

REVIEW OF OPERATIONS

To compete **successfully** in the world arena, the **quality** of any organisation's people remains a significant competitive advantage.

AECI's companies are **well positioned to accelerate** the development of employees.

AECI remains **committed to the principles of employment equity** and this is reflected in the normal activities of its companies.

All of the Group's businesses are **directing resources towards ensuring that equity** is achieved in a way that is **advantageous** to all stakeholders.

Group Human Resources

The Human Resources function continued to focus on managing the effects of the Group's Transformation Programme on employees. In 2000, the closure of the Modderfontein ammonia and urea complex and the restructuring of operations at Milnerton had the most significant effect on employment. It is gratifying that the programmes established to assist those affected, including counselling initiatives, financial assistance with reskilling opportunities, a small business development unit and a Groupwide, Intranet-based "Job Shop" facility to maximise redeployment, contributed to tempering the trauma of Transformation.



Jacques Pienaar

Joint employee/management consultation forums established at most Group centres continue to play an important role in ensuring that the objectives and processes needed to reinvent AECI are properly understood and actioned. The extent to which the Transformation goals set in 1998 have been met vindicate the participative approach taken by the Group in dealing with these often painful processes.

The Key Corporate Values set out elsewhere in this report can only be achieved with the input and cooperation of AECI's people. It is evident that, to compete successfully in the world arena, the quality of any organisation's people remains a significant competitive advantage. In this context, Group companies have implemented performance management initiatives to strengthen the direct link between performance and reward. Particular attention is being given to the quality of leadership throughout the Group as this is viewed as a key factor for current and future success. A Performance Incentive Scheme designed to reward employees whose behaviour and performance lead to the attainment of short-term targets and strategic objectives, has been introduced.

In the year under review, Group companies were actively involved in implementing the requirements of newly promulgated labour legislation.

Skills development

AECI's businesses actively participated in developing the Chemical Industries

Education and Training Authority established in terms of the Skills Development Act. In addition, considerable progress was made in developing those industry standards that are most relevant to the Group's activities. AECI's companies are accordingly well positioned to accelerate the development of employees and to qualify for the benefits of the levy grant system provided for in legislation.

Employment equity

Historically, AECI has been committed to the principles of employment equity and this has been well reflected in the normal activities of its companies. However, given current business and socio-economic demands for the transformation of the workforce, as well as the requirements of the Employment Equity Act, these companies have had to focus even more attentively on this issue.

In 2000, all businesses developed and submitted Employment Equity Reports in compliance with legislation. These reports illustrated planned and constructive programmes to ensure that those previously disadvantaged could gain full and equal access to opportunities consistent with their competency and potential. More specifically, the reports addressed a quantitative and qualitative analysis of employment statistics, policies and procedures and highlighted where changes were necessary if the principles and objectives of relevant legislation were to be achieved.

Feedback on the process of developing these plans has been positive, with most companies indicating that whilst the plans themselves are important, the consultative process that was followed in developing them was even more so. All are acutely aware of the expectations of broader society and of their own respective workforces. Therefore, they are directing resources towards ensuring that equity is achieved in a way that is advantageous to all stakeholders.

Industrial relations

The year 2000 saw a dramatic decline in industrial action in all sectors in which the Group operates. More specifically, Group companies experienced a year free of any industrial action and, whilst much of this might be ascribed to the national climate, the benefits of the good relationships that have been established at plant and Group levels cannot be underestimated. Similarly, the involvement of employees individually or collectively, through trade unions, in Transformation-related issues, has had a major positive effect.

Regarding the future, proposed amendments to labour legislation suggest recognition by government of the need to allow parties greater freedom to self-regulate. The Group is confident that it will be able to function effectively within a revised legislative framework.

Benefits

The Group's retirement funds continued to evolve. The AECI Employees' Provident Fund has resolved most issues relating to the transfer of funds from a variety of pension funds, both internal and external to the Group. The transfer of some members to other provident funds continued as more industrywide, union-based funds are established and as a consequence of disposals of businesses. A strategic review of the AECI Employees' Pension Fund was conducted and the administration was moved to the Company pension fund managers. Although this fund now consists largely of pensioner members, it remains well funded. The AECI Pension Fund's investments again performed satisfactorily, enabling both defined benefit funds to grant pension increases in line with their stated policies.

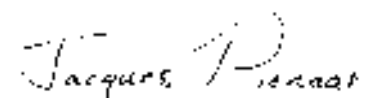
Medical aid continues to be seen as an important benefit to employees. Funding of this benefit is under constant threat from costs relating to hospitalisation, chronic medication, imported medical inflation, HIV/AIDS and overservicing. In

addition, the recent Transformation in the Group has increased the pensioner: member ratio to over 40 per cent, which has placed an added strain on the AECI Medical Aid Society. Although the Society is currently sufficiently funded, it is expected that higher contribution increases will be required in future.

Social responsibility

The Quality of Life (QoL) programme focuses mostly on instilling and upgrading skills, job creation and enhancement opportunities. During 2000 corporate expenditure on the QoL programme amounted to about R1 million. Expenditure on supporting tertiary education totalled about R300 000. In addition, a number of Group companies managed their own social responsibility programmes and expenditure.

A small business development unit (SBU) exists to affirm the Company's commitment to the development of the Small, Micro and Medium Enterprises (SMME) sector and this unit has now been incorporated into the QoL programme. This unit assists in identifying non-core activities suitable for privatisation under existing employees and has representative shareholding from previously disadvantaged communities. A number of successful small businesses have been created with the assistance of the SBU as a consequence of AECI's Transformation Programme. An important component of the unit's future activities will be the establishment of a database of previously disadvantaged suppliers to actively support SMMEs through affirmative procurement.



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