market share gains in public water as well as higher demand from existing customers in the industrial sector. Sales to the oil and refining sector grew by 14% and exports to other African countries also improved, in line with the segment's diversification strategy. Public water customers accounted for 43% of total revenue, up from 34% in 2021, and this market sector sales mix had a negative EBIT effect. Furthermore, it was not possible to



From our interim CE CONTINUED

pass on increases in input costs in full in all instances owing to contractual agreements.

AECI Agri Health revenue was up 17%, to R 7 067 million from R 6 020 million in 2021. It delivered an operating loss of R 297 million (2021: Profit of R 179 million), due mainly to the impact of the Schirm business performance.

The revenue for the Segment, excluding Schirm, increased by 19% to R 4 906 million (2021: R 4 134 million). EBIT also increased by 20% to R 306 million (2021: R 255 million) supported by sustained higher commodity prices, continued strong demand, favourable climatic conditions as well as export sales.

The impairment recognised in AECI Schirm Germany in 2022 impacted the group's overall financial performance; I'm satisfied that management and the board are approaching this challenge with a robust and appropriate response.

AECI Chemicals increased revenue significantly by 32% to R 8 529 million (2021: R 6 462 million) following high commodity prices and increased demand. EBIT of R 562 million (2021: R 586 million) was negatively impacted by margin pressure in industrial chemicals from high sulphur prices and delayed pass through pricing to the customers as well as foreign exchange impacts in the food and beverage business.

The operating margin was at 7% (2021: 9%), impacted by the effects of high commodity raw materials prices, especially bitumen, sulphur and yellow phosphorous. Good cash was delivered by the segment.

External levers

The global macro-economic outlook still gives some cause for concern with prospects of continued low growth combined with high inflation and high interest rates. Geopolitical tensions and, low or no growth scenarios, rising unemployment and socio-political

turmoil all cloud the outlook for ourselves, our customers and competitors. However, in the midst of it all, we are seeing potential growth opportunities in the short-to medium-term in the countries and markets where we operate.

I firmly believe that AECI is not only stronger than many but has the ability to adapt quickly, and nimbly reinvent its ways of doing business for success.

Over the last 12 months the group managed a number of uncertainties and risks in a prudent but pragmatic manner. Risks and opportunities at times go hand in hand and we will continue to differentiate ourselves by managing these sensibly.

We're by no means out of the woods in terms of the supply chain challenges that we and others have experienced, but the plans and initiatives put in place by management are yielding the desired results. By remaining focused on the proactive management of costs and working capital, while maintaining market supply, we will navigate through this period and ensure future value delivery.

Lastly

I would like to thank each and every member of the AECI team for their consistent diligence and unfettered approach to improving our future state. I also want to thank all our shareholders, large and small, for their support and cooperation in the past year. AECI is on the verge of a wonderful future and we are excited about the shared value that will materialise to the benefit of all stakeholders.

Sam Coetzer
Interim CE

26 April 2023



Our **strategic performance** and outlook

AECI's strength lies in our diversified product and service offering to customers across a variety of markets and in all the countries where we have a presence. This helps us deliver consistent value sustainably to all stakeholders while navigating the peaks and troughs of market cycles.

Our **purpose** is to continue to deliver sustainable solutions for a better world through innovation and excellence, founded on 'good chemistry'.

- We contribute to a better world through our commitment to prioritised UN SDGs, circular economy principles and the ESG agenda, where our sustainability framework is key

Our **ambition** is to lift overall business maturity and effectiveness and accelerate growth by leveraging AECI's strengths, seeking economies of scale and unlocking synergies. Key to this are:

- Strengthening our three strategic platforms, driving operational performance (asset efficiency) and financial performance (revenue and margin)
- Strengthening the capabilities of the centralised support functions and of each business pillar to unlock value and drive growth

Our **strategy framework** comprises three strategic platforms and six strategic themes. To ensure that we deliver on our strategy, the platforms have associated KPIs. The remuneration of executives is linked to performance against these. Each of the six strategic themes also has related KPIs, with remuneration at all levels of the organisation linked to delivery see the **RR**. The strategic themes are the levers we apply to achieve our ambition and 2025 goals. In 2022, we made significant progress on all the themes, except in the area of passionate purpose-led people, where there appears to be a lag.



With clarity about our financial plans, a clear set of initiatives aligned to the 1-3-6 strategy, as well as active tracking of performance, we are working to deliver on our purpose.

Our strategic performance and outlook CONTINUED

DELIVERY OF OUR STRATEGIC PLATFORMS

Zero Harm
and sustainability**Goal**

- Achieve sustainability framework goals see the **SR**
- Reach net zero emissions by 2050
- Deliver on seven priority SDGs

Progress

- Built a sustainability dashboard to track performance
- Invested in Clariter, which has technology to reduce plastic waste
- Implemented a safety improvement plan in 2021
- Achieved best-ever TRIR performance
- Recorded zero life-altering injuries for the second year, and no fatalities
- Adopted a sustainability policy and initiated the compilation of a climate change report

Outlook

- Operationalise the sustainability dashboard
- Implement introductory sustainability training
- Submit an inaugural Task Force for Climate Related Financial Disclosure (TCFD) report
- Include sustainability assurance into the combined assurance model
- Approve waste KPI targets
- Initiate process for 2050 net zero transition pathway



Innovation

Goal

- Evolve the business through culture change and a deliberate focus on innovation

Progress

- Invested in Origin Materials and Clariter in prior years. Both offer chemistry of the future
- The AECI Growth Office continues to identify, assess and pursue value accretive opportunities, aligned to our ESG targets and as approved by the board

Outlook

- Pursue pipeline of projects with Origin and Clariter
- Explore other prioritised value propositions
- Maintain strategic relationships with technology partners and explore new ones



Digitalisation

Goal

- Digitally transform AECI to ensure integration and agility across the group. This will improve service to customers and drive efficiencies while responding to changing markets and customer expectations as well as supply chain disruptions

Progress

- Developed and implemented a digital brand, corporate identity and marketing approach in 2021
- E-commerce platform (ONe) rolled out in AECI Food & Beverage, AECI Specialty Chemicals and AECI Water
- Developed a digital product catalogue
- Designed, documented and implemented digital business processes
- Finalise the implementation of the digital strategy

Outlook

- Continue to drive digital transformation to increase customer satisfaction, speed-to market and profitability
- Add more businesses and products to ONe
- Deliver the SAP OneWorld platform across the group, the benefits of this centralised system is expected to contribute to improved usability as well as enhanced operational and reporting capability

Our strategic performance and outlook CONTINUED

DELIVERY OF OUR STRATEGIC THEMES

Financial and risk stewardship

Goal

- To be a strategic and agile business partner that enables sustainable value creation and preservation within a robust governance and risk framework

Progress

- Completed a maturity risk assessment
- Identified 16 key initiatives, developed an implementation plan and tracking dashboard
- Significant progress made in the implementation of combined assurance model
- Embarked on the SAP OneWorld transformation programme to bring all businesses onto a single ERP platform
- Published our second tax transparency report **TTR**

Outlook

- Continue to implement our 16 key initiatives, including SAP OneWorld
- Develop and approve a compliance policy addressing ISO: ISO 37301-2021 (requirements for establishing, developing, implementing, evaluating, maintaining and improving an effective compliance management system within an organisation)

Growth

Goal

- Target growth that reflects our diversification, reduces risk and gains us access to new customers, to optimise throughput and enhance value creation

Progress

- Developed >50 growth plans across the operating business segments after critical market analyses in 2021
- Implemented improved analytical platforms
- Growth scorecard implemented for granular tracking of leading/lagging growth indicators; related KPIs established and rolled out
- Embedded ongoing tracking of key strategic growth objectives and initiatives

Outlook

- Ongoing assessment and planning for risks to our growth objectives
- Update market intelligence regularly
- Focus on priority initiatives to improve efficiency, quality and impact
- Assess existing business structures an align to growth plans
- Achieve our revenue targets and organic/inorganic contribution ratios in terms of growth
- Enable processes, capital and skills to execute the growth strategy

