FOSKOR

# 2019 INTEGRATED REPORT

FOR THE YEAR ENDED 31 MARCH

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Supplementary information that provides more detail to the information included in this integrated annual report is also available on our website at **www.foskor.co.za.**

**Reference icons:**

More information available online

More information available in this report

# About this report

This is Foskor (Pty) Limited's integrated annual report for the year ended 31 March 2019. The purpose of the report is to provide feedback to our stakeholders. The report combines data related to Foskor's financial, social, environment and governance aspects while at the same time exploring the integrated effect of these aspects on the Company's performance.

The report is intended to explain our business, how we are governed; our strategy and how we have implemented it; and the results achieved during the reporting period.

Our approach to integrated reporting has been to gradually improve the integration of sustainability and financial performance reporting over the last few years. This year's report also shows the link among capital employed in our business to create value; what is most important to us; and how we have performed against what we consider material.

We have been primarily guided when preparing this report by the International Integrated Reporting Framework (IIR); in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines (Core) including the Mining and Metals sector supplement; the King Code of Corporate Governance; and the South African Companies Act of 2008.

## Scope and boundary

This report covers the key events that took place from 1 April 2018 to 31 March 2019. The report covers all entities and divisions under Foskor's direct control and significant influence as reported in the annual financial statements. Where external entities are part of our value chain and have a significant effect on our ability to create value, their effect or potential impact are discussed. All significant items disclosed are prepared on the same basis as the comparative periods, there have been no restatements.

This report includes summarised financial statements, the full set of financial statements is available in a separate publication or on our website. Supplementary information that provides more detail to the information included in this integrated annual report is also available on our website at www.foskor.co.za.

## Determining materiality

The material issues that have been identified and for which feedback on our performance has been discussed were determined as follows:

- Quantitative calculations;
- Review of strategic risk registers;
- Reports submitted to the Board and matters that the Board is most concerned about;
- Incorporated areas of concern highlighted in the strategic review process; and
- Key performance objectives set for management for the following year.

## Combined assurance

The annual financial statements have been jointly audited by Ngubane & Co (Johannesburg) Incorporated and SizweNtsalubaGobodo Grant Thornton Incorporated. A combined assurance approach has been adopted by obtaining assurance for financial and non-financial information from management, internal audit and external independent third parties.

The majority of the key disclosures for the non-financial information for environmental, health and safety have been externally assured through DEKRA audits and ISO certifications.

## Approval by the Board

The Board is responsible for the integrity of this integrated report. The Board applied its collective mind to the preparation and presentation of the integrated report and is satisfied that the report is a fair and reasonable representation of Foskor's performance and prospects in accordance with the IIR Framework. This integrated report was approved by the Board on 24 June 2019.

## Feedback

For any questions or feedback regarding this integrated annual report or its contents, please contact Ashraf Dindar on +27 11 347 0603 or email ashrafd@foskor.co.za.

# How we performed

## Challenges

### Fatality
One fatality recorded at Acid Division (Mduduzi Clifford Mthembu)

### Richards Bay Industrial Action
The production was impacted by strike action that commenced on 15 March 2019 and ended on 29 April 2019

### Rock production
Rock production was 6.4% lower then the 2018 financial year

### Phosphoric Acid and Granulation Production
Phosphoric acid and granular fertiliser lower by 16% and 25% respectively

### Drought impact
which reduced our sales offtake to the local market

### B Plant failure

## Key achievements

### EBITDA
164% improvement year on year

### Cash generated from operations
R178 million cash generated compared to R344 million utilised in 2018 financial year

### Improved sulphuric acid
sales volume by 115%

| For the year ended 31 March | | 2019 | % change* | 2018 | 2017 |
|---|---|---|---|---|---|
| **Financial** | Revenue (Rm) | **5 429** | (8) | 5 893 | 5 614 |
| | EBIT (Rm) | **(150)** | 83 | (903) | (1 224) |
| | EBITDA (Rm) | **206** | 164 | (319) | (336) |
| | Cash generated from/(utilised by) operations (Rm) | **178** | 152 | (344) | 336 |
| | Free cash flow (Rm) | **(541)** | 53 | (1 157) | (263) |
| **Production** | Phosphate rock (ktons) | **2 004** | (6) | 2 141 | 1 687 |
| | Phosphoric acid (ktons) | **382** | (16) | 453 | 450 |
| | Granulation (ktons) | **266** | (25) | 357 | 324 |
| **People** | Number of employees | **1 656** | (1) | 1 677 | 1 689 |
| | Employee turnover (%) | **5.3** | 2 | 5.4 | 9 |
| | Women representation in senior management (%) | **17** | – | 17 | 12 |
| | Total training spend (Rm) | **16.48** | 42 | 11.61 | 11 |
| **Safety** | Fatalities | **1** | – | – | 1 |
| | Loss time injury rate – mining | **0.22** | (57) | 0.14 | 0.27 |
| | Loss time injury rate – acid | **0.63** | (43) | 0.44 | 0.22 |
| **Environment** | Fresh water consumption ('000m$^3$) | **15 510** | 23 | 12 570 | 12 592 |
| **Communities** | CSI spend (Rm) | **12** | 92 | 6 | 5 |

* *Calculated on full values.*

# Who we are

**Foskor is a producer and distributor** of phosphate rock, phosphate-based fertilisers, sulphuric acid, phosphoric acid and magnetite locally and internationally.

## Vision

To be a globally recognised and efficient beneficiator of phosphates in a responsible manner for the benefit of all ou stakeholders.

## Mission

We will create value and profit by converting opportunities with determination, responsibility and sustainability.

## Values

To deliver on customer promise we demonstrate resolve, act responsibly, earn respect and show recognition through shared rewards.

We are based in **South Africa**

and employ a total of **1 656 people**

spread across the Phalaborwa **Mining Division,** the Richards Bay **Acid Division** and the **head office** in Midrand.

## What we produce

We mine phosphate rock in Phalaborwa and transfer it by rail to our Richards Bay facility, where we use it to produce phosphoric acid and granular fertilisers – MAP (mono-ammonium phosphates). We also produce sulphuric acid, which is used in the production of phosphoric acid, and we sell excess sulphuric acid that becomes available. Foskor also has magnetite, a by-product of phosphate rock beneficiation which was mined in the past and stored in the form of a stock pile. Currently, there is no magnetite mined in the process.

## Our markets

We are the leading domestic producer and supplier of phosphate-based products (phosphate rock, phosphoric acid and mono ammonium phosphate. Beyond serving the local market and SADC regional markets (DRC, Swaziland, Zimbabwe, Zambia etc) we supply phosphoric acid and mono ammonium phosphate to international markets, particularly India, the world's largest market of phosphate products. We also supply phosphoric acid to other international markets (Brazil, Bangladesh, Saudi Arabia, United Arab Emirates, Belgium and France). While the bulk of our phosphate rock concentrate is used in our phosphoric acid manufacturing plant, we also export available products to international markets (Belgium, Netherlands, Norway, Lithuania, New Zealand and Japan).

# How we are structured

## Shareholders

**59% Industrial Development Corporation**
A national development financial institution set up to promote economic growth and industrial development, and operates under the South African Government's Economic Development Department.

**15% Manyoro Consortium**
A grouping of strategic business partners and special interest groups.

**14% Coromandel International Limited**
Part of the Murugappa Group and produces a range of fertilisers, speciality nutrients and crop protection products. Second largest fertiliser player in India and offer retail services.

**6% Kopano Foskor Employees Trust**
An Employee Share Ownership Plan (ESOP) with the aim of empowering staff.

**5% BaPhalaborwa and Umhlathuze Community Trusts**
Established in terms of the Mining Charter and BEE codes. To enable economic interests to accrue to local communities surrounding operating divisions.

**1% Sun International FZE Dubai**
Specialises in international trading in fertilisers, fertiliser intermediates and raw materials sourced globally to supply customers.

## FOSKOR GROUP

**DIVISIONS**

- 100% Head office
- 100% Mining Divison
- 100% Acid Division

**SUBSIDIARIES AND ASSOCIATES**

- 29.9% Foskor Zirconia Proprietary Limited
- 100% Phosfert Marine Proprietary Limited
- 100% Phosphate Shipping Proprietary Limited

## Oversight

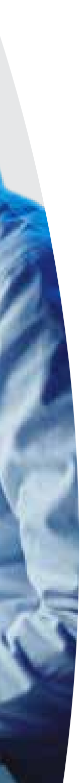
**Board of directors**

- Audit and Risk Committee
- Social and Ethics Committee
- Company secretarial
- Human Capital and Nominations Committee
- SHE and Sustainability Committee

