

LETTER FROM THE SOCIAL, ETHICS AND RISK COMMITTEE CHAIRPERSON



Frank Butler, SERC Chairperson

OMNIA'S APPROACH TO SUSTAINABILITY

Omnia has embraced the challenge of managing our range of businesses in a manner that meets the expectations of a broad range of stakeholders (often themselves in conflict), while still delivering a return to shareholders. As a result, sustainability is now a fundamental aspect and core business imperative for the Group's long-term success.

To provide a pathway to good governance and to monitor the sustainability activities in the Group, Omnia's SERC has a charter that is updated and approved annually by the board.

As SERC Chairperson, it gives me great pleasure to introduce our sustainable development report and present our progress in FY2017.

The Group's governance structures explicitly and directly take into account the safety, environmental, social and all facets of sustainability performance of the Group, in addition to its financial performance. The board of directors places great emphasis on the need to integrate sustainability into the business. Specific oversight for sustainability is the responsibility of the SERC.

The Group has, in particular, placed emphasis on relationships with stakeholders – such as employees, customers, investors, regulators and NGOs representing civil society – through processes of engagement. Stakeholder engagement is considered to be critical in ensuring the sustainability of the Group, and significant stakeholder engagement which may have an impact on the businesses of the Group is communicated to the board. A further step in ensuring effective communication is based on measuring and reporting on all sustainability matters in addition to financial results. External communications are aimed at

providing stakeholders with insights into the Group's long-term management strategies and targets.

Particular focus and emphasis on the responsible management of resources through resource efficiency projects as well as on value offerings ensure that the Group creates long-term value for stakeholders. This is clearly demonstrated in a vast variety of initiatives pertaining to aspects such as facilitating good farming practices to enhance water-use efficiency, using waste or used oil as a raw material in explosives manufacturing or capacity building and empowerment in terms of knowledge of the management and handling of hazardous chemicals.

OMNIA'S APPROACH TO SUSTAINABILITY REPORTING

Over the past few years, Omnia has been producing an integrated report consolidating the Group's strategy and performance. However, the Group has recognised the fact that, while current developments and challenges require fully integrating sustainability into business management, the need for corporate reporting that communicates the full range of factors affecting the creation of sustainability value over time, has required specific attention.

In FY2016, Omnia produced a separate sustainability report for the first time. Based on stakeholder feedback and the value generated from such a report, the Group continues to refine its approach to reporting on this basis.

It is expected that this approach of reporting sustainability in a separate report will allow the Group and its businesses to elaborate in more detail on the indicators which contribute to the Group's continuous drive for commitment and progress as a corporate citizen.

The SERC, governed by its charter, was assisted by the board in this reporting period to ensure that:

- The Group has implemented an effective policy and plan for risk management aimed at achieving strategic objectives
- There is a robust assessment of the Group's risk identification and risk evaluation processes; additionally, that the management of the implementation of appropriate mitigation measures is monitored
- The identification and evaluation of high-impact risk exposures to the Group receives appropriate attention
- The Group's ethics policy is reviewed and implemented throughout the Group
- Policies and standings on labour relations, including BEE and Employment Equity are appropriate and implemented
- The provision of direction on the overall sustainability processes which are integrated into business strategies by assessing compliance and performance across a range of indicators including legal compliance, insurance and legal claims and the reporting on major incidents in the Group

- The Group's combined assurance model is evaluated and implemented, with annual recommendations to the board for approval
- The management of actions and activities aimed at achieving the goals outlined in the Group's climate change policy
- The SERC is ultimately held responsible for recommending sustainability commitments and targets for approval by the board

SUSTAINABILITY PERFORMANCE AND PROGRESS

The Group has, over several years, placed emphasis on improving the health, safety and environmental exposures of our employees and all affected stakeholders. It is pleasing to see the progress made in all divisions and I am very proud of our executive and management teams in achieving the lowest RCR in the Group's history at the end of the financial year. I further encourage more effort and look forward to improved metrics going forward.

A key feature of the SERC's activities through the year has been the testing of specific areas of risk. These were selected on perceived exposure to these risks or following incidents in the Group. The subjects were wide ranging including items such as intellectual property management and the handling of ammonium nitrate. Relevant management teams presented their progress on the exposures, explaining mitigating steps already taken and plans for further mitigation.

Several points of learning were generated in these presentations and it is pleasing to note that these have been disseminated across all divisions in the Group.

Omnia's BEE and CSI strategy is based on the following principles:

- All projects should be based on commercially and economically sustainable principles and goals which are to be defined in advance and applied consistently and that are in line with the principle of self-sufficiency
- All projects should ultimately be in the best interests of Omnia and should complement Omnia's businesses in the agricultural, chemical and mining explosives industries thereby ensuring business growth
- Omnia should derive benefit, direct or indirect, from the adoption and implementation of these projects whether it be in the form of expanding the Group's market base, expanding its skills base, increasing and widening the representation and diversity of its workforce and/or improving socio-economic conditions of the communities or regions within which it operates

One of the biggest and most critical challenges to the sustainability of the economy and this industry, and the greatest challenge to the efficacy of transformation in the country and within the Group, is skills development. The skills shortage has not only impacted the Group in terms of achieving its

employment equity targets, but overall in securing and retaining key and critical skills irrespective of race and gender to ensure the growth and sustainability of the organisation.

The Group already identified skills development as the entry point for its BEE strategy in the 2017 financial year.

Within the context of the BBBEE codes, skills development refers to those programmes aimed at improving the skill levels of employees. It deals primarily with the Group's spending on skills development initiatives for employees or external students who, as part of their bursary conditions, are obligated to work for the Group, either through vacation jobs or internships.

Skills development in the context of socio-economic development refers to projects intended to provide support and funding to communities and individuals outside the Group to improve and develop education in general in the communities or regions within which the Group operates.

Most of the Group's CSI and BBBEE socio-economic development and skills development initiatives are aimed at addressing these challenges.

LOOKING TO THE FUTURE

Although the Group has placed emphasis on the integration of sustainability into the business, it is undeniable that several challenges still exist in facilitating a seamless transition. The greatest challenge faced by business in this arena is that of a lack of clarity and consistency in the number of regulatory initiatives being proposed by government. This is largely a concern in the carbon management regime with several government departments being involved in various aspects with no obvious alignment in their approaches and policies. This poses a significant challenge to the Group in ensuring co-operation and participation in new and emerging legislative initiatives.

I welcome feedback on our sustainability performance and on our reporting.

I want to thank leadership and management, and want to express my confidence in their abilities to achieve a sustainable business and to overcome any challenges met along the way.

Finally, my thanks to Neville Crosse, who has resigned from the SERC on his retirement from the board. He has been a member since inception, and his insight and guidance will be sorely missed.



Frank Butler
SERC Chairperson
21 August 2017