Business excellence

Goal

- Achieve excellence by containing operating costs, increasing efficiencies and ensuring workforce stability

Progress

- Approved AECI Schirm Germany turnaround project

Outlook

- Ongoing portfolio review and optimisation for margin and earnings improvement
- Proactive operational cost reduction a priority for all businesses
- Working capital management

Passionate, purpose-led people

Goal

- Drive a high-performance culture across the group based on our values

Progress

- Increased female representation on board and in top management (40% by end 2022)
- Strengthened talent boards to oversee recruitment and succession
- Recorded some progress in talent management and development, culture, digitalisation, diversity and inclusion, social responsibility and employee wellness. More work remains

Outlook

- Support a diverse, inclusive workforce
- Reduce health risks, improve quality of life and enhance the overall well-being of employees
- Be an employer of choice
- Refine sales incentives to improve customer focus and promote collaboration across operating business segments
- Integrate corporate citizenship to drive corporate culture
- Enable the successful deployment of talent across the globe – learning, development and growth

Partnerships and ecosystems

Goal

- Seek partners with complementary capabilities to gain access to new markets and share IP or infrastructure for growth and to reduce risk

Progress

- Strong partner relationships enabled market share gains and volume growth
- Leveraged partner IP and infrastructure to support business activity

Outlook

- Leverage our geographic and market presence to maintain, strengthen and grow our relationships and drive a partnership model across markets and industries
- Explore innovative opportunities for product applications, new business models, new products and processes

Our strategic performance and outlook CONTINUED

Customer centricity at AECl

Achievement of our growth strategy is dependent on the excellence of our relationships with our customers, the quality of the products we supply as well as the superior service we offer them. Consequently, customer centricity is one of our six strategic themes.

Goal

- Drive an integrated solution and customer-centric approach throughout the group to deliver maximum value across all markets
- Enhance the customer experience for loyalty and growth
- Improve data analytics
- Optimise customer channels to maximise market impact

In 2021 we designed a customer centricity programme for application across all businesses

- Customer centricity champions were appointed in all businesses
- The programme was implemented across the group

In 2022 we operationalised and embedded the programme

- A baseline dashboard was adopted; all businesses monitor their progress and that of the group and their peers; learnings and key customer touchpoints are shared
- Nine customer performance indicators were developed
- A customer centricity change journey was rolled out, including regular communication, training and incentives
- A customer centricity toolkit was disseminated throughout the group

In 2023 we will monitor and, if required, adapt the programme

- The customer centricity dashboard will be automated
- Targets to be met include a 75% score on external 'voice of the customer' surveys

From 2024 we will introduce further refinements and improvements such that defined targets are met and customer centricity becomes truly 'business as usual'

By the end of 2024:

- All businesses will reach 75% voice of the customer scores – moving to 80% in 2025
- 100% of businesses will be in a 'progressive' customer-centric state
- 90% of all identified customer performance indicators need to be achieved – moving to 100% by 2025



Digital platform

In 2021 we launched what we named ONE, our e-commerce platform. The launch was spearheaded by AECl Food & Beverage with a limited product range; this was expanded in 2022.

ONE is an important component of our customer centricity journey, giving customers dealing with many of our businesses a new, user-friendly means to engage with us. Work is ongoing to optimise the platform's channels so as to maximise ONE's market impact and grow interaction and sales.

At the end of 2022, an internal poll found that 81% of respondents believed AECl had made good progress in becoming customer-centric. None believed that 'great' progress had been achieved.

Our investment case



Our investment case CONTINUED

Industry-leading mining business

67% (2021: 64%) of AECI Mining's total revenue was generated outside of South Africa

Portfolio of other market-leading businesses

AECI WATER

- Leading supplier of industrial and public water service and products in sub-Saharan Africa
- Technology partnership agreements with global partners; Veolia Water Technologies & Solutions is a major partner

AECI AGRI HEALTH

- Leading supplier of agrochemicals in sub-Saharan Africa
- Sales of in-house formulated products now 37% of total sales

AECI CHEMICALS

- Leading supplier of chemicals in sub-Saharan Africa operating through 104 principals to service 1 150 customers; four manufacturing and distribution divisions
- AECI Much Asphalt is the number one independent supplier of asphalt and bitumen in South Africa; it has 16 manufacturing facilities

Innovative customer centric solutions

AECI MINING

- Emulsion vertical drop system
- Mobile charging electric vehicle
- Wireless electronics

AECI WATER

- Re-use and re-purpose water treatment plant at AECI Mining, Modderfontein
- Integrated/customised equipment and engineering solutions (e.g. desalination, zero liquid discharge solutions)
- Total value adding systems management
- Digital asset performance management

AECI AGRI HEALTH

- Digital initiatives, e.g. Khula! application for emerging farmers
- New generation products, e.g. Biocult

AECI CHEMICALS

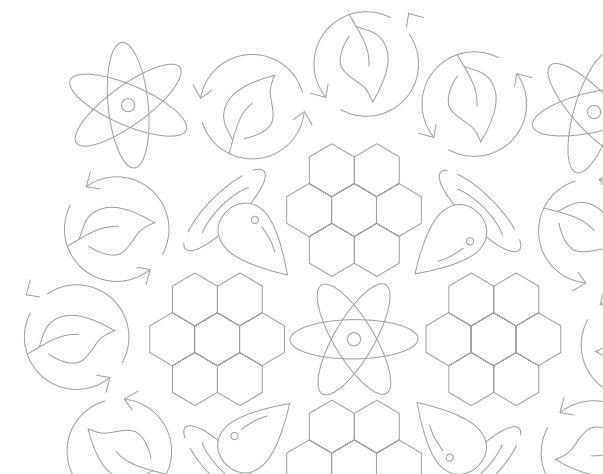
- Replacing harsh and potentially harmful ingredients with more sustainable solutions
- Supply of ingredients that ensure waste reduction in food supply chains, healthy alternative ingredients and more cost-effective basic affordable foodstuffs

ESG leadership and commitment to Zero Harm

- Continued strong improvement in occupational safety and health performance
- Mostly on track against our 2025 sustainability targets

Consistent cash generation and dividend yield

- Cash generated from operations increased by 17% to R 3 840 million (2021: R 3 289 million)
- Full-year dividends of 774 cents per share, up 13%
- Dividend yield at 8.8%, compared to 6.1% in 2021 and 6.6% in 2020





Aarti Takoodeen
GROUP CFO

From our group CFO

In 2022, AECI produced strong financial results despite a tough operating environment that included high inflation, subdued global growth and structurally elevated commodity prices.

Dear stakeholders

Since joining the group, I have been focused on determining the key aspects of our business which, going forward, will maximise shareholder value amidst difficult operating conditions. This being said, I am assured of the fierce commitment of the teams in all operations globally, to build the AECI of the future.

Our results for 2022 reflected the group's resilience inherent in our diverse portfolio of assets as well as the proactive steps taken by management to improve and bolster performance.

Solid performance from core businesses despite AECI Schirm Germany write-off

Revenue increased by 37% to R 35 583 million (2021: R 26 053 million), driven up by significantly improved sales at AECI Mining, AECI Water and AECI Agri Health. Earnings before interest and tax (EBIT) plateaued, however, at R 2 047 million (2021: R 2 052 million), impacted by a disappointing performance by the AECI Schirm Germany business which incurred an operating loss of R 228 million. This triggered an impairment of property, plant and equipment (PPE) of R 445 million.

Consequently, group earnings per share (EPS) declined by 22% to 878 cents. Headline EPS (HEPS), adjusted for impairments as well as profits and surpluses on disposals, increased by 15% to 1 287 cents. Cash generated from operations increased by 17% to R 3 840 million (2021: R 3 289 million).

Performance summary

R million (unless stated otherwise)	2022	2021	% change
Revenue	35 583	26 053	37
EBITDA	3 570	3 091	16
EBITDA margin (%)	10	12	-2
Depreciation and amortisation	1 026	1 032	1
EBIT	2 047	2 052	-
EBIT margin (%)	6	8	-2
Net profit after tax	956	1 210	-21
Earnings per share (EPS) (cents)	878	1 125	-22
Headline earnings per share (HEPS) (cents)	1 287	1 116	15
Cash generated from operations	3 840	3 289	17

AECI Schirm

With both a strong clientele and management team in place, the USA business, of AECI Schirm delivered to expectations, with EBIT up 31% to R 101 million as sales increased on the back of continued growth in demand for agrochemicals.