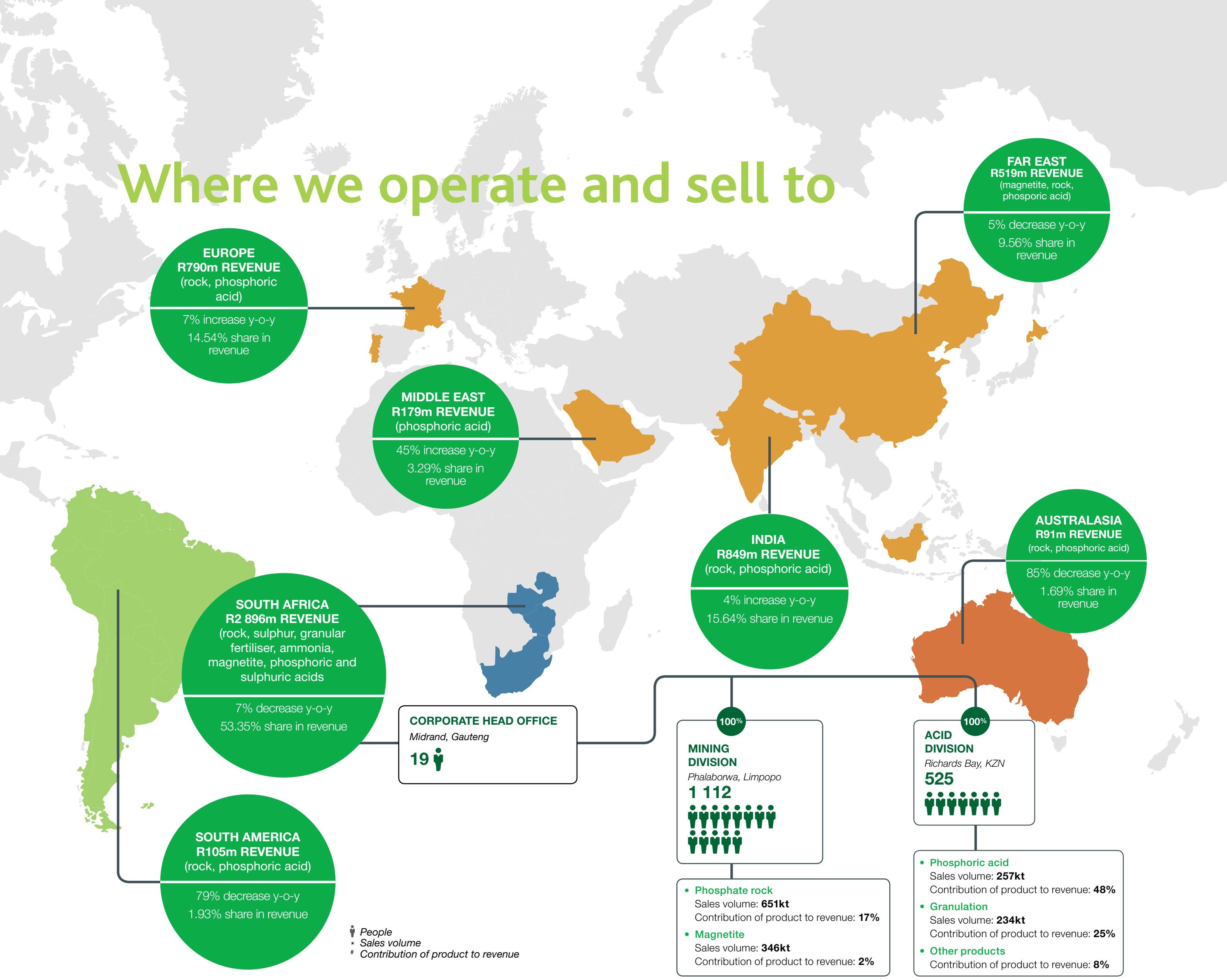
## Management

**Chief Executive Officer**

- Finance
- Corporate affairs and human capital
- Mining Division
- Compliance and company secretarial
- Procurement
- Acid Division
- Projects and strategy
- Logistics and safety
- ICT
- Sales and marketing
- Internal audit
- Legal and risk



# Where we operate and sell to




# Our values

To deliver on our customer promise we demonstrate **resolve**, act **responsibly**, earn **respect** and show **recognition** through shared rewards.

Demonstrating **resolve** means we are determined to continually improve in everything we do.

Acting **responsibly** means that we believe in being held responsible to ourselves, our shareholders, our communities and our environment.

Earning **respect** means we believe that we will excel as a team by respecting diversity.

Showing **recognition** means we believe in shared reward.

# How we create value

We **create and sustain value** through **mining phosphate ore,** that forms an input into the production of **phosphoric acid** and granular **fertiliser products**.



The manner in which we create value is in terms of our values and our governance structures.

The relationships with our stakeholders (internal and external) also have an impact our ability to create and sustain value.

The key stakeholders that are part of our value chain are suppliers of rail transport (Transnet Freight Rail) for our rock to Richards Bay and Maputo; as well as utility providers (municipalities) who provide us with electricity and water that is critical for our production process. Also there are other stakeholders which are important such as our suppliers/contractors, communities, government departments, financial institutions, etc.

Our business model incorporates a wider view of our value-creating activities and incorporates the six capitals inputs, resources, processes, outputs and measurable outcomes.

## Creating and sustaining value

To create value for our stakeholders, we focus on:

**Satisfying the demand for phosphate rock concentrate**

- **2019 results**
  - Achieved 87% of target production
  - Improved rock processing efficiency to 73.84%
  - Sufficient phosphate supplied for local demand

Then beneficiating concentrate by:

**Creating value added products**

- **2019 results**
  - Produced 76% of $P_2O_5$ and 72% of granulation target to meet local demand

And

**Ensuring future business growth**

- **2019 results**
  - Effective long-term capital investment
  - Stricter working capital management

## Managing our value creating activities to deliver long-term value

The process in determining the optimal value creating activities is determined by how best to find a balance of investing in the six capital inputs that will deliver long-term value to the business. The following are some of the examples undertaken across the Group, with an explanation on the reasons for the decisions that were taken.

### Sulphuric pricing

**Short term margin gain for long term supply to customers**

We maintained market related price with reasonable margins on Sulphuric Acid sales which has seen a high volume growth in the financial year that had a positive impact on group contributions.

| Capitals utilised | Capitals benefit |
|---|---|
| • Reduced margin | • Increased volumes |

### Settling short term loan

**Reducing cash position to improve balance sheet position**

During the year we settled R259m of short-term loans which has resulted in reduction of our cash position but we have created room for balance sheet capacity which is supported by other long term loan facilities we received during the year.

| Capitals utilised | Capitals benefit |
|---|---|
| • R259m reduction in cash position | • Increased balance sheet position<br>• Reduction in interest obligations |

### Equity investment

**Improve working capital funding**

The share capital equity investment by the shareholders amounted to R635m. The purpose was to fund working capital to focus on inventory management to ensure product availability to customers at the right time.

| Capitals utilised | Capitals benefit |
|---|---|
| • Additional shareholder investment | • Increased volumes during season<br>• Advantage taken on imported raw material sourcing<br>• Long term financial return to shareholders |

# Our capitals

## Capitals – What it means in terms of our business

**Manufactured**

Our manufactured capital is the investment of capital expenditure at our operations that are used in the generation of value. The equipment and plant that we use is monitored for its performance and impact on the environment. The outputs of production are as a result of investments made in manufactured capital.

**Financial**

Financial capital is the source of our capital, debt and equity, and our ability to raise funding externally at an optimal cost and generate cash from internal operations. Financial capital is preserved through returns from earnings and cost control.

**Natural**

Our natural capital is from our mineral reserves at our mine in Phalaborwa. The ore we mine is used in the production of phosphate rock. Preservation of our licence to operate, environmental management and rehabilitation of the earth are important in our ability to create value.

**Human**

The experience and diversity of our staff and the development of their skills is vital in the efficient conversion of our natural capital to manufactured capital. The wellbeing of our staff is our number one priority to produce our outputs with minimal harm to our staff and our environment.

**Social and relationship**

Maintaining our relationships with all our stakeholders is essential in our assessment of our economic, social and environmental impact as a responsible part of society.

**Intellectual**

The combination of the technical skills of our staff with our technology generates value. Our strategy dictates the investment made in the research and development of new technology and products to sustain and grow value.


KOMATSU
WEBSTER
NO1
KOMATSU
9556
9556

# Our business model

Our business model incorporates a wide view of our value-creating activities and incorporates the six capitals in inputs and resources, processes, outputs and measurable outcomes.

## Input and resources

**Manufactured capital**
Investing R1.5bn in capital expenditure. Major investment in extending the life of the mine and asset replacement programme at both divisions.

**Financial capital**
Investing over R2.5bn of shareholder and debt capital.

**Natural capital**
We mined 27.53mt of phosphate ore and have 1.34bn tons of mineral reserves. Magnetite by-product, available in stockpile.

**Human capital**
1 344 of our permanent staff are qualified and appropriately skilled.

**Social and relationship capital**
Maintaining our operating licences and achieving our transformation and social responsibility goals.

**Intellectual capital**
Achieving our strategic objectives through the application of our scarce skills and utilisation of independent specialised skills.

## Mine and beneficiate

### Mining

Drilling and blasting
↓
Loading and hauling
↓
Primary crusher
↓
Primary stockpile
↓
Secondary and tertiary crusher
↓
Fine ore stockpile
↓

**Drilling and blasting** is required to extract ore deposits from the igneous complex.

**Haul trucks** are loaded with the rocks (up to 1.2 metres in diameter) which are transported to the crushers.

**Crushers** are used to grind large rocks of phosphate-bearing ore into smaller pebbles (to about 13mm).

**Conveyor belts** transport the crushed ore to the mills.

Conveyor belt
↓

### Comminution and concentration

Rod milling
↓
Flotation → Tailings
↓
Thickener
↓
Filtration
↓
Phosphate stockpile
↓
Drying
↓
Dispatch
↓
**Phosphate rock**

**The mills** grind the pebble-sized phosphate ore to sand particles. Slurry, formed by mixing water and sand, is then pumped to the flotation circuits.

**Flotation:** Reagents are added to the slurry to separate phosphates from the other minerals in the ore.

Waste materials or **tailings** are collected and pumped into either the Southern or the Selati tailings dam.

Phosphate concentrates recovered from the flotation circuits are pumped through **thickeners** and excess water is drained.

The thickened rock concentrates (in fine powder form) are conveyed to the coal-fired **drying kilns** to make a sand-like finished product.

## Our markets


FOSKOR

## Transport

**RAIL TRANSPORT**

Rock and magnetite to Richards Bay and Maputo

**ROAD TRANSPORT**

Rock, magnetite, granular fertiliser, phosphoric acid and sulphuric acid

**SHIPPING**

Rock, magnetite, $P_2O_5$ and granular fertiliser exports
Sulphur and Ammonia raw material imports



## React and concentrate

### Sulphuric acid production

Sulphur burning
↓
Sulphur dioxide
↓
Catalytic conversion
↓
**SULPHURIC ACID**
↓

**Sulphur** is burnt to form **sulphur dioxide.** This gas is converted to sulphur trioxide in a steam boiler and is then mixed with water to form **sulphuric acid.**

→ **Phosphate rock**
↓

### Slurry production

Reacted with sulphuric acid
↓
Slurry Phosphoric acid
↓
Filtration
↓
Concentration
↓
**HIGH GRADE PHOSPHORIC ACID**
↓
Ammonia and phosphoric acid reactors
↓
Granulation and rotary drying
↓
Granular fertiliser
↓
**MAP**

**Phosphate rock** concentrate from the Mining Division is treated with sulphuric acid and recycled phosphoric acid to form weak phosphoric acid in slurry form. This is then filtered to remove gypsum particles as a waste product. After filtration, concentrated high-grade **phosphoric acid** is produced by boiling off excess water.

Ammonia and sulphuric acid are mixed with phosphoric acid under controlled conditions to produce either **MAP or DAP slurry,** which is then granulated and dried to deliver the desired product.

By adding zinc to the MAP reaction, MAP zinc is produced.

