

Executive committee

The Board established an executive committee many years ago. The committee is constituted to assist the chief executive in managing the Company. Subject to matters reserved for decision by the Board, the chief executive's authority in managing the Company is unrestricted. The responsibilities of the chief executive include implementation of the strategies and policies of the Company; managing its businesses and affairs; prioritising the allocation of capital and technical and human resources; establishing best management practices and standards; senior management appointments and the assessment of senior management performance; and making recommendations to the Board on matters which are reserved for decision by the Board, including the fees payable to non-executive directors.

The executive committee consists of all the executive directors who hold office from time to time together with such senior managers as the Board may appoint from time to time. The committee meets once a month. Details of the executive committee members are given on pages 18 and 19 of this report.

Accountability and internal control

The directors are required by the Companies Act of South Africa to prepare annual financial statements which fairly present the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for that period, in conformity with International Financial Reporting Standards (IFRS). The Company's external auditors are responsible for examining and reporting to shareholders their opinion on the annual financial statements of the Company and its subsidiaries and for performing an audit in accordance with generally accepted accounting and auditing standards in order to determine whether the financial statements are in accordance with the Companies Act, IFRS and the JSE Listings Requirements.

Following discussions with the external auditors, the directors consider that, in preparing the financial statements, the Company has consistently used appropriate accounting policies supported by reasonable and prudent judgement and estimates. All applicable international accounting standards have been followed. The directors have formally reviewed the budgets and forecasts of the businesses and have concluded that the Group will continue in business for the foreseeable future and, accordingly, the going concern basis of accounting remains appropriate.

The directors are also responsible for maintaining adequate accounting records and they have general responsibility for ensuring that an effective risk management process is in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

To enable the directors to meet these responsibilities, management sets standards and implements systems of risk management and internal control aimed at reducing the risk of error or loss in a cost-effective manner. The Company's internal audit function independently appraises the Group companies' internal controls and reports directly to the audit and risk committee. In addition, the management of each operating business and corporate function submits an annual Letter of Assurance to the audit and risk committee of the Company affirming that the internal controls in entities for which they have responsibility are adequate for their operations.

The directors are of the opinion, based on the information and explanations given by management, the internal auditors and the external auditors, that during the year there were no material breakdowns of internal controls and that these controls are adequate so that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities. The directors believe that assets are protected and used as intended with appropriate authorisation.

The auditors concur with the above statements by the directors.

Risk management

The Board recognises risk management as a key business tool to assess the balance between risk and reward in current and new businesses. Risk management also aims to protect the Group against hazards and uncertainties which might prevent the achievement of business goals.

The Board is responsible for the risk management process and is assisted in its responsibilities by the audit and risk committee. The day-to-day responsibility for risk management, and the design and implementation of appropriate processes to manage risk, resides with management.

The risk management process is designed to ensure that:

- all relevant risks are identified and evaluated, based on their potential impact and their likelihood of occurrence;
 - risks and the required processes and controls to manage these risks are assessed in line with the Board's risk appetite; and
 - appropriate management information and monitoring processes are in place to manage the exposure to each of the key risks so that, where required, necessary corrective action can be taken.
- credit risk in respect of customers, especially those based outside of South Africa; and
 - key suppliers' business continuity through the crisis, especially suppliers contracted for the major capital programme.
- completion of all growth capital projects currently in progress. The Board has approved R1,7 billion for growth projects for AEL and Chemical Services Limited. To date, the Group has spent R854 million and is projected to spend a further R884 million during 2009 and 2010. It is imperative that these projects be completed timeously and within approved budget; and
 - safety, health and environmental (SHE) considerations. These are risks which are inherent in AECI's businesses. The well-being of employees and contractors, customers and the community at large is of paramount importance. Further, it is essential that AECI protects the environment in which it operates so as to continue being an acceptable corporate citizen in the territories in which it has a presence.

During the year, each operating unit updated its business risk profile and identified key risks and the controls required to mitigate those risks. A similar process was then carried out to identify those risks and related controls which are important for the Group as a whole. The Group risk assessment was debated and approved by the Board and forms the focus of the internal audit programme for the next financial year. The key risks and their status are reported to the audit and risk committee four times a year.

Key risk profile

The main operational risks currently facing the Group are:

- impacts of the global recessionary crisis. Like other companies in South Africa and internationally, AECI will be impacted by the current economic crisis. The following areas are of concern to management:
 - liquidity through the crisis;
 - decline of customers' markets, resulting in decreased sales for the Group;

Management of key risks

The Group's executive committee regularly reviews the business environment. Management is focusing on:

- tightly controlled cash management;
- working capital management; and
- cost reductions.

During 2008, the Group restructured its debt to a longer-term arrangement with various financial institutions.

To manage capital projects, steering committees have been established, project management expertise has been employed, and much of the work has been outsourced to reputable project houses. Reporting to AECI's executive committee takes place monthly, and on a quarterly basis to the Board.

In managing SHE risks, the Group is guided by a formal SHE policy, supported by a set of standards. Regular training and reporting are in place. More detail is given in the corporate citizenship chapter of this annual report.