The financial performance of AECI Schirm Germany weakened as operating costs rose and revenue declined on poor demand from the automotive and chemicals manufacturing sectors.

EBIT: Earnings before interest and taxation is defined as profit before interest, taxation and share of profit of equity-accounted investees, net of taxation

EBITDA: Earnings before interest, taxation, depreciation and amortisation calculated as profit from operations and equity-accounted investees plus depreciation, amortisation and impairments. EBITDA is not audited by the company's external auditor

From our group CFO CONTINUED

AECI Schirm results

R million	USA	Germany	PPA and other	AECI Schirm
EBIT excluding impairments of PPE	101	(228)	(32)	(159)
Impairments of PPE		(375)	(70)	(445)
2022 EBIT	101	(603)	(102)	(604)
2021 EBIT	77	(119)	(34)	(76)
Non-recurring losses recognised in 2022		(460)	(50)	(510)
Impairments of PPE		(375)	(70)	(445)
Deferred tax asset reversal		(85)	20	(65)

With the assistance of expert consultants, we carefully assessed the value of PPE on our balance sheet to determine whether this was aligned to the business's prospects to generate value. Following detailed work and worst-case scenario planning, we decided to write-off balances associated with two AECI Schirm Germany plants. As a result, we also derecognised a deferred tax asset of R 85 million (2021: Nil).

In response to these financial losses, the AECI board approved a comprehensive turnaround plan for AECI Schirm Germany, with some key action points initiated immediately. Among these were those targeting an increase in revenue as well as the appointment of a highly regarded chief transformation officer with extensive local experience in such turnarounds.

Drivers of improved returns include operational improvements; cost savings; significant increases in sales volumes and pricing; and margin improvements. In the latter half of 2022, we passed on price increases to customers, an exercise which was 90% complete at the time of issuing this report. Further price increases will be implemented, based on sharply higher input costs in Europe.

The board expects AECI Schirm Germany to make positive earnings contribution within the next 20 to 36 months. However, certain one-off restructuring costs will impact 2023 group earnings. The board is also mindful of the need to retain skills; reassure customers and oversee change management processes and cash flow management and advancements in IT at AECI Schirm Germany.

Working capital management

The proactive measures we took in 2022 to ensure the security of supply to our customers amid supply chain challenges and high raw material prices led to raised levels of working capital. An increase in trade and other receivables was mostly offset by an increase in trade and other payables. Inventories increased 39% to R 6 780 million (2021: R 4 880 million), driven mainly by high commodity prices. To fund the changes in working capital, short-term debt rose sharply to R 2 431 million from R 446 million in 2021.

The changes in working capital led to a 95% decline in available cash from operating activities to R 77 million (2021: R 1 467 million).

Financial position, gearing and liquidity

As a result, the group's net debt increased to R 5 345 million (2021: R 2 760 million), with associated increases in net finance costs. The net gearing ratio for the period was 45% (2021: 24%), resulting mostly from the higher working capital. Encouragingly, at 1.5 times EBITDA, the group's long-term covenant remained well within the target cover range of 2.5 times despite the fact that the ratio was up compared to 0.9 times in 2021.

With a significant portion of our debt due in 2023, we engaged with our bankers on a refinancing programme which we expect to complete during 2023.

Capital allocation

CLEAR CAPITAL ALLOCATION PRIORITIES



Capital commitment
to sustain operations



Balance sheet
management



Dividend payments



Growth

In 2022, we continued to follow our clear capital allocation priorities. Capital expenditure (capex) almost doubled to R 1 552 million (2021: R 777 million) and focused on investment to support organic growth. This included a R 416 million expansion project at AECI Schirm USA; R 204 million on bulk emulsion plants for AECI Mining Explosives in Australia, Botswana and Chile; and R 143 million on the Schönebeck warehouse at AECI Schirm Germany.

The AECI Schirm USA investments in six new manufacturing lines progressed well. Two of the lines were commissioned in the year and started generating revenue early in 2023. The remaining lines will start up later this year, with product offtake from all of them backed by long-term contracts with customers. The AECI Mining investments were matched both by increased market share gained on the capex or increased revenue contracts, informing our confidence that the investments will support margins ahead.

In 2023, we will continue to prioritise growth capex and expect to invest R 1.1 billion with major commitments including R 496 million by AECI Mining; R 145 million on group solar energy projects in line with our Zero Harm and sustainability strategic platform and R 140 million by AECI Much Asphalt.

Committed to returning value to shareholders, in 2022 we maintained our strong dividend track record with the board declaring a final cash dividend of 580 cents per share (2021: 505), increasing the total cash dividend to 774 cents (2021: 685). This represents growth of 13%, delivering on our progressive dividend history.

From our group CFO CONTINUED



Finance transformation

In line with our digitalisation strategic platform, in the year we made good progress in establishing the SAP OneWorld platform, rolling it out at AECl Water. The benefits of this centralised system is expected to contribute to improved usability and enhanced operational and reporting capability.

We acknowledge and appreciate that the successful implementation of this platform is only possible with excellent collaboration throughout the group. I would like to express my sincere thanks for the team's involvement and I am sure that the roll out across all in-scope group businesses will be successful.

Looking ahead and appreciation

Our six key focus areas for 2023 will be:

- Delivery of the AECl Schirm Germany turnaround strategy
- Continuing with the review and optimisation of our portfolio, supporting an improvement in both margins and earnings
- Prudent working capital management
- Ensuring that our balance sheet management and capital allocation support the group strategy
- Focusing on transparency, improved disclosure and guidance
- Implement a new Black ownership scheme incorporating learnings and improvements from the previous transaction

I would like to thank my AECl colleagues, especially the various finance teams for their hard work and diligence. I would also like to thank all our shareholders, for their interest and engagement in the past year. I am looking forward to an exciting journey at AECl.

Aarti Takoordeen
Group CFO

26 April 2023

Note: This report provides a high-level overview of the financial performance of the group in 2022. For more details, see the full annual financial statements for the year **AFS**.



Our better world in action

Our One AECI, for a better world purpose is ingrained in every aspect of the AECI group's business and is guided by our values of being Bold and Innovative, of Going Green, and being Engaged and Responsible for our people and environment alike. Further details on our better world in action activities and initiatives are presented in the sustainability report [SR](#).

We achieve a better world by creating customer and environmentally friendly products and services, across markets and in countries where we have a presence.

We also achieve a better world by continuing to make our own operations safer and more circular, to safeguard the lives and livelihoods of our people and communities that host our operations.

Finally, we work towards a better world by investing in our communities, through social impact projects and supply-chain diversification and transformation.

In 2022, we recorded success on measuring and reporting our multiple contributions to a better, safer world. Highlights were:

- Achieved a record all-round safety performance
- Enabled lower potable water consumption in the mining and industrial sectors
- Quantified Scope 1 emissions savings achieved by mining customers
- Initial assessment of Scope 3 emissions completed
- Invested in solar energy generation
- Reinvented our approach to waste management
- Reduced environmental non-compliance incidents
- Increased international CSI spend

Some 2022 numbers

0.15 – BEST TOTAL RECORDABLE INCIDENT RATE SINCE TRACKING COMMENCED

1.8 billion litres OF POTABLE WATER SAVED BY CUSTOMERS

R 184 million – INVESTED IN EMISSIONS ABATEMENT TECHNOLOGY AND EQUIPMENT

2.5 million litres OF USED OIL SAVED BY AECI MINING EXPLOSIVES

55 000 tonnes – REDUCTION IN CO₂E BY MINING CUSTOMERS

Our people

BETTER HEALTH AND SAFETY

Our business model presents us with multiple Zero Harm challenges and risks as well as opportunities. These derive from our diverse operating environments, our varied products and the fact that we operate across the world in many environments and societies.