## Output

**Phosphate rock**

**Sulphuric acid**

**Phosphoric acid**

**MAP**

## Outcomes

**MANUFACTURED CAPITAL**

- Rock production 2.004mt (13% below target)
- Acid production 382kt (24% below target)
- Granulation production 104kt (28% below target)
- Acid production efficiency 85.22% (6% below target)

**FINANCIAL CAPITAL**

- Cost of borrowings R131m (37% lower than 2018)
- Cash generated from operations R178m (152% higher than 2018)
- Free cash flows R541m negative (53% better than 2018)
- R108m opex savings to budget
- EBIT loss R150m (83% lower than 2018)
- Debt facilities increased from R3.4bn to R3.6bn

**NATURAL CAPITAL**

- Mined 27.53m tons of ore (2018: 32.84m tons)
- Fresh water consumption increased by 23%
- Focus on $CO_2$ green house gas emissions

**HUMAN CAPITAL**

- Staff turnover reduced from 5.4% to 5.3%
- LTIFR for mining 0.22 and acid 0.63
- One fatality

**SOCIAL AND RELATIONSHIP CAPITAL**

- Maintained our licence to operate
- Mining Charter and BEE compliance
- Value added to stakeholders R1.09b

**INTELLECTUAL CAPITAL**

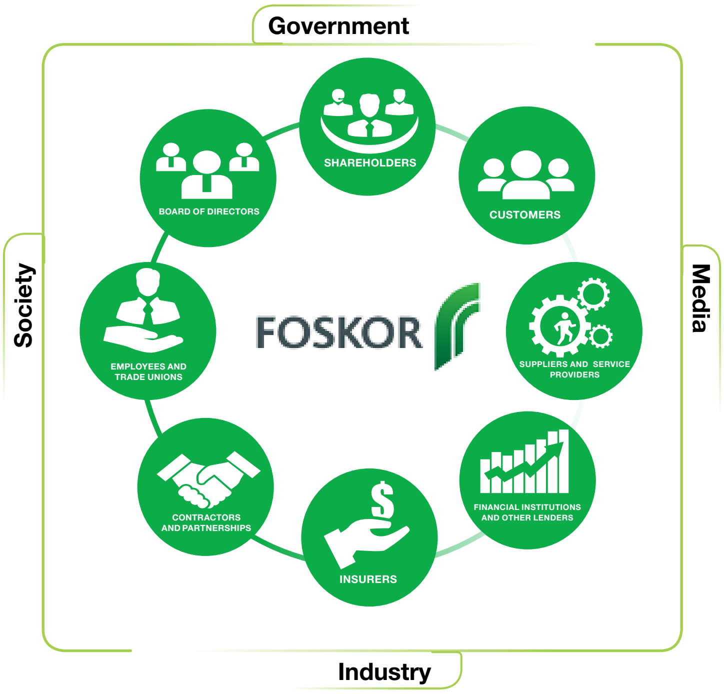
- Continued focus on skills development and retention

# Our key stakeholders

Foskor defines its stakeholders as people or entities who are affected by its operations or who can affect the production or delivery of our products and services.

## We seek to engage all our stakeholders productively and proactively and deliver on all our commitments.

Our key stakeholders are:




**The stakeholders on the outer circle represent the macro-environment in which we operate such as regulators; the communities in which we operate and in which our employees reside and the industry in which we operate. The media also operates in the macro-environment.**

## Engaging with stakeholders

Opportunities for dialogue are created through meetings, forums, surveys, briefings, interviews and our website.

Other internal and external communication channels are also available for stakeholders to engage with the Company. We use these channels to inform stakeholders of the Company's activities and get feedback from them.

Our stakeholder engagement programme has been specifically designed to:

- continually update our understanding of our operating environment, to better identify and define the risks facing the Company and allocate resources to seeking solutions;
- learn about market developments and social dynamics and feed this knowledge into product enhancements;
- build trusting relationships and educate the public as to the importance of our business; and
- give Corporate Social Investment (CSI) recipients a voice in the decision-making processes and tailor initiatives to their needs.

Feedback from our stakeholders is collected through our Corporate Affairs department for employees, communities, environmental interest groups, directors and shareholders. The Marketing department receives feedback from customers, the Procurement department from suppliers, and the Finance department from insurers and financial institutions. The heads of the various departments would then prioritise the feedback and present to the Board.

We have good relations with our stakeholders. We try our utmost best to meet the basic expectations of our stakeholders. In instances where we cannot meet their expectations, we communicate efficiently and make our position clear.

The activities undertaken as part of stakeholder engagement were not specifically undertaken as part of the report preparation process, these activities occur through the normal course of business throughout the period.

# Our key stakeholders continued

## Key stakeholders and our strategic responses in engaging them

| Stakeholder | How we communicate with them | What matters to them | What concerns them |
|---|---|---|---|
| **Employees and trade unions**<br>**Foskor has a total headcount of 1 656 employees of which 1 517 belong to one of seven trade unions. These unions have been formed to protect their further rights of interest in the organisation.** | • Staff alerts from the CEO's desk<br>• General notices from the communications desk<br>• Intranet<br>• Women in Mining/Manufacturing Forums<br>• Monthly staff briefings departmental meetings<br>• Daily business area meetings<br>• Notice boards<br>• Performance reviews<br>• Internal communications campaigns and events<br>• Company "Focus" magazine Notice via email<br>• One-on-one conversations/ meetings | • Fair remuneration and benefits<br>• Training and mentoring<br>• Safety<br>• Employee wellness programmes<br>• Community issues including HIV/AIDS, housing and job creation<br>• Communication strategy | • Transformation<br>• Recruitment of scarce skills<br>• Opportunities for advancement<br>• Succession planning<br>• Training and development<br>• Job security |
| **Board of directors**<br>**We have nine Directors (Four independent and two executive Directors) whose aim is to lead and supervise the company throughout different business functions or goals** | • Board meetings<br>• Board sub-committee meetings<br>• Memos<br>• Annual reports<br>• Board strategy sessions | • Profit<br>• Sustainable growth<br>• Driving transformation<br>• Job creation<br>• Contribution to economic growth | • Cyclical nature of business<br>• Escalating costs<br>• Competition<br>• Narrowing margins<br>• Commodity prices<br>• Employment<br>• Financial stability and debt structure |
| **Shareholders**<br>**The owners of the Group are IDC, BEE shareholders, two India-based shareholders** | • Shareholders' meetings<br>• Letters<br>• Annual reports | • Dividends<br>• Sustainable profits<br>• Capital growth | • Cyclical nature of business<br>• Narrowing margins |
| **Customers**<br>**Our customers are the foundation of our business success and we currently earn fifty-three percent of revenue from local customers and forty-seven percent from foreign customers** | • Meetings<br>• Site visits<br>• Business associations<br>• Conferences and seminars | • Customer service<br>• Quality products<br>• Competitive prices<br>• Timely deliveries<br>• Reliability of supplies | • Availability of stock<br>• Logistics<br>• Sustainability of customer relationships |

| How we respond to their concerns | Material concerns in the reporting period | Strategic responses | Outcomes realised |
|---|---|---|---|
| • Employee assistance programmes<br>• Substantive amount spent on HIV/AIDS and wellness programmes and women development initiatives<br>• Safety and environmental awareness days<br>• Maintaining ISO 9001, ISO 14001, OHSAS 18001, SANS 451:2008 and SANS 16001 certifications<br>• Bursaries and study assistance<br>• Group incentive scheme<br>• Training and e-Learning programmes<br>• Skills transfer programme<br>• Talent management strategy<br>• Internships, learnerships and on the job coaching<br>• Policies and procedures<br>• Career pathing<br>• Employee share ownership plan | • Pay progression on employees within levels 1 to 7<br>• Corruption allegations against certain management<br>• ESOP which has not provided return expected by employees<br>• Health and safety conditions | • A review was undertaken to set guidelines for pay progression<br>• Independent audits were conducted to investigate the allegations<br>• To engage the shareholders and employees to develop a new scheme with the assistance of relevant experts<br>• Conduct an independent review of Health and Safety conditions. Appoint a General Manager for SHREQ | • Pay progression has been implemented<br>• Findings from the reports are being dealt with in terms of the company's policies and procedures<br>• Options for the new scheme were developed and workshopped with relevant stakeholders. The new scheme will be proposed and taken through all the necessary approval processes within the next financial year<br>• A tender has been issued to source a supplier with the skills required to perform the independent assessment. A new position was created, and the recruitment process has commenced |
| • Discharging duties through committee meetings<br>• Requiring regular feedback on executive management's execution and delivery on key performance indicators<br>• Risk management<br>• Internal controls<br>• Policies and procedures | • Achieving the objectives set<br>• Turnaround the business so that it is sustainable in future | • Set SMART objectives with quarterly audit of performance against set objectives<br>• Review strategic direction of the company | • Objectives for the first eight months were met. Unfortunately, the fatality as well as a strike in Richards Bay had a negative impact over the last four months<br>• Reviewed composition of Board. Increased the number of independent directors. Enhanced the technical capabilities of the Board through appointment of appropriately skilled persons |
| • Making profits<br>• Generating positive cash flow | • Achieving objectives to provide return on investment | • The group has started implementing various changes in the strategy in order to ensure that we meet the future objectives | • The Group has reduced the EBIT loss for the year as compared to the prior year<br>• The Group has generated cash from operations and will be ensuring all efforts are put in place to improve on cash generation |
| • Stockpiling rock<br>• Alternative rail logistics routes<br>• Improving operational efficiency and output<br>• Improve customer relations<br>• Maintain competitive pricing<br>• External storage | • Our customers are concerned about availability of our products when needed<br>• Certain customers have requested variations in product specifications for use in alternate locations | • We have relooked at our business annual shutdown planning to ensure that products were made available during peak seasons<br>• Product variations were developed and tested | • Our planned shutdowns have been better co-ordinated to ensure products were available to customers during the peak season<br>• Alternate product specifications were successfully implemented for two geographical locations (Western Cape, SA and Japan) |