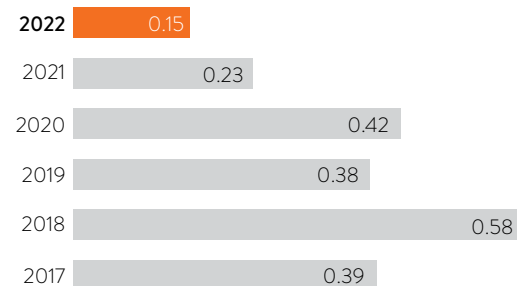
By pursuing Zero Harm, we differentiate ourselves from our competitors and secure our social licences to operate. Mining customers, in particular, demand the utmost safety. For us, this is a growing opportunity.

Today our Zero Harm Strategy (first implemented in 2017) is fully embedded across the group. In 2022, at 0.15, our Total Recordable Incident Rate (TRIR) was the lowest since we began tracking it. The frequency of Reportable incidents (those of greater severity) did not, however, reflect the desired improvement.

In 2022, the group recorded a second consecutive year in which all 'zero milestones' were achieved. These milestones were set in 2017 with a focus on eradicating major incidents including workplace fatalities, life-altering injuries and Major process, environmental and product transportation incidents. Other significant achievements were:

- The publication of a group SHEQ manual in which we define required standards for each of 15 risk categories
- The development of a process safety risk profile, which allows geographic prioritisation and management of such risks

OCCUPATIONAL SAFETY (TRIR)





Our better world in action CONTINUED

Our sustainability framework

An AECI sustainability framework and KPIs were formalised in 2021. The framework guides our environmental, social and governance policies and initiatives and the KPIs are used to measure and report on delivery against targets. We also maintain a sustainability database and a dashboard to monitor performance.

The framework and dashboard are concerned with our own performance and direct effects on the human, social and natural capitals. Specifically, we monitor our environmental impact and performance against targets we have set ourselves to achieve by 2025. These targets (set using baselines derived from 2017 to 2019 data) relate to the key areas of water, emissions and renewable energy generation.

Here we report performance against our 2025 targets as well as our impact, through our people, products and solutions, on **Better Mining**, **Better Water**, **Better Food (and Agricultural) Systems**, **Better Chemistry**:

Better Mining

We are transitioning our mining products and our customers to a less harmful, more circular future through the following:

Better Blasting – targeting the sustainable, responsible and reliable use of explosives with industry-leading customised solutions

Better Chemistry – combining best-in-class surfactant technologies and metallurgical chemicals solutions

AECI Mining's drive towards Better Mining recorded a number of standout achievements in 2022. These included:

- Formulating a baseline for calculating Scope 3 greenhouse gas (GHG) emissions – along with other group businesses
- Investing R 184 million investment in emissions abatement installations (achieving an 80% reduction in plant emissions by the end of 2022) see the [SR](#)
- Developed and commercialised a number of green products and solutions. AECI Mining has implemented a tracking system for CO₂e 'fingerprinting' of the top 50 raw material products used in its manufacturing processes. This has helped us to make responsible decisions in the sourcing of raw materials so as to reduce the pillar's carbon footprint further
- In 2022, our products and systems saved customers more than 55 000 tonnes of their own CO₂e emissions. This was achieved through them consuming less diesel and other fuels

by using our products, and by reducing waste sent to landfill. Since 2021, our Indonesian customers have brought used oil from their trucks' gearboxes, maintenance yards, mechanised mining units, tractors and forklifts to our sites to be used as inputs to manufacture emulsions

- By the end of 2022, AECI Mining Explosives had recycled more than 2.5 million litres of used oil, avoiding the need for such oil to be treated elsewhere or disposed to landfill. The Eco series of emulsions' consumption of used oil replaces diesel otherwise used in the manufacturing process, without reducing the bulk explosives' performance
- The AECI group is committed to reducing its dependence on potable water 25% by 2025. In 2022 AECI Mining achieved a 30% reduction relative to the 2017–2019 baseline
- In 2020, AECI Brazil acquired the Dinacon business located in Lorena, São Paulo province. In 2022 the plant implemented a closed loop system to re-use effluent generated in the manufacturing process.
- AECI Mining Explosives launched South Africa's first electric mobile charging unit in May 2022. The vehicle, when used in combination with renewable energy sources, such as solar power and hydro power, will lower emissions and require less maintenance. At the same time, mine ventilation and cooling requirements will reduce while enabling safer operations

- In 2022, AECI Mining Explosives successfully commercialised the world-first emulsion formulations for 'hot holes' where conventional formulations designed for ambient temperatures would typically make the use of such emulsions extremely hazardous. Hot hole emulsions will be suitable for deployment in other mining environments and for other minerals
- AECI Mining Explosives also began commercial production of PowerBoost™, the first booster technology of its kind and one that revolutionises the safe manufacture and transportation of boosters. PowerBoost™ is manufactured from two non-explosive raw materials. By end-2023 PowerBoost™ is expected to account for 70% of all booster sales in the territories in which we market these products
- In May 2022, a non-hazardous waste recycling facility was opened at AEC Mining Chemicals' site in Sasolburg. The facility recycles all plastics, paper, boxes, tins and polystyrene – an average of seven tonnes of waste per year
- AECI Mining Explosives' smart MMU is a standard bulk explosives delivery vehicle capable of wireless data communication, including GPS positioning of blast holes. This technology allows for delivery of explosives in hazardous environments through application of computer controlled and propelled delivery systems. It also offers advanced loading capabilities. Developed in-house, the first smart MMU is due to be launched in 2023

Our better world in action CONTINUED

Better Water**MINING**

Our target is to save mining sector customers 2 billion litres of potable water over five years. In 2022 our technology saved these customers 400 million litres that would otherwise have been taken from the water grid.

To date, our Scaltrol™ hard water treatment product has reduced customers' potable water intake by 2.2 billion litres annually, ahead of our 2025 goal.

INDUSTRIAL

We are targeting annual savings in the abstraction of potable water for industrial use of 2 billion litres over five years. By the end of 2022 we had reached 200 million litres, which include savings at our own group facilities in Modderfontein (Gauteng), Bellville (Western Cape) and Umbogintwini (KwaZulu-Natal).

OWN POTABLE WATER CONSUMPTION (m³)

TARGET BY 2025: **25% DECREASE** 2022 RESULT: **2%**

Total potable water abstraction rose slightly year-on-year because of production increases at AECl Mining Chemicals, AECl Water and AECl Property Services.

EFFLUENT DISCHARGED TO SEA AND SEWER (m³)

TARGET BY 2025: **20% DECREASE** 2022 RESULT: **4%**

Effluent discharges rose marginally in 2022, mainly due to production increases at AECl Mining Chemicals, AECl Property Services and AECl Water.

Better Food Systems

AECl Food & Beverage invested R 36 million in 2022 in fruit juice clarifying equipment – insourcing clarification for the first time. This investment has the potential to substantially reduce mounting inflationary pressure on South African fruit juice prices by sharply reducing the cost of an important step (clarification) in the juice production process.

The business also boosted its focus on Zero Hunger by growing its involvement in the sector that provide low-cost but nutritious food products. Sales to this segment grew by 40% year-on-year and the growth trend is expected to continue in 2023 and beyond. R 200 million from R 160 million in 2021. We expect this will grow in 2023.

Our better world in action CONTINUED

Better Chemistry

Reducing the hazardous nature and effects of chemicals

In 2022, AECI Plant Health rolled out the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) to all local in-house products for which local product registrations are held. The GHS is an international programme that was developed by the United Nations to address the classification of chemicals by type of hazard and harmonises hazard communication elements, including labels and safety data sheets (SDSs).

This process resulted in a total of 220 new product classifications.

Helping industries green their operations

We are working hard to transition our own industrial processes to greener, more sustainable operations using our learnings and expertise. Partnerships with suppliers and customers are essential to our success in this regard.

Reducing waste

Rather than reducing the world's dependence on plastics, global plastics production rose 4% in 2021 to an estimated 391 million tonnes – a market worth more than half a trillion dollars. According to a 2022 OECD report, only 9% of plastic waste is ultimately recycled; 19% is incinerated and almost half is directed to landfill. The remaining 22% is disposed of in uncontrolled dump sites, burned in open pits or leaked into the environment.

Details of AECI Food & Beverage's 2022 recycling achievements

Olifantsfontein facility

Recycled 82% of its total waste stream, equating to 547 tonnes and a saving of R350 000 a year. This saving is based on the cost saved per ton disposed, and current costs relate solely to the transport of materials to the recycling company, and not the actual disposal cost. The waste predominantly consists of production mill waste.

Bellville South facility

Recycled 79% of its total waste stream, equating to 567 tonnes with a recycling return value of R611 000. This includes all site packaging waste as well as spoiled manufactured food materials.

Linbro Park

Recycled 15% of its total waste stream, equating to 7.7 tonnes. As the Linbro Park footprint consists predominantly of office space, the site only recycled paper and plastic.



TONNES OF GREEN
PERSONAL CARE
PRODUCTS SOLD

TARGET

85

2022
50

2021
39

2020
5



TONNES OF GREEN
HOMECARE
PRODUCTS SOLD

TARGET

60

2022
20

2021
11

2020
4

Our better world in action CONTINUED

Better climate action

We have committed to net zero emissions by 2050 and are working hard to reach that target sooner. In 2022 we made small advances towards achieving the challenging targets we have set ourselves for Scope 1 and Scope 2 reductions by 2025.

SCOPE 1 EMISSIONS (TONNES CO₂E)

TARGET BY 2025: **20% DECREASE** 2022 RESULT: INCREASED BY **1% YOY**

SCOPE 2 EMISSIONS (TONNES CO₂E)

TARGET BY 2025: **8% DECREASE** 2022 RESULT: REDUCED BY **4% YOY**

The Scope 2 reduction was achieved by reaching our electricity consumption targets, despite delays in commissioning our own generation of renewable energy.

SCOPE 3

In 2022 the group initiated – and completed – a first quantification of its Scope 3 emissions. (Scope 3 assessments aim to quantify the indirect greenhouse gas emissions associated with the group's upstream and downstream value chain.)

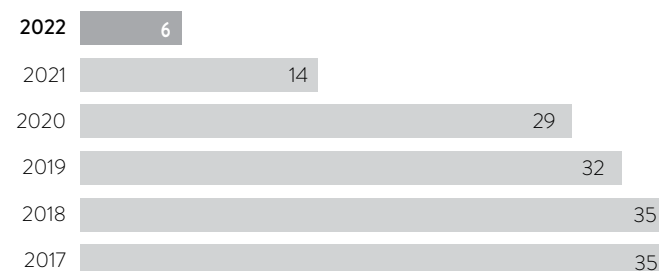
The process undertaken in 2022 will form the foundation of our approach to setting a baseline and reduction targets. It will also guide a process to continuously improve the accuracy of Scope 3 data reporting.

The Scope 3 quantification exercise undertaken in 2022 indicated that our Scope 3 emissions were some 1 602 633 tCO₂e for the year – approximately 77% of our overall carbon footprint.

Better compliance

We had no Major or Serious environmental incidents, including emissions to air, in the year. There were six Moderate incidents – well below our self-imposed maximum of 22 such incidents and sharply down on the 14 of 2021 and 29 in 2020.

ENVIRONMENTAL INCIDENTS (MODERATE)



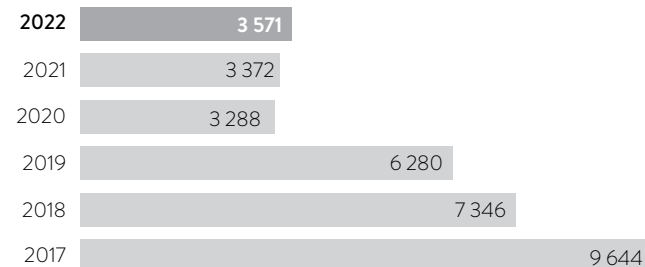
Better waste management

In 2022 we brought a whole new approach to bear on how we practise waste reduction. This entailed relooking at the raw materials we put into our manufacturing processes so that we use fewer resources and, ultimately, produce less waste.

In the year AECI Mining Explosives, AECI Mining Chemicals and AECI Much Asphalt saved a combined:

- **4 020 tonnes of virgin oil**
- **22 336 kilolitres of potable water**
- **91 607 tonnes of virgin aggregate**

RECYCLED WASTE (TONNES)



Our better world in action CONTINUED

Better social impacts

SOCIO-ECONOMIC DEVELOPMENT

Through our corporate social investments, we address poverty and inequality. We also work to make communities and the disadvantaged more resilient to climate change. In 2022 we invested R 35.5 million in socio-economic development (2021: R 34.8 million). These investments were made as follows:

33 PROJECTS

567 VOLUNTEERS

5.8% INCREASE IN SPEND SINCE 2021

160 000 BENEFICIARIES IMPACTED

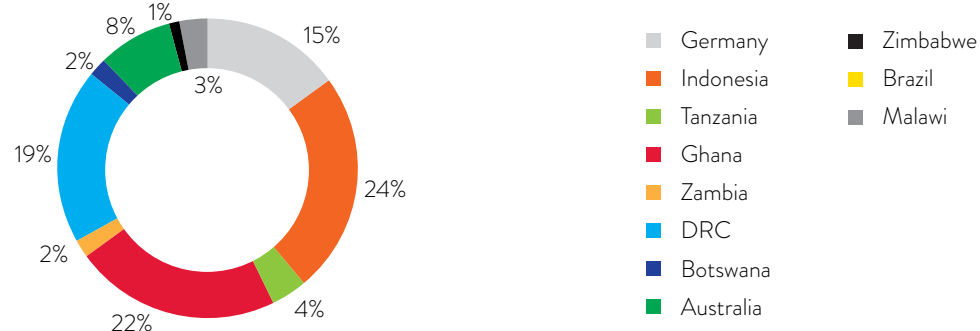
R 3.2 MILLION VALUE IN KIND

5 CAMPAIGNS

66 COMMUNITIES SUPPORTED
AROUND OUR OPERATIONS

547 JOBS CREATED

INTERNATIONAL CSI SPEND (ZAR)



ENTERPRISE AND SUPPLIER DEVELOPMENT (ESD)

By end 2022 we had invested R 30 million in ESD through loans, equity and grant funding. Funds and support are made available through the AECI Good Chemistry Fund, established in 2017 with capital of R 30 million.

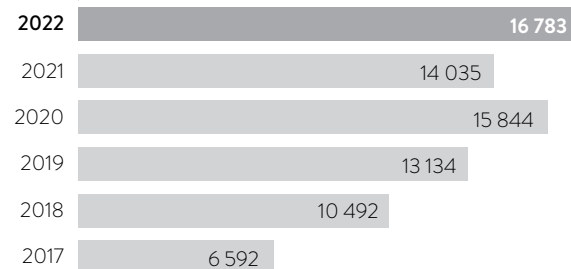
Our ESD investments supported 241 permanent and seasonal jobs in the year. 44% of the AECI Good Chemistry Fund's resources went towards Black women-owned businesses and the balance to Black male-owned enterprises.

AECI also houses the state-run Chemical Incubator which gives new entrepreneurs in our sector a wide range of new-business support services.



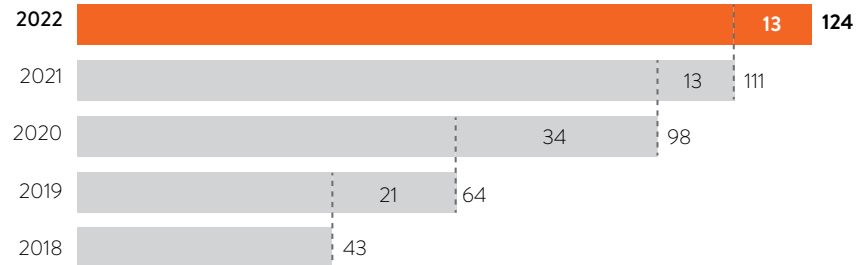
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HAZARDOUS WASTE (TONNES)



Our better world in action CONTINUED

ADDITIONAL CUMULATIVE ESD SPEND BY BUSINESS



Better tax transparency

By being a responsible, transparent and compliant taxpayer, we contribute to the fiscal resources of our host countries, which depend on tax revenue to uplift communities, raise the living standards of society and contribute to long-term economic growth and prosperity.