# Our key stakeholders continued

| Stakeholder | How we communicate with them | What matters to them | What concerns them |
|---|---|---|---|
| **Suppliers and service providers**<br>**We have approximately 2 700 suppliers on our supplier database. 48.63 percent (%) of our procurement spend is with BEE suppliers. Suppliers would like to ensure that services and goods supplied to company is our high standard in order to ensure continuous business agreement with company** | • Meetings<br>• Printed media<br>• Site visits<br>• Tenders and supply contracts<br>• Company website<br>• Business associations<br>• Performance reviews and audits<br>• Conferences and seminars | • Input costs<br>• Payment terms<br>• Duration of contracts<br>• Vendor information and training<br>• Global economy<br>• Legislation | • Enterprise development<br>• Preferential procurement terms<br>• BEE ratings<br>• Timely payment |
| **Communities and community leaders**<br>**We focus on communities around Phalaborwa and Richards Bay. These communities would like to see employment of local labourers, continuous consultation on projects and any significant business changes. The communities would also like the business to be involved in CSI initiatives.** | • Public and personal meetings<br>• CSI initiatives through the operational budget and the community trust<br>• Quarterly meetings with local authorities<br>• Community open days<br>• Integrated development plan and economic development forums<br>• Social and labour plans to direct the spending on local economic development<br>• Grievance and conflict resolution processes<br>• *Ad hoc* communications such as letters and meetings<br>• Community trust meetings | • Sustainable socio-economic development<br>• Transformation<br>• Developing a talent pool of locals through learnerships<br>• Corporate social investment initiatives<br>• Pollution, safety and health matters<br>• Consultation on proposed new projects and significant changes to existing operations<br>• Employment of local labourers | • Land claims and cultural heritage<br>• Inability to source scarce skills<br>• Enterprise development and local procurement |
| **Government and regulatory bodies**<br>**These bodies comprise of Departments of Mineral Resources; Environmental Affairs, Water and Sanitation, National Nuclear Regulator as well as Competition Commission. As a business, these bodies would like to be satisfied that the Company is complying with all regulations and rules** | • Meetings<br>• Written communications<br>• Presentations<br>• Audits<br>• Business associations<br>• Attending workshops | • Statutory and legal compliance<br>• Transparent and full disclosures of Group's structures and activities<br>• Safety<br>• Local economic development<br>• Transformation | • Safety<br>• Legal compliance to all relevant pieces of regulation |

| How we respond to their concerns | Material concerns in the reporting period | Strategic responses | Outcomes realised |
|---|---|---|---|
| • Foskor has more than 2 700 vendors in its supplier database. Services that are offered to them include:<br>– Vendor training<br>– Favourable supplier payment terms<br>– R3.7 billion was spent on BEE suppliers during the 2019 financial year<br>– Focus on providing opportunities for Local SMMEs | • Suppliers have raised concerns on fair distribution of business | • The Group has procurement committees to ensure that business is given in accordance to quality, technical capability and other factors | • We continuously focus on providing opportunities to local SMMEs<br>• Vendor training is provided on a regular basis<br>• We have spent R1.9 billion on BEE suppliers during the 2019 financial year |
| • R12.3 million spent on CSI initiatives, including social labour plans and local economic development<br>• Community trusts<br>• Monthly sessions with stakeholders<br>• Community events, namely, F21 marathon<br>• Community upliftment initiatives<br>• Upgrading roads | • Communities concern on employment of labourers<br>• More investment in CSI initiatives<br>• Addressing challenges on pollution, safety and health matters | • Company has employed community liaison officers. When opportunities arise, we consider local talent for employment<br>• The company has a Social Labour Plan as part of its Mining Licence that has commitments in terms of upliftment of the surrounding communities.<br>• We always look at all CSI initiatives to identify best investment for the community based on fund and resource availability<br>• Safety standards are in place and we continuously strive to improve our standards | • Company has employed community liaison officers who ensure that communities are aware of employment opportunities in the Company<br>• We have invested R12.3 million on initiatives including social labour plans and local economic development<br>• We have formed community trusts and we have monthly stakeholder meetings to address matters<br>• The business always considers local procurement as well as ensuring employment of local labourers when need arises |
| • Statutory compliance enforced through the Legal and Compliance Department<br>• Regular meetings and presentations to departments and government bodies<br>• The estimated costs for scheduled and unscheduled mine closure is estimated at R546 million and R693 million respectively | • Safety within the organisation and the community around the business<br>• Legal compliance to all relevant legislation | • Established a compliance function that strives to ensure that we comply with all statutory and legal regulations<br>• The company has an environmental rehabilitation plan to ensure that we have adequate cover for rehabilitation | • We had no environmental incidents and focus on maintaining and retaining our SHEQ integrated management system<br>• At the end of financial year, we have assessed our environmental liabilities and have appropriate covers in place |

# Our key stakeholders continued

| Stakeholder | How we communicate with them | What matters to them | What concerns them |
|---|---|---|---|
| **Media**<br>**The media in Limpopo and KwaZulu-Natal would like to ensure that feedback provided is factual** | • Networking and briefing sessions<br>• Press releases<br>• Telephonic and other interviews<br>• CSI/LED project handover invitations<br>• Event invitations | • Company news<br>• New developments<br>• Safety incidents<br>• Job advertisements<br>• Tenders | • Work stoppages<br>• Stability of operations<br>• Environmental or any other impact due to accidents |
| **Financial institutions and other lenders**<br>**Transactional bankers and providers of debt capital and trade facilities concerned on the liquidity position of the business** | • Meetings<br>• Letters<br>• Emails | • Liquidity position<br>• Risk management and exposure<br>• Gearing ratio<br>• Interest cover | • Negative cash flows<br>• Other debt obligations<br>• Ability to service debt<br>• Profitability<br>• Shareholder support<br>• Financial risk management |
| **Insurers**<br>**Our insurance providers provide cover for the Group on machinery breakdown and business interruption on catastrophic events**<br>**Credit insurance providers ensure that we trade with reputable companies to minimize our risk to debt exposure** | • Meetings<br>• Site visits<br>• Reports | • Adequate risk management<br>• Internal controls | • Ageing equipment and technology |
| **Special interest groups and peer groups**<br>**Industry associations, community action groups, environmental activists** | • Business association memberships<br>• Meetings<br>• Industry initiatives<br>• Conferences and seminars | • Safety and health<br>• Environmental matters<br>• Regulatory changes<br>• Economic drivers | • Environmental management<br>• Safety<br>• Nationalisation |

| How we respond to their concerns | Material concerns in the reporting period | Strategic responses | Outcomes realised |
|---|---|---|---|
| • Regular face-to-face contact, briefings and networking<br>• Written communications to answer queries based on facts and integrity | • The media would like to have regular engagements with the business | • We will develop a channel to ensure that we have a relationship build with media | • We have regular face to face meetings, briefings and networking<br>• Written communications is prepared to answer queries based on facts and integrity |
| • Prudent liquidity risk management, maintaining sufficient cash and marketable securities, managing cash flows and raising adequate borrowing facilities<br>• Continuous business update meetings | • The institutions and lenders are concerned on business not achieving objectives and what risk mitigating factors the business has in place to manage the liquidity position | • Provide regular updates to these institutions on financial and operational performance<br>• Shareholder support that provides comfort to these institutions | • We have generated cash from operations in this financial yea<br>• Received R636 million of funding from shareholders during the year. |
| • Rigorous maintenance and regular inspections limit insurance claims | • Our insurers are concerned that we ensure all mitigating factors and additional controls are in place for high risk areas | • Ensure that risk recommendations from surveyors are addressed<br>• Our credit committee places close attention to all aspects of risk consideration including recommendation by credit insurers before approving any credit risk on our debtor's book | • We have continuously improved on our risk rating and this has been achieved from our implementation of surveyor's recommendations as well as capital investment in business to address ageing equipment. Risk rating is in the top 20% of all companies rated by the internationally recognised surveyor<br>• Our credit risk committee has ensured that exposure to debt risk is limited. Very low actual credit losses experienced |
| • Member of the following forums and associations:<br>• International Fertiliser Association<br>• Fertiliser Society of Southern Africa<br>• KZN Growth Coalition<br>• Zululand Chamber of Commerce and Industry<br>• Richards Bay Clean Air Association<br>• Umhlathuze Pipeline Forum<br>• Umhlathuze Emergency Planning Forum<br>• Olifants River Water Catchment Forum<br>• Transnet's Environmental Forum Meeting in accordance with the Environmental Management Plan for Port Operations<br>• Kruger National Park Environmental Management Forum | • Air emission levels<br>• Environmental conservation issues | • Ongoing monitoring of air emission levels<br>• Conduct study to determine capital investment required to lower the level of air emissions<br>• Monitor tailings dams, storm water drainage, dust emissions, water usage, power usage, waste disposal and all other nature conservation matters to ensure acceptable outcomes in terms of applicable legislation | • Achievement of emission targets set<br>• Study completed. Implementation plan is in place<br>• No negative outcomes |

# Value-added statement

For the year ended 31 March 2019

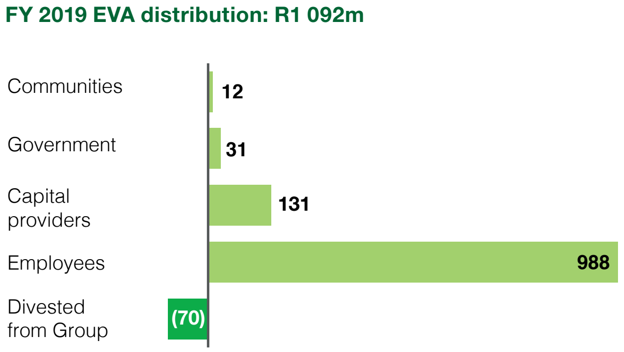
**Value added is defined as a measure of the wealth created by the Group and its employees.** This statement shows the total value created and how it was distributed.

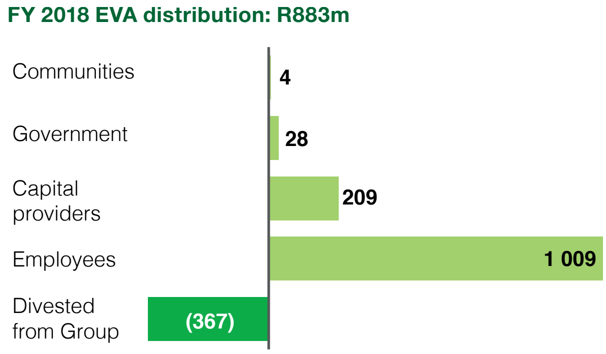
| | Notes | 2019 Rm | 2019 % | 2018 Rm | 2018 % |
|---|---|---|---|---|---|
| Revenue | | **5 429** | | 5 893 | |
| Paid to suppliers for products, materials and services | | **(4 461)** | | (5 125) | |
| **Value added from trading operations** | | **968** | **89** | 768 | 87 |
| Finance income | | **33** | **3** | 34 | 4 |
| Other income | | **91** | **8** | 82 | 9 |
| **Total value created** | | **1 092** | **100** | 883 | 100 |
| **Wealth distribution** | | | | | |
| Employees | 1 | **988** | **90** | 1 009 | 114 |
| Capital providers | | **131** | **14** | 209 | 24 |
| Dividends to Foskor shareholders | | **–** | | – | |
| Finance cost | | **131** | | 209 | |
| Government | 2 | **31** | **3** | 28 | 3 |
| Communities (corporate social investment) | | **12** | **1** | 4 | – |
| **Divested from Group to maintain and develop operations** | | **(70)** | **(8)** | (367) | (42) |
| Depreciation and amortisation | | **356** | | 355 | |
| Retained profit | | **(234)** | | (549) | |
| Deferred taxation | | **(192)** | | (173) | |
| | | **1 092** | **100** | 883 | 100 |
| **VALUE ADDED RATIOS** | | | | | |
| Number of employees[a] | | **1 656** | | 1 677 | |
| Revenue created per employee (R'000)[b] | | **3 279** | | 3 514 | |
| Value created per employee (R'000)[b] | | **659** | | 527 | |
| **NOTES** | | | | | |
| **1. Employees** | | | | | |
| Salaries, wages, overtime payments, commissions, bonuses and allowances, employer contributions | | **988** | | 1 009 | |
| | | **988** | | 1 009 | |
| **2. Government** | | | | | |
| Tax – normal, royalties, dividend withholding | | **12** | | 12 | |
| Rates and taxes paid to local authorities | | **9** | | 7 | |
| Skills development levy | | **10** | | 9 | |
| | | **31** | | 28 | |

[a] *Number of employees at the end of the year.*

[b] *Based on the number of employees at the end of the year.*

## Wealth distribution





KOMATSU
WEBSTER
PC5500

# Our strategic approach

In financial year 2018/19, **phosphoric acid** prices and the South African currency remained favourable throughout the year, however, there was an abnormal increase in sulphur prices in the third and fourth quarter.

## Overall external market conditions were positive for the financial year 2018/19.

In 2018/19, we continued with the same strategy as the prior year to achieve operational excellence and financial sustainability through maintenance programmes in both the Acid Division and Mining Division, asset replacement programmes and reprioritisation of strategic projects.

Due to favourable market conditions and operational improvements, we managed to maintain positive EBIT until December 2018. However, full benefits of positive market conditions weren't realised due to external factors like power and water interruptions in the plants, slow pace of implementation of strategic initiatives and asset replacement programme due to cash flow constraints. Towards the end of the year, strategy implementation program was negatively affected due to a fatality and labour unrest in the Acid Division. It resulted in poor operational and financial performance.

During the year, implementation of the magnetite beneficiation project commenced and the project has achieved good construction progress. It is one of the key strategic projects being developed in a joint venture to achieve business diversification objectives. The project is expected to be complete towards the end of financial year 2019/20.

## To achieve operational and financial sustainability and growth

**OUR STRATEGIC FOCUS AREAS:**

1. **Market diversification** to enhance sales margins
2. Stretch and sustain **optimised operation**
3. **Improve treasury** and ensure positive cash flow
4. Achieve and maintain **SHEQ compliance**
5. Augment **procurement efficiency**
6. **Confine** logistic cost
7. **Strengthen** audit services
8. **Enhance** performance management
9. **Expand** strategy, R&D, continuous improvement and project development
10. **Develop and grow** people

# Our strategic approach continued

Over the next few years, the major focus will remain on implementation of enhanced preventative maintenance processes and key asset replacement programmes to optimise the operation to maximum capacity and sweat the assets. Implementation of cost saving initiatives and continuous improvement will remain an integral part of our business.

Furthermore, substantial effort will continue being made towards market diversification to get premium prices, augmenting procurement efficiencies to get better quality, cost and delivery of product and services and confine logistic costs.

Expansion of new project development and research and development activities has been commenced and it will continue in future.

It is envisaged that the achievement of our strategic priorities will enable us to be a mid-size, integrated and efficient producer of phosphate rock, phosphoric acid and granular fertiliser at maximum capacities.

## Our strategy at operational level

The Acid Division will continue improving production, efficiency and availability of the plant to the installed capacity levels. It will be accomplished mainly through preventative maintenance and asset replacement/refurbishment programme. The division will be supported by Human Capital with strengthening of maintenance and projects department, fulfilling training and development requirements, establishing succession planning and instilling performance driven culture. There are several initiatives identified and are under implementation which will enhance efficiency and reduce cost of production. Generation of power from the existing Turbo Generator (TG) to the maximum capacity will be one of the major focus areas which will reduce the electricity cost substantially. Ensuring compliance with changes in legislation is another vital area in the division which continues to be given priority.

The Mining division will continue to improve availability and utilisation of plant and equipment, improve efficiency and implement cost saving initiatives to reduce cost of production. The mine fleet replacement programme and other key asset replacement programmes are under implementation and will continue in future.

While implementing our strategy, SHEQ will remain a priority.

Distinct efforts will be taken to ensure SHEQ compliance. We believe that our staff are critical to the success of business strategic objectives, and value-driven performance culture will be instilled in the Company going forward. We plan to diversify our market to get premium prices for better quality of our products to improve margins and our financial performance. We have made a breakthrough in a new fertilizer market in South Africa and further work will continue to retain and expand the market.

We aim to increase procurement efficiencies and limit the logistics costs.

To maintain positive cash flow in the business will remain a major focus area. To deal with exchange rate fluctuation we have implemented a hedging policy. Its effectiveness will be improved in the future.

Community development, implementation of Broad-based Black Economic Empowerment (B-BBEE) initiatives and enterprise development will remain a vital part of our agenda.

**MEDIUM AND LONG-TERM OBJECTIVES**

### Production

Our primary focus is to achieve operational excellence to get our mine and acid plant to efficiently produce at the installed capacity in the medium-term.

### Diversification

While operating excellence is being achieved, we aim to continue to diversify our product range into high value products. Few beneficiation projects have been identified and will progress in the coming years.

Expansion of our strategy, R&D, new project development and continuous improvement division has commenced, and it will continue to achieve business improvements and diversification objectives.

## Capital resources required to execute strategy

The funding approved by our shareholders and funding from forecasted cash flow will be sufficient to enable us to complete the identified Capex projects for the next three years.

It is our aim to generate sufficient cash flow from our operations over next few years to support future growth and sustainability projects.

We are on our way to operational stability and financial sustainability.

## Our objectives on our strategic focus areas

1) **Market Diversification** to enhance sales margin

Foskor is undertaking diversification opportunities into other value-added products to ensure financial sustainability in times of downturns in the phosphates commodities business. The following are projects that are being developed:

- Sulphuric Acid Sales – Create a new revenue stream through producing more Sulphuric Acid than what Foskor can consume for sale to external customers. Sales of Sulphuric Acid has increased from 40 000 tons to 230 000 tons in the last two years. Opportunities to increase this even further are being embarked on.
- Gypsum Sales – Gypsum is a waste product in the production of Phosphoric Acid. Previously, Gypsum was disposed of, however, numerous uses have now been developed that allows Foskor to sell Gypsum in the domestic market. Gypsum sales have commenced and are expected to be in the region of 150 000 in the next financial year with growth in sales projected into the future.
- Magnetite Beneficiation – Foskor has a stockpile of low-grade magnetite from previous mining activity. A beneficiation plant is being built and will be operational in the next 12 months. This plant will process the low-grade magnetite into a higher grade effectively producing iron ore that can be sold at higher margins than the low-grade magnetite.
- Two additional projects are in the pre-feasibility stage of investigation. These are the extraction of rare earth minerals from the waste Gypsum and the production of Purified Phosphoric Acid. Both these will provide further product diversification opportunities in future.

2) Stretch and sustain **Optimised Operation**

Over the last two to three years, significant investment in Capital expenditure has been undertaken to make improvements and enhancements to the operational capabilities of the mine and the plants. The aim is to continuously stretch operations to make incremental improvements in output. This is displayed by some key indicators in the table below:

| INDICATOR | Actual 3 Year Average 2014 – 2016 | Actual 3 Year Average 2017 – 2019 | Targeted 3 Year Average 2020 – 2022 |
|---|---|---|---|
| Phosphoric Acid Production Volume ('000 tons) | 403 | 428 | 550 |
| Granular Fertiliser Production ('000 tons) | 267 | 316 | 350 |
| Mining Concentrate Production (m tons) | 2.01 | 1.94 | 2.2 |
| Mining Recoveries (%) | 67% | 73% | 75% |
| Production Efficiencies (%) | 81% | 86% | 91% |

3) **Improve Treasury** and ensure positive cashflow

Manage all factors impacting on cash flow including sourcing new facilities to ensure financial sustainability. Ensure that working capital is managed in the most cash flow efficient manner. Control costs to preserve cash without impacting operations.

Foskor is exposed to fluctuations in the South African Rand against other major currencies. To minimise the impact of this, Foskor has implemented a hedging policy. The main aim of this policy is to try and match the budgeted exchange rate for the financial year so as to eliminate the impact of the volatile exchange rate.

4) Achieve and maintain **SHEQ Compliance**

Ensure that all safety, Health, Environmental and Quality targets are maintained and improved. Maintain all certifications and comply with all laws and regulations, while aiming for zero fatality and zero harm.

5) Augment **procurement efficiency**

Enhance procurement practices through Group procurement. Identify and implement strategic sourcing opportunities. Review procurement of key raw materials.

6) Confine **logistic Cost**

Ensure that logistic costs are effectively negotiated and efficiently controlled.

7) **Strengthen** Audit Services

Ensure that Foskor Group Audit Services is adequately staffed and appropriately skilled to provide the oversight that is required. Leverage the benefits of utilising Combined Assurance.

8) **Enhance** performance management

Implement consequence management to supplement the company's performance management practices. Ensure that the appropriate interventions are applied that results in fair and consistent application of the performance management system.

9) **Expand** strategy, R&D, continuous improvement and project development

Foskor needs to continuously assess its operations and make improvements where necessary to compete both locally and internationally. In this regard more emphasis and focus needs to be placed Research & Development, Continuous Improvement and new Project Development. This will assist in identifying new opportunities and markets to supplement the revenue streams of the business.

10) **Develop and grow** people

Implement new succession plan with associated development of people to ensure success of the plan. Improve the competencies and skills of people to allow for growth and movement into alternative functions and roles.