The unprecedented rate of change in the tax landscape has resulted in businesses needing to deal with increasing levels of tax compliance, more revenue authority audits and the increased possibility of double taxation. Overseen by the audit committee, we continued to prioritise the careful governance of tax.

We increased our total tax contribution to R 2.4 billion **LA** from R 1.8 billion in 2021. Of this, R 2.2 billion went to the revenue authorities of five countries – South Africa, the Democratic Republic of Congo, Ghana, Australia and Burkina Faso. For details, see the tax transparency report **TTR**.





Rewarding for sustainable value creation

From the Remuneration and Human Capital Committee Chairman

Dear stakeholders

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

The review of the LTI performance hurdles

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

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

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

The review of the STI performance hurdles

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

Outcomes for 2022

Overall performance in AECI delivered HEPS of 1 287 cents, representing 15% year-on-year growth and 6% real growth. As an outcome, this placed members of the AECI Executive Committee between the hurdles of 100% to 150% of guaranteed package for the 2022 STI.

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

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

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

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

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

Embedding diversity and inclusion in our remuneration policies and practices

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



Rewarding for sustainable value creation CONTINUED

Shareholder engagement

Voting at the 2021 AGM was reflective of shareholder sentiment on decisions made during the COVID-19 pandemic. Thus, we were pleased with the improvement in the voting outcomes in 2022 as remuneration practices returned to normal. We once again thank shareholders who shared their views at the 2021 AGM and at subsequent discussions. We were further pleased with how the introduction of malus and clawback clauses was received as this had been an outcome of shareholder feedback in prior years. The revised LTI rules were approved at the May 2022 AGM.

Activities of the committee in 2022

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

Please see the remuneration report **RR** for additional information on this and for detailed commentary on AECI's remuneration policy, as well as application thereof.

Non-binding advisory vote

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

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

- Those shareholders who voted against will be invited to engage with the committee regarding their concerns and the reasons that motivated their negative votes
- Individual or combined interactions will be scheduled to understand the concerns of those shareholders
- The committee will aggregate their responses and analyse them to determine where changes are necessary in the Policy or in its implementation
- A shareholder communication pack will be prepared, highlighting the policy or implementation changes being undertaken as well as reasons and motivation for elements where the committee determines that no change is warranted
- Shareholders will then be engaged regarding the changes that the committee will implement in response to the issues and concerns raised

Looking ahead to 2023

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

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

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

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

Godfrey Gomwe

Chairman

Remuneration and Human Capital Committee

Operational reviews: our operating business segments creating value

REVENUE

R 18 096m**+51%**

EBITDA

R 2 342m**+29%**

EBIT

R 1 743m**+36%**

TRADING MARGIN

10%**2021: 11%**TRADE WORKING
CAPITAL**17%****2021: 15%**

TRIR

0.10**2021: 0.16**

AECI® MINING

AECI Mining grew revenue 51% in 2022 with a 36% rise in its EBIT contribution to R 1 743 million and, in line with the growth strategy, non-South African operations accounted for more than two-thirds of income generation for the first time (67% versus 64% in 2021). The EBIT margin was 10% (2021: 11%).

This financial performance derived from strong market share gains, export growth in mining chemicals and higher chemical commodity prices. (In South African Rand terms, ammonia prices were, on average, 116% higher year-on-year).

A standout achievement was AECI Mining's 2022 safety record with a TRIR of 0.10 – better than the group's overall record performance. More than ever before, AECI Mining's safety record serves as a licence to grow our business, with customers actively favouring on-site suppliers and contractors whose performance on safety exceeds their own. The pillar's continuing track record of supplying and deploying explosives and mining chemicals with the utmost safety, in all countries and regions of operation, is another key differentiator.

The AECI Mining pillar participated in the group's solar electricity generation programme. Good progress was made on improving the environmental credentials of raw-material inputs (see page 45).



Operational reviews: our operating business segments creating value CONTINUED

Expenditure on R&D rose by 11% in the year, to more than R 180 million. At year end almost 100 individuals, many of them with advanced scientific and technical qualifications, worked in AECI Mining's explosives and mining chemicals R&D facilities.

Supply chain challenges remained acute with numerous *force majeure* events impacting key raw material suppliers and transport logistics. However, these and the necessary management of our own product supplies, were managed effectively.

AECI MINING EXPLOSIVES

Bulk explosives sales rose by 4.3% after a 6% decline in the previous year. In South Africa, explosives sales rose 9%, spurred by new contracts gained. Initiating systems volumes declined slightly as the result of prolonged industrial action in South Africa's mining sector.

Explosives volumes in southern African increased by 9% as a result of market share gains in the Northern Cape in the iron ore market, and the successful deployment of new contracts in Botswana's copper mining sector.

Volumes to the coal mining market were negatively affected by abnormally high rainfall in Mpumalanga in the first half of the year. On the rest of the African continent, volumes were impacted by socio-political disruptions and unsuccessful tenders in francophone West Africa. This was partially offset by sales to a significant new customer gained in Ghana. There were solid performances in central and east Africa.

In the Asia-Pacific region volumes grew by 20%. This growth was on the back of the Hunter Valley Operations contract in New South Wales, Australia, as well as non-contractual sales. All contracts in Australia and Indonesia were rolled over successfully. The start-up of the BBRI Granulator plant, in Indonesia, was delayed but is now expected to start up in Q2 2023.

Progress was also made in Brazil, with investment made to secure growth in the region as a whole. Also in South America, it is expected that construction of an emulsion plant in Chile will be completed in the first half of 2023.

Capital expenditure of R 533 million was focused on growth, with new bulk emulsions plants being commissioned in Botswana and Australia, and to progress establishment of a facility in Chile. Our Queensland, Australia, emulsion production facility operated for the first full year, servicing an expanded Australian customer base.

AECI MINING CHEMICALS

This business delivered a very strong all-round performance. Volume growth of 7% in metallurgical chemicals was underpinned by a continued resurgence in demand from the PGM mining sector. The manufacturing plant in Sasolburg, Free State, is the only one of its kind in Africa. It was debottlenecked successfully, efficiencies were enhanced and new products were added to the customer offering. There were good export sales to markets on the rest of the African continent but shipping constraints curtailed exports further afield.

Emulsifier volumes rose 3.2% on the back of higher explosives volumes and exports into Africa, South America and Asia-Pacific. Notwithstanding the shipping constraints, AECI Mining Chemicals managed these challenges better than most competitors, translating into market share growth.

Outlook

We are confident of continued strong growth in central Africa, South America, Europe and Asia-Pacific. The positive trend in Europe in terms of electronic detonator sales is also expected to continue. Central and South America remain regions of particular interest, supported by the new emulsion plant in Chile and our investment in Brazil. Countries in Asia-Pacific are expected to maintain their strong momentum, as are those in west and southern Africa.

Stakeholder relations – suppliers

Traditionally, many companies have sought to source raw materials from as few suppliers as possible, to derive economy-of-scale and cost benefits. In the context of extreme supply-chain disruptions, in 2022 many group companies, including the mining pillar, pursued 'multi-sourcing' – strategically sourcing from a larger pool of suppliers to minimise negative financial impact and interruptions in customer service in the event of a lack of supply. This successful approach involved diversifying suppliers and using suppliers able to produce in several locations.



REVENUE
R 2 018m
+31%

EBITDA
R 257m
-1%

EBIT
R 212m
—

TRADING MARGIN
10%
2021: 14%

TRADE WORKING
CAPITAL
40%
2021: 21%

TRIR
0.47
2021: 0.34

AECI® WATER

In 2022 AECI Water surpassed the R 2 billion revenue mark for the first time. EBIT and EBITDA remained flat year-on-year.

Revenue was 31% higher than in 2021. This was achieved through strong public water market-share gains as well as robust and sustained increases in sales to existing industrial customers. Exports to other African countries also improved, in line with the business's diversification strategy.

Standout achievements included a strong uptake in Water Sustainability projects (which were previously reported as Project Purpose). This is an AECI Water initiative to drive our purpose of One AECI, for a better world by using our systems, know-how, chemicals and people to deliver sustainable financial, environmental and social value. For the full year, Water Sustainability projects accounted for 6% of all AECI Water revenue.

After four years of contractions, sales to the oil and refining sector rose 14%, an improvement that is expected to continue into the new year. Sales to the mining sector also registered double-digit growth. Across the board, we progressively clawed back opportunities 'lost' to COVID-19 restrictions in 2020 and 2021 as our people were able to be on customers' sites for the full year.

EBIT was impacted by changes in the sales mix, with public water accounting for 43% of revenue against 34% in 2021. Sales and margins in public water were constrained by public-sector contractual terms which made it difficult to implement meaningful cost increases timeously in all instances.

Operational reviews: our operating business segments creating value CONTINUED

Performance on the rest of the African continent, notably in west Africa, was exceptional as customers increasingly adopted new AECI technologies with a decisive move towards adopting our organic, greener, offerings over traditional aluminium sulphate water treatment methodologies. Restructuring costs incurred to change our routes to market (with a greater focus on localisation) in central Africa curtailed overall EBIT growth on the continent.

Stakeholder relations

For several years, French-based SUEZ has been a key technology partner for AECI Water, providing water treatment equipment which we deploy at public and industrial customer sites. In 2022 SUEZ was acquired by global leader Veolia Water Technologies & Solutions. The change in ownership required detailed engagement to ensure a smooth transition from the customer and commercial perspectives. It was pleasing that this process was concluded successfully and seamlessly.

AECI Water is committed to bringing potable water to 50 South African schools and 35 000 learners by 2025. To achieve this, it relies on multiple partnerships – with non-governmental organisations, government departments, water boards and municipalities. The strength of these relationships is borne out by the fact that in 2022 the number of schools receiving potable water through this initiative rose from three in the previous year to a total of 10.

Outlook

Prospects in all of mining, public and industrial sectors are encouraging. Therefore, AECI Water is set, in 2023, to improve its quality of earnings. In 2022 we were obliged to hold higher levels of inventory to allay customer concerns about port-related logistical challenges, the effects of the Russia-Ukraine war as well as continued COVID-19-related lockdowns in China. This translated into an abnormally high working capital to revenue ratio (40%). However, 'unwinding' of inventory holdings and revised pricing formulas should translate into a rebound in both profitability and margins.

By year end, water sustainability projects were gaining further traction after some sign-off delays in 2022. The three new technologies launched in 2022 are expected to support ongoing sales and profitability growth in the new year.

Once completed in 2024, AECI Water's on-site treatment facility at a AECI Mining Explosives, Modderfontein, is expected to be the first such plant in South Africa to enable zero liquid effluent discharge.



Operational reviews: our operating business segments creating value CONTINUED

REVENUE

R 7 067m
+17%

EBITDA

R 358m
-7%EBIT
LOSS OF**R 297m**
- >100%

TRADING MARGIN

-4%
2021: 3%TRADE WORKING
CAPITAL**17%**
2021: 17%

TRIR

0.22
2021: 0.36**AECI® AGRI HEALTH****AECI PLANT HEALTH AND
AECI ANIMAL HEALTH**

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

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

Full-year revenue from these two businesses reached a record R 4 906 million, rising strongly for the third consecutive year.

In line with its growth strategy, AECI Plant Health drove sales of in-house formulated products (including bulk nutrition). The contribution of these increased to 37% of total revenue from 35% in the prior year. Informing this achievement was AECI Plant Health's application R&D expenditure – which was up by more than a third in 2022. Investment in capital expenditure rose by a similar proportion.

Logistics disruptions were the main driver for higher inventory levels. This was mitigated by excellent debt collections which lowered the working capital ratio and contributed to strong cash generation of more than R 300 million.

Operational reviews: our operating business segments creating value CONTINUED

Outlook

The South African network of agents and agricultural advisers is expected to continue to drive volume growth. This will be supported by debottlenecking and upgrades of AECl Plant Health's synthesis plant in Gauteng and ramp-up of the expanded Biocult plant in the Western Cape, completed in 2022.

2023 began with continuing good rainfall in South Africa's inland provinces and in neighbouring countries, which supports growth prospects. Commodity input prices are expected to remain elevated, although not necessarily at the levels seen in 2022.

In both our export and domestic markets, the strides made in formulating and releasing softer greener plant health solutions should contribute to sales and profit uplift going forward.

The conversion of inventory holdings to cash will be a priority as logistics challenges ease across the globe.

Risk and opportunity

In 2024 all agricultural products sold in South Africa will undergo mandatory re-registration. For many of our competitors this will present a risk; we believe that for AECl Plant Health it represents an opportunity. Exhaustive preparations for this process were well in hand at end 2022. The process is an opportunity to further differentiate ourselves from competitors by removing more 'harsher' chemicals from formulations without compromising efficacy.

AECl Schirm

In 2022 AECl Schirm USA again delivered to expectations while AECl Schirm Germany incurred an operating loss.

Overall revenue in the year grew 15% to R 2 161 million but the EBIT loss increased to R 603 million. This derived from the performance of AECl Schirm Germany where operating costs rose and revenue disappointed on poor demand from the automotive and chemicals manufacturing sectors. An impairment of R 445 million was raised on right-of-use assets and property, plant and equipment. This outcome, together with the operating loss of R 228 million, weighed negatively on overall group results.

Conversely, AECl Schirm USA's EBIT was up 31% to R 101 million on the back of growth in sales derived from continued strong demand in agrochemicals.

The AECl board approved a turnaround project in Q4 2022 with a number of initial high-impact actions having already been taken by the time of writing. These included the appointment of a highly regarded chief transformation officer with extensive local experience in such turnarounds. Once-off costs associated with the turnaround are expected to curtail 2023 earnings but positive earnings contributions from Germany are expected within 20 to 36 months.





REVENUE

R 8 529m
+32%

EBITDA

R 765m
-2%

EBIT

R 562m
-4%

TRADING MARGIN

7%
2021: 9%

TRADE WORKING
CAPITAL

17%
2021: 15%

TRIR

0.19
2021: 0.32

AECI[®] CHEMICALS

The diverse AECI Chemicals pillar returned a pleasing financial result, with revenue rising by almost a third. EBIT was little changed at R 562 million. It was most pleasing that AECI Chemicals again generated good cash levels for the group.

EBIT was impacted by margin pressure experienced in particular, significant raw material price increases. The pillar's EBIT margin was 7% against 9% in 2021.

Supply-chain constraints further undermined the performance as did continued low levels of investment in road infrastructure in South Africa, and weak manufacturing output.

AECI SPECIALTY CHEMICALS

AECI Specialty Chemicals enjoyed a strong year. Revenue was up 37% and EBIT rose 48%, with a strong EBIT margin of 12%. Solid contributions were made by the oleochemicals, personal and homecare, and coatings and construction portfolios. As with many other group businesses, results were boosted by buoyant international commodity input prices.

Russia's inability to trade phosphates internationally directly benefited a major local customer which, in turn, boosted AECI Specialty Chemicals' revenue.



Operational reviews: our operating business segments creating value CONTINUED

The industrial portfolio also operated profitably, albeit that its fortunes remain tied to those of South Africa's manufacturing sector which contracted further in the year. The sector's short-term growth prospects remain muted. Faced with this reality, AECI Specialty Chemicals is pivoting successfully to counteract the domestic slowdown in manufacturing through accelerated growth in its traded products range.

AECI INDUSTRIAL CHEMICALS

Four of AECI Industrial Chemicals' five businesses achieved solid results in 2022. Those excelling were homecare, phosphoric acid, resin and the traded portfolio. The latter's performance exemplified good execution of this group business's bulk traded chemicals growth strategy.