# Chairman's statement

**ROBERT MICHAEL GODSELL**
*Chairman*

It is an opportunity to join the Foskor Board of Directors with effect from 27 March 2019. The first few weeks we have spent time with the Executive team to understand the challenges faced by the company and also to have a review of the strategy going forward.

With taking office just four days before the end of the year under review, I can therefore offer little comment on results reported in this financial year. What is however very clear is that the disappointing financial and operating performance of the company not only in 2018/2019 financial year but also in previous years is unsustainable. We need to find new ways of turning to account the assets of Foskor, and fulfilling the promise of sustainable, inclusive economic growth which is its purpose.

## Welcome and acknowledgements

To this end the new board which took office on 27 March has hired an interim CEO, Mr Riaan Rademan. Mr Rademan, who commences his duties on 1st July will lead management's effort to devise a business plan that realistically addresses current challenges.

It is appropriate at this time to record the Board's thanks to its previous chair, Mr John Barton who together with other retiring directors Mr Vusi Mazibuko, Ms Rebone Mabusela-Jonga, Ms Bongiwe Mbomvu, Ms Josephine Gaveni, Mr Sankara Subramanian and Mr Vikramjit Sahney steered the ship through the troubled waters of this last year. I am pleased that three of the previous Board team members, being Mr Nkosemutu Nika, Mr Phakamile Mainganya and Mr Venkatachalam Ravichandran continue to serve on the present board. They have been joined by Mr David Martin, Mr Peter Paul Ngwenya, Mr Vinogaren Pillay, Mr Thero Setiloane and myself.

We need also to record our thanks to Mr Ufikile Khumalo, CEO for the year under review. Also to other executives who assisted Mr Ufikile, Mr Dinesh Singh, Mr Similo Sibisi, and Mr Khumbulani Cele. Mr James Morotoba, Senior Vice-President: Mining Operations, Corporate Affairs and Human Capital also accepted the added responsibility of Acting CEO from 1 April 2019. He will continue in this role until Mr Riaan Rademan assumes his duties on 1 July. I want to particularly thank Mr Morotoba and his management team for the calm and effective management of the forty-seven day strike at the company's Richard Bay operations. Mr Ashraf Dindar has fulfilled the role of Chief Financial Officer and Mr Kardivelu Muruganandam has joined the executive team from April this year as Vice President: Acid Division. It is also my pleasure to welcome back Mr Gerrit Van Wyk who joined the executive team from June this year as Vice President: Procurement and Logistics.

## Way forward and support

Mr Riaan Rademan will need the full and active support of the company's board, his executive team, together with all employees, the labour organizations that represent them, and the company's stakeholders including shareholders, suppliers and customers. We must find a way forward that serves the very best interests of that body to which we are all ultimately accountable, South Africa.

**ROBERT MICHAEL GODSELL**
*Chairman*

9 August 2019

# CEO's review

**JAMES MOROTOBA**
*Acting Chief Executive Officer*

The 2019 financial year could be described as a year that dawned with great hopes and signs of success, but dusked with challenges that erased what seemed to be the new Foskor. The challenges were, however, events that can be defined as non-continuous, and therefore leave an opportunity for continued improvement along the strategic objectives that were initiated. The external factors remained relatively favourable, with the exchange rate averaging R13.61 to the US Dollar (2018: R13.04) and the Phosphoric Acid price coming down by $28 per ton but still higher than the 2018 prices. The weaker Rand against major currencies, together with steady Phosphoric Acid prices helped to cushion the increasing Sulphur prices (2019: $162/ton vs 2018: $137/ton) and Ammonia price increase, and also helped with improvement in operating loss which was reduced to R150 million (2018: R903 million) despite the below budget production in both divisions and lower sales volumes.

## The challenges that resulted in low production and subsequently operating loss can be summarised as below:

- Fatality in the Acid Division which resulted in 8 production days lost;
- Industrial action in the Acid Division which lasted for 47 days (15 days in the year under review);
- Discontinuation of the use of Mondi water which resulted in use of sea water, reducing the production capacity of Phosphoric acid;
- Drilling capacity in the mining division resulting in load and haul constraints in both pits;
- The failure of the Extension 8 Loesche mill gear box which reduced the production capacity of Extension 8;

Despite these challenges, the financial performance proved to be much better than the previous year. In the fourth quarter of the year under review, the board instituted a re-engineering process, which was aimed at reducing costs on a sustainable basis, and also streamlining production processes and re-configuration of the operating plants. The process was driven by a ten-man re-engineering team, and was concluded at the end of the financial year 2019. The programme identified potential savings of R300 million. The implementation of the recommendation will commence in the new financial year.

The shareholders have installed a new Board, led by Mr. Bobby Godsell as the Chairperson in the last quarter of the financial year 2019. The installation of the new Board falls in line with the beginning of the new financial year, and this is seen as a positive addition to the achievement of our goals going forward.

As a result of the decrease in phosphate rock, granular and phosphoric acid sales volumes, the overall revenue decreased by 8% to R5.4 billion (2018: R5.9 billion). This was notwithstanding the Rand/US Dollar average exchange rate weakening from R13.04 in 2018 to R13.61 for the 2019 financial year.

The EBIT loss reduced to R150 million compared to a loss of R903 million mainly due to the weakening of the exchange rate and the increase in commodity prices. Production of phosphoric acid had to be curtailed as a result of demand in Sulphuric Acid sales.

With regards to operational performance in the mine, the Mining Division produced 2.004 million tons (2018: 2.141 million tons) of phosphate rock which is 136 963 tons lower than the previous year. Lower production was a result of contractor equipment reliability problems in the outsourced functions of primary drilling and load and haul function in the North Pit Pushback. The North and North Pit Pushback overall production was, however, above budget. The main impact of the drilling under-performance was experienced in the South Pit. This was compounded by low reliability of the secondary crushing facilities. The overall processing efficiency of 73.84% was an improvement compared to the 2018 achievement of 73.53%.

At the Acid Division, the phosphoric acid plant produced 382 035 tons (2018: 452 526 tons) and the granulation plant produced 266 345 tons (2018: 357 286 tons). The reduction was due to challenges faced in the plant after the fatality in November 2018 as well as the Industrial Action that commenced on 15 March 2019 and ended on 29 April 2019. Other challenges faced were the failure of pumps that restricted production, the non availability of storage tanks on both concentration and weak acid production and the delay in delivery of the Cold Heat Exchanger which is used to generate steam. These lower productions impacted the plant efficiency which reduced from 88.83% in 2018 to 85.22% in 2019.

## Strategic initiatives

The strategy for 2019 was continued from the prior year to achieve operational excellence and financial sustainability through maintenance programmes in both the Acid and Mining Divisions, asset replacement programmes and reprioritisation of strategic projects.

The business managed to maintain positive EBIT until December 2018 due to favourable market conditions and consistent production levels. Unfortunately, the strategic implementation programme was negatively affected due to the fatality that occurred in the Acid Division and labour unrest in the same division.

The implementation of the magnetite beneficiation project commenced and the project has achieved good construction progress. This is one of the key strategic projects being developed in a joint venture to achieve business diversification objectives.

Over the next few years, the major focus will remain on implementation of enhanced preventative maintenance processes and implementation of key asset replacement programmes to optimise the operation to maximum capacity.

# CEO's review continued

## Focus on efficiencies and throughput

At the Acid Division, the focus will continue to be on:

- improved phosphoric acid production efficiencies;
- production improvements in a cost effective manner;
- asset replacement programme; and
- excellence in execution of planned maintenance programmes.

At the Mining Division, the focus will continue to be on:

- improved mining productivity;
- improved product recoveries;
- cost optimisation; and
- asset replacement programme including crusher renewal programme.

## Procurement and logistics

The Group was exposed to commodity price volatility even though we secure all our sulphur and ammonia through strategic procurement arrangements. The average delivered sulphur purchase price increased from US$137 per ton in 2018 to US$162 in the year under review and the average ammonia prices increased from US$352 per ton to US$380 per ton.

As a business, we have secured facilities in Maputo and Richards Bay for our export rock for the 2019/20 financial year. Foskor still remains concerned that there is a contradictory freight pricing between destinations to Richards Bay and Maputo, and we will double up our efforts in negotiating these rates down to improve the margins.

We continue to maintain our excellent relationship with Transnet Freight Rail which has ensured us having capacity available for export sales volumes committed to our customers.

During the financial year ended March 2019, the Richards Bay Division has achieved an average of 49.58% (2018: 41.36%) while Phalaborwa Division achieved an average of 44.34% (2018: 23.77%) spend on black owned business. Foskor Group has achieved an average of 24.82% (2018: 26.80%) spend on these businesses. The special nature of Foskor's operation, which is a hazardous manufacturing operation, and remote mining operations, results in certain services only sourced from certain suppliers such as OEM's and these are mainly not B-BBEE certificated. In particular, raw material products not available in South Africa, have to be imported, thereby negatively affecting the total B-BBEE spend.

The Richards Bay Division spend on black woman-owned suppliers totalled an average of 17.23% (2018: 15.06%) and the Phalaborwa Division has achieved an average of 11.07% (2018: 7.98%). The overall Foskor Group achievement on this key indicator averaged 12.27% (2018: 9.02%).

This area of focus is critical to achieve in the medium to long-term, key transformational objectives and the retention of operating licence going forward, as it directly talks to the Mining charter.

In Phalaborwa Foskor has spent at least 61.59% (2018: 59.65%) on suppliers in the province where the Company operates, and in Richards Bay Foskor has spent at least 31.71% (2018: 36.61%) on suppliers in the province where the Company operates which is a good reflection on the efforts on preferential procurement.

The financial report indicates that Foskor has achieved an average of 24.82% (2018: 12.96%) on SMMEs spend for the total Group. Supplier/Enterprise development programmes are in place to assist SMMEs with capacity building.

## Beneficiation

The magnetite beneficiation plant has achieved good construction progress and we are expecting to complete the project towards the end of the financial year. This project will become a new revenue generation stream with positive margins and will also provide the opportunity for diversification outside of the phosphates business.

## Prudent management of finances

With the increase of sales commodity prices as well as raw material commodity prices, we continued focussing on our initiatives to control operating expenses during the financial year and concentrated on the capital expenditure programmes that were required for sustaining the business and improving on efficiencies.

The majority shareholder, IDC continued to provide financial support to the business for both working capital and the Capex programme. We also secured additional funding and mining rehabilitation guarantee facilities during the year.