AECI Industrial Chemicals' overall result was heavily weighed down by the sulphur business, however. Local refinery closures in 2022 exposed the traditional reliance on local suppliers for more than a third of the business's total raw material requirements in the form of molten sulphur. The closures, together with high sulphur prices and pass-through pricing formula considerations, also had a negative effect on plant utilisation rates. Margins were under pressure as a result.

AECI FOOD & BEVERAGE

AECI Food & Beverage posted strong revenue growth to more than R1.5 billion. Excluding the effects of unrealised foreign-exchange losses in terms of IFRS 16, the business returned 17% growth in EBIT, despite ongoing elevated raw material and transport costs.

More than R25 million was invested in juice clarification equipment in the year. This allows the business to offer juice clarifying to customer requirements more effectively and at substantially lower cost than was previously the case. The investment de-risks AECI Food & Beverage and lowers its water and energy footprints.

Risk and opportunity

The closure of three local oil refineries, in Durban and Cape Town, led to acute shortages of molten sulphur as well as higher prices.

Working with customers to continue meeting their requirements (and addressing their own supply-chain risks) was a key element in AECI Industrial Chemicals' ultimately successful execution of its sulphur risk-mitigation strategy in 2022. Created additional capacity to melt imported granular sulphur cemented relations with a key customer. The actions taken have benefited the business's position in the market.

Stakeholder relations

Global resin supplies have traditionally been dominated by two technology principals, with one of whom AECI Industrials Chemicals had enjoyed a long-standing relationship. In 2022 the associate was acquired by a third multinational player which had an existing presence in South Africa – and against which AECI Industrial Chemicals competed. In the year, a new licensing agreement was reached with the second, supplier. This change in representation required AECI Industrial Chemicals to reassure customers that it was able to produce resins to the same quality as that produced in Germany. Numerous trials were undertaken in partnership with customers and parity in terms of quality was confirmed to the satisfaction and benefit of all.

AECI SANS FIBERS

The polyester products market remained firm although overall USA fibre demand softened in H2 2022. In particular, demand for nylon yarn reduced in the year.

The business experienced wage inflation pressures and unprecedented employee turnover, owing to the macro-economic realities of the labour market in the USA. Product quality challenges and resultant wastages were a reality in the year.

In late 2022 AECI SANS Fibers received its first delivery of chips from Origin Materials ([page 24](#)) to conduct trials on this greener input. At the time of reporting, the material's viability was being evaluated, on AECI SANS Fibers' behalf, at the research centre of a globally recognised sewing thread manufacturer in India.

AECI MUCH ASPHALT

AECI Much Asphalt achieved a marked improvement in performance on the back of higher sales volumes. Revenue was 37% higher and EBIT 21% higher. The business continues to engage with Origin Materials on a bitumen-related R&D project and progress is expected in 2023.

Outlook

In 2023 AECI Chemicals will focus closely on proactive working capital management with an equally strong focus on cash generation across the pillar.

New service offerings, including expanded product lines and additional agencies will foster new revenue streams. These revenue streams will include a further boost to income from the recent capital expenditure at the beverage plant.

AECI SANS Fibers is confident of securing strong volumes through a partnership with a leading USA apparel manufacturer requiring new specialist threads.

Ordinary shareholder analysis

Analysis of registered ordinary shareholders and company schemes

REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders at 31 December 2022:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1–1 000 shares	5 839	73.67	1 237 309	1.17
1 001–10 000 shares	1 427	18.00	4 550 989	4.31
10 001–100 000 shares	519	6.55	16 855 837	15.97
100 001–1 000 000 shares	124	1.57	35 373 966	33.53
1 000 001 shares and above	17	0.21	47 499 679	45.02
TOTAL	7 926	100	105 517 780	100

PUBLIC AND NON-PUBLIC SHAREHOLDINGS

Within the shareholder base, we are able to confirm the split between public shareholdings and Directors/ Company-related schemes as being:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Public	7 921	99.94	87 070 467	82.52
Non-public shareholders	5	0.06	18 447 313	17.48
Major shareholder > 10% (Government Employees Pension Fund)	1	0.01	17 941 785	17.0
Directors ¹ /related holdings	4	0.05	505 528	0.48
TOTAL	7 926	100	105 517 780	100

Source: Standard Bank

¹ Includes Directors, the group company secretary and principal officers

Substantial investment management and beneficial interests

SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS ABOVE 3%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of Section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 31 December 2022:

Investment manager	Total shareholding (number of shares)	% of issued capital
Public Investment Corporation	16 220 097	15.37
Allan Gray	10 385 497	9.84
PSG Asset Management	8 994 040	8.52
Sanlam Investment Management	7 134 736	6.76
Old Mutual Investment Group	5 791 919	5.49
Coronation Fund Managers	4 995 716	4.73
Vanguard Investment Management	4 749 538	4.50
Kagiso Asset Management	4 053 933	3.84
Aylett & Co	3 697 419	3.50
Dimensional Fund Advisors	3 362 042	3.19
TOTAL	69 384 937	65.74

BENEFICIAL SHAREHOLDINGS

Beneficial shareholdings	Total shareholding (number of shares)	% of issued capital
Government Employees Pension Fund	17 941 785	17.00
PSG	10 370 838	9.83
Allan Gray	6 201 088	5.88
Old Mutual Group	6 080 720	5.76
Vanguard Investment Management	4 053 933	3.84
Sanlam Group	3 612 257	3.42
TOTAL	48 260 621	45.73

PREVIOUSLY DISCLOSED HOLDINGS

Investment managers now holding below 3%

No investment managers previously holding greater than 3% of the issued share capital in 2021 now hold below 3% in 2022.

Glossary of terms

B-BBEE	Broad-Based Black Economic Empowerment, in South Africa
BBRI	PT Black Bear Resources Indonesia, a manufacturer of ammonium nitrate part-owned by AECI
BIGGER	AECI's values of being Bigger, Innovative, of Going Green, and of being Engaged and Responsible
CDP	Carbon Disclosure Project
Chemical Technology Incubator	NPO business incubator; the principal agent in establishing small and micro enterprises in the downstream chemical manufacturing sector in South Africa
CO ₂ e	Carbon dioxide equivalent
CSI	Corporate social investment
EBIT	Earnings before interest and taxation, defined as profit before interest, taxation and share of profit of equity-accounted investees, net of taxation
EBITDA	Earnings before interest, taxation, depreciation and amortisation calculated as profit from operations and equity-accounted investees plus depreciation, amortisation and impairments. EBITDA is not audited by the company's external auditor
ERM	Enterprise risk management
ESD	Enterprise and supplier development
ESG	Environmental, social and governance
Gearing	Net debt as a percentage of equity
GHG	Greenhouse gas
GJ	Gigajoule
KPIs	Key performance indicators
KWh	Kilowatt hour
LTI	Long-term incentive scheme
MMU	Mobile manufacturing unit
ONe	AECI's e-commerce platform

PGM	Platinum group metals
PPE	Property, plant and equipment
UN SDGs	United Nations Sustainable Development Goals
STI	Short-term incentive scheme
TCFD	Task Force for Climate Related Financial Disclosure
TRIR	Total Recordable Incident Rate, which measures the number of occupational safety incidents per 200 000 hours worked
Water sustainability	Enabling access to potable water, limiting the use of this resource for non-domestic purposes and improving re-use





Corporate information

AECI Limited

(Incorporated in the Republic of South Africa)
(Registration No. 1924/002590/06)
Taxation reference No. 9000008608
Share code: AFE ISIN: ZAE000000220
Hybrid code: AFEP ISIN: ZAE000000238
Bond company code: AECI
LEI: 3789008641F1D3D90E85
(‘AECI’ or the ‘Company’ or the ‘group’)

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Transfer secretaries

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and

Computershare Investor Services Public Company Limited

PO Box 82
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England

External auditor

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5 Magwa Crescent
Waterfall City
Waterfall, 2090
South Africa

Primary transactional and funding banks

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

South African equity and debt sponsor

Rand Merchant Bank
(A division of FirstRand Bank Limited)
1 Merchant Place
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Sandton, 2196
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