## Environment, health and safety

### Mining Division

The Mining Division remains committed to a ZERO harm safety approach. Consultation with regards to safety and health with organised labour is an ongoing process through the agreed Safety Committee structures as required by the Mine Health and Safety Act. The DMR conducted 12 SHEQ audits of which eight resulted in Section 54 site-specific stoppages. None of these stoppages affected production. Foskor continues to foster a positive relationship with DMR and supports their drive to reduce fatalities and injuries and regular inspections and recommendations has supported safety improvement initiatives. Six lost-time injuries were recorded during the year compared to the four in 2018. Other minor injuries remained at 27 for the year, same as the previous year. Other leading safety indicators, i.e. vehicle-related incidents were down from 33 in 2018 to 27 in 2019. The division retained the OSHAS 18001 Safety Management certification. The health of our employees remains a high priority and therefore the focus on annual medical surveillance.

No major environmental incidents were reported in the year. The division retained the ISO 14001:2015, ISO 9001:2015, OHSAS 18001 and SANS 16001 Aids management certifications during the annual Management Systems audit. Foskor is planning to convert to the new ISO 45001 Safety Standards in November 2019.

The Mining Division's issued water use license is valid until 2026. Water seepage is an unavoidable aspect of open-cast mining. In order to regulate the impact of our mining activities on underground water, continuous monitoring of underground water resources is done. All plant surface run-off water is captured and stored for re-use in the onsite Van Rysen catchment dam. The current construction of a silt recovery pond will further improve water quality and reduce seepage .

The Mining Division is issued with an Air Emission Licence that expires in 2021. Capital of R30 million has been allocated in 2019 to reduce dust emissions from tailings dams and the tailings dam dust reduction project to reduce dust generation was completed during 2018 and ensures a reduction in dust fall out emanating from the tailings dam beaches.

The Mining Division remains committed to reducing its carbon footprint and has initiated and implemented various initiatives to support this.

Foskor will continue to demonstrate responsible mining to limit the impact on the environment.

## Acid Division

The lost-time injury frequency rate (LTIFR) for the year was 0.63 as compared to 0.44 last year as a result of an increase in injuries. The division also faced a fatality.

All the licences and permits have been applied for and are valid. Verification of plant compliance to terms of permits and licenses are conducted and checked monthly by our environmental personnel. We operate with an air quality license issued by the King Clhetswayo District Municipality. We are fully compliant with the current permit.

The annual DEKRA audit was performed at the Acid Division and we retained our ISO 90001 and SANS 16001 certifications. Our OHSAS 18001 and ISO 14001 is currently pending subject to follow up Audit from DEKRA.

Monthly SHREQ system training, awareness campaigns, inspections and audits are performed in order to maintain standards. Both business and task-based risks are considered to assess worker and plant safety. Our employees are provided with free annual medical examinations at the on-site clinic (CLINIX) to detect, prevent and treat any ailments resulting from occupational health risks and exposure in the work environment. Occupational surveys and monitoring are conducted to determine employee risk exposure to hazards such as chemicals, dust and other.

There were four Section 24 incidents reportable to Department of Labour in terms of the OHS Act 85 of 1993.

There was one fatality in the division during the year.

We used the Greenhouse GAS(GCG) Protocol Corporate Accounting and Reporting Standard methodology to establish a carbon footprint baseline against which to measure future progress.

The carbon footprint monitoring system has been established throughout the division and more accurate emissions have been obtained thus far especially for Scope 1 and Scope 2. Nevertheless Scope 3 emissions still need attention since all the downstream and upstream emissions need to be considered.

The ever-rising cost of, and demand for, energy in South Africa requires that we look at innovative initiatives to improve our energy efficiency. Carbon reduction is largely dependent on the effective use of turbine generator and heat energy efficiency.

The Acid Division endeavours to reuse and recycle water from within the site and from other industries wherever practically possible and we are working with the authorities to monitor and reduce water usage as part of the water allocation reduction plan instituted as per the drought plan by the Department of Water and Sanitation (DWS). In January 2018, the water restrictions were lifted to Level 3 since there was an improvement in water levels and as at March 2019, the water levels stand at 49.7%.

A storm water dam situated on the south-east boundary of the site collects the majority of storm water run-off from the site. We also have an agreement with a neighbouring facility, South 32, to recycle their storm water as additional water supply to our own municipal raw water intake.

# Human capital

While the Group still faces the challenge with the employment of physically challenged individuals, we have managed to achieve an employment equity target of 91.8% against a target of 90%. Significant strides have been made in the appointment of people living with disabilities. Currently, the Company has 28 employees in the Group against the target of 2% of the total workforce which should be 36. Foskor has managed to progressively achieve appointments of women to account for 23% of the total workforce in the group. Our labour turnover reduced from 5.4% in 2018 to 5.3% in 2019. This is still slightly above our target of 5%.

Employee health and wellness remains a priority in the divisions, thus the annual wellness days that are conducted successfully.

The IR climate was unstable during the year ascribed to the discontentment on both Pay Progression and Employee Share Ownership Plan. Although this resulted in strike action at the Acid Division during March 2019 and ending in May 2019, the matter was under control at the Mining Division.

Training is one of the key ways we maintain and improve our intellectual capital, and the quality of an organisation's training affects its value. We believe that training initiatives bolster employee retention and we view them as a vitally important investment.

# CEO's review continued

## Corporate social investment

Our Corporate Social Investment teams in both divisions continue to be part of different initiatives in the communities where we can make a positive impact.

Our programmes are aimed at the improvement of quality of life of the recipients and promoting education, rural development and poverty alleviation.

The Community Trusts in Phalaborwa and Richards Bay have implemented the identified community projects with the available dividends.

## Transformation

Our current B-BBEE status is at Level 6 based on the new codes and we have plans in place to improve it to at least Level 4 as part of our long-term key performance initiatives.

Our current preliminary score has been negatively impacted by the ownership component with high equity debt and lack of servicing of the loans by the equity partners as result of the business loss making situation.

The career progression plan for women at Foskor is given priority and the management team supports initiatives to develop women and we currently have 18 women that are identified for career progression.

We continue with our attempts to bring people with disabilities on board and we will continue in the process of making structural changes to accommodate people living with disabilities at our workplace.

We have geared our procurement systems to support the local SMMEs through our preferential procurement policy to ensure that we have a positive impact in our local host communities in both divisions.

## Outlook

The 2020 financial year has started negatively as the Acid Division was still on Industrial Action which concluded at the end of May 2019. We will have to put all efforts to make up for some of this loss over the remaining months of the year.

On the commodity side, we have seen a reduction in sulphur and ammonia prices. At the same time, we have also seen a drop in Phosphoric Acid and Granular prices and it is expected to continue throughout the financial year.

These negative market fundamentals are expected to contribute negatively to the business as we will be able to maintain our margins as the reduction in raw material prices is much lower then the reduction in sales commodity prices.

The Magnetite beneficiation plant is expected to be in operation towards the end of the calendar year and the current magnetite prices are reflecting an upward trend which would be advantageous to the business and assist in improving the financial performance from the business diversification objective in line with our strategy. This, together with other growth projects, will remain the focus going forward for new revenue generation streams. Other projects which have commenced as part of the product diversification strategy include the sale of gypsum on a small scale and increased sale of sulphuric acid.

## Acknowledgements

I am thankful to the executive team and staff for their continued commitment in these trying times. I extend my gratitude to the outgoing Chairperson, Mr John Barton for his leadership and support during his tenure as Chairman of the Board, together with all the other Board members who stepped down in the last quarter of 2019. I welcome the opportunity to work with the newly appointed chairman, Mr Robert Michael Godsell, together with the new members of the Board that were appointed alongside him. I look forward to their guidance, insight and support as we work towards the sustainability of the business.

**JAMES MOROTOBA**
*Acting Chief Executive Officer*

9 August 2019

## Executive Committee, Company Secretary and General Manager: Human Capital

## Board of Directors

# Determining our material items

## Content and boundary

**The content of this report covers our operations based in South** Africa, including our subsidiaries **and investments where we have** significant influence as listed in the annual financial statements. **We have no operations outside of South Africa.**

An overview of our operations can be found in the "where we operate and sell" section on page 6, and a review of our operational performance from pages 78 to 105.

The process of defining the report content has been informed by, amongst other things, expectations and consultation of our key stakeholders, our risk management process, and the governance and reporting standards disclosure requirements

We continuously manage these material items to ensure we achieve our strategic objectives.

## Process of defining

We define our material issues as those that could substantially affect our ability to create value in the short-, medium- and long-term. An issue is considered material if it could substantially influence our stakeholder's assessment of our ability to create value.

In determining whether an issue is material or not, we consider the following:

- We identify relevant matters that could be material when we conduct our strategic review, update our strategic risk registers, and we also consider matters discussed at and reported to the Board.
- The importance of the matters identified is determined based on its known and potential effect on value during the risk management process where matters are evaluated for likelihood and impact.
- As part of the evaluation we consider qualitative and quantitative factors.
- We then prioritise the matters as can be seen in our risk map, and the prioritisation and inclusion of matters in the risk map is done in consultation with the Board.
- We then disclose those matters that we consider to materially affect Foskor's performance, and are also considered material for readers to understand how we create value.

The material issues identified after following the process above have been presented in the "our material issues" section of this report on page 44 and their context has been added in order for readers to understand their potential impact. The material issues are prioritised in terms of the strategic risk registers approved by the executive management and the Board. We manage the material issues through the mitigation strategies on pages 44 to 47 and monitoring of previously determined outcomes and key performance indicators. Not all the risks in the strategic risk register are reported as material items, only the risks in the top 10 as they represent the material issues. We continuously manage these material issues to ensure we achieve our strategic objectives. The results of how we have managed the material issues are included in the Material Issues Scorecards on pages 44 to 47.

The Board will then validate the material issues by assessing whether the integrated report provides a reasonable and balanced view of our performance. The material issues are material within Foskor Proprietary Limited, and not the subsidiaries or associate investments. After the report is published, we will then review it in preparation for the next reporting cycle, taking into account feedback received from our stakeholders, and these findings are incorporated into the next reporting cycle.

## Group's Operating Environment

In understanding the impact the group is faced in the challenging operating environment, a summary in the table below identifies the key external factors that affected the business

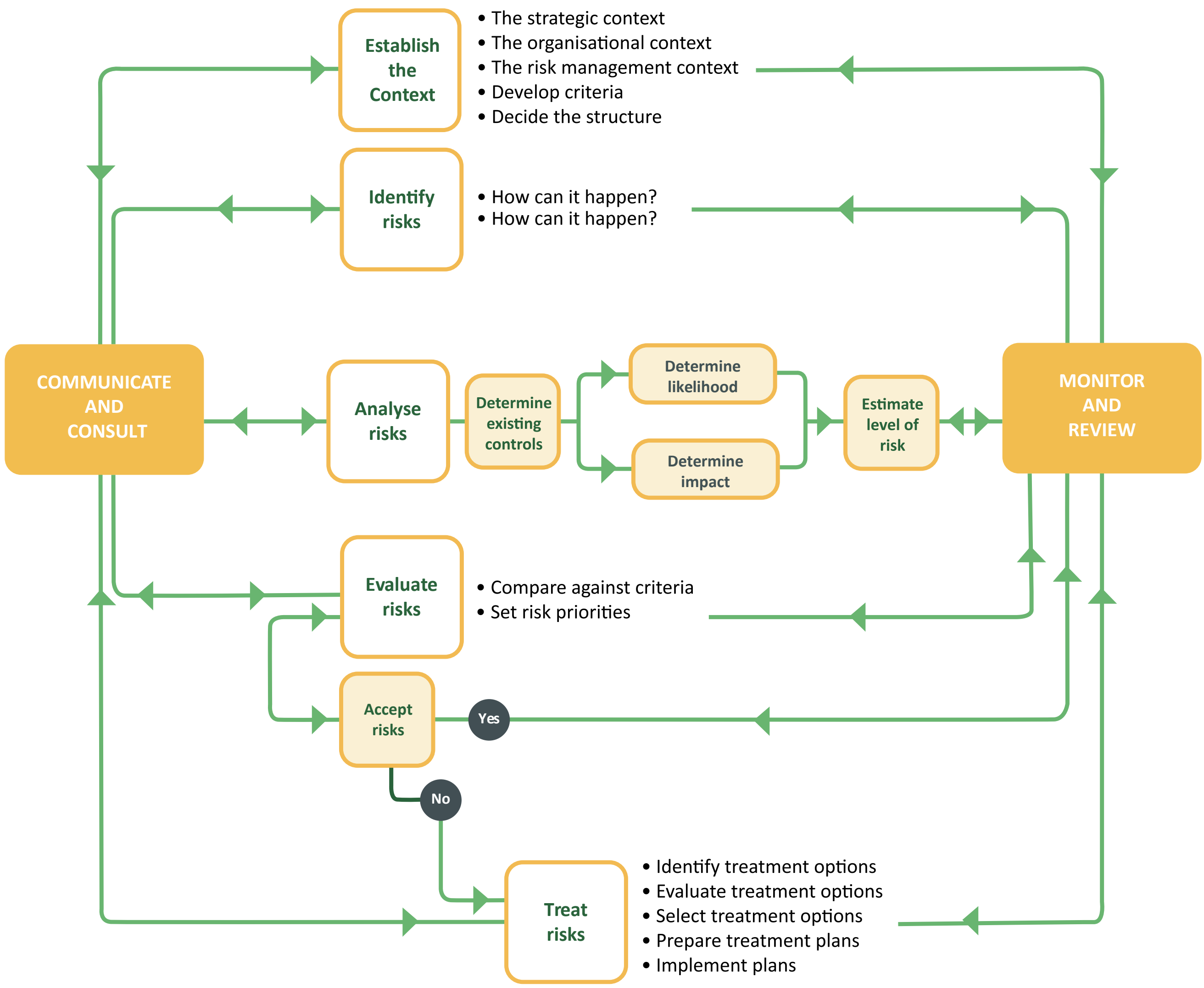
| External Operating Condition | Explanation |
|---|---|
| 1) Drought | The markets are reliant on rains during the peak season and with the lower rainfall then expected, we found ourselves selling less phosphate into the market during peak season than our planned targets. |
| 2) Raw Material | The commodity prices of raw materials that we import such as Sulphur and Ammonia are priced internationally and during the year, there was a sudden increase during the last two quarters which had an impact of increasing our cost per ton thus reducing our margins. |
| 3) Exchange Rate | Although the weakening of the SA exchange rate has a positive impact on our revenue cycle, we purchase our imported raw material on an extended payment term basis and the impact of weaker rand has affected us negatively in costing certain raw material purchases thus negatively impacting our cost per ton. |
| 4) Selling prices of commodities | Foskor is regarded as a price-taker as prices are determined internationally. The reference price for phosphoric acid and granular fertiliser increased during the year and had a positive impact of the financial performance. |
| 5) Electricity and water supply | Foskor uses large quantities of water and electricity. The ageing infrastructure, together with load shedding, power trips, water cuts and cable theft, amongst others resulted in a significant negative impact on performance. |
| 6) Freight costs | Freight/distribution costs represent approximately 20% of the total operational cost of Foskor due to the large distances between the mine and the processing plant. The lack of competition in the SA rail network also contributes to the high cost structures. |
| 7) Fuel, Coal, Reagents, Crushing Media, Blasting Materials and other internationally priced materials | Most materials used by Foskor are priced international comparative pricing, thus having a significantly negative impact on the cost structures. |
| 8) Labour | Above inflationary increase in labour costs negatively affect the business. |
| 9) Interest rate | Foskor raises debt funding to support its operations. During the year interest rates increased slightly having a negative impact on costs for the year. |
| 10) Legislative compliance | The cost of compliance in the South African operating environment is high and accordingly adds to the cost of doing business. |

# How we manage risk

**In order to achieve our strategic objectives we continuously analyse and manage business threats that could negatively affect our ability to achieve our objectives, whilst continuously identifying opportunities to enhance our objectives.**

Our risk and opportunity management strategy aims to provide an early warning system to avoid or mitigate any potential business losses.

## Our risk management process



Our risk and opportunity management process is based on the Enterprise Risk and Opportunity Management (ER & OM) framework which provides a structured approach to effectively and proactively identify, analyse, evaluate and mitigate such events, providing us with reasonable assurance that our objectives will be met.

Our ER & OM framework is aligned with ISO 31000 (2009), Committee of Sponsoring Organisations (COSO), King IV Report on Corporate Governance (2017) and generally accepted good practice. All Group business units, divisions, subsidiaries and processes are subject to our ERM policies.

Strategic, operational, process and project risk profiles are to be utilised in the risk and opportunity management process. We assess and update our risk profiles and its possible related actions on a quarterly basis.

Internal and external threats to the business are incorporated in the annual Board strategy planning and formulation.

Strategic opportunities have been grasped to ensure sustained revenue generation streams through strategic partnerships and joint ventures, as well as further research and development of other related final products.

Risk profiles for the operating divisions are reported up to Group level to ensure they are managed in line with the Group's strategic objectives. Opportunities for continuous improvement and learning are sought by Divisional management through their risk assessment process and business planning processes.

We have secured appropriate property damage, business interruption and liability insurance cover at commercial premiums and terms. Regular reviews of our insurance strategy are fed back into the ER &OM framework.

## Objectives achieved through our framework

| | |
|---|---|
| **Aligning risk appetite and strategy** | Management considers the risk appetite of both the Group and divisions, as determined by the Board, in evaluating alternatives, setting objectives, and developing mechanisms to manage risks. |
| **Enhancing risk response decisions** | A framework is provided for management to identify and select alternative responses to risk. |
| **Reducing operational losses** | The framework has enhanced management's ability to identify potential risks, establish appropriate responses by implementing effective controls and reduce associated costs and losses. |
| **Capitalising on opportunities** | Regular consideration of a full range of potential events helps management identify and capitalise on opportunities. |
| **Improving allocation of capital** | Reliable risk information allows management to assess overall capital needs, enhancing capital allocation. |
| **Ensuring compliance with laws and regulations** | Regular regulatory forecasting, impact assessments and reviews of applicable laws and regulatory changes reduce compliance risks. |

# How we manage risk continued

## Risk governance process

### OVERSIGHT

#### Board

- Approves risk management framework and policy
- Approves and monitors risk management plan
- Sets and monitors risk tolerance and appetite limits
- Identifies and monitors strategic risks

#### Board audit and risk

- Considers the risk management framework and policy
- Continuously monitors the risk process

### MANAGEMENT

#### EXCO

- Design, implement and monitor risk management plan

#### Internal audit and risk

- Ongoing and effective assessment of risk
- Review of risk registers
- Assurance on risk management plan and controls

#### Divisional risk

- Incorporates risk in day-to-day activities
- Identifies risks
- Implements system of internal controls to manage risk
- Incorporates risks identified through stakeholder consultation

**The 2018/19 risk appetite and tolerance levels were formally approved by the Board of Directors meeting during the financial year. Risk tolerances for the year under review were exceeded as follows:**

1. **Volatile employee/industrial relations climate – Inherent risk of 90% and a risk tolerance of 5 days**

   Members of the NUMSA Trade Union embarked on a protected strike action as from 15 of March 2019, and ended on 29 April 2019. A major concern raised by the Trade Union relates to the Employee Share Option Scheme closure and compensation amongst other matters. Furthermore; during the month of November 2018, workers also downed tools due to safety concerns raised which resulted in production days being lost.

2. **Availability and high price of strategic raw material – Inherent risk of 80% with a risk tolerance of US$145 being exceeded for Sulphur**

   Tight global supplies and increased demand for sulphur has seen the market price of Sulphur in an upward spiral. The average year to date price of Sulphur at 28 March 2019 was US$161.98. The upward spiral in Sulphur prices has the propensity to impact negatively on the year to date EBIT, thus also impacting on increased phosphoric acid prices and production costs per ton as sulphur is a key component of the product. Executive Management is looking into the negotiation and lock down of sulphur volumes and prices.

3. **High Conversion costs – Inherent risk rating of 80% with a risk tolerance of 10% exceedance on budget**

   The Acid Division utilities costs were exceeded by 10% and 34% for electricity and water respectively amounting to approximately R42,737 million. Poor operational performance, acid and steam leaks have contributed to the budgeted costs being exceeded. The high costs of water have been further exacerbated due to the drought levies, increases in water tariffs and potable water usage.

   Management has planned to reduce water costs further by arresting major steam leaks and introducing the auto blow down project. The power and electricity budget exceedances are due to the Turbine Generator also being offline for shutdown maintenance and increases in electricity tariffs. Management has established a task team to monitor and report on utilities expenditure and has certain projects planned to address the exceedances.

4. **Production inefficiencies – Inherent risk rating of 80% with a risk tolerance of production efficiency rate of 90% and more**

   The Acid Divisions year to date production efficiency rate at 28 March 2019 was 6.51% below budget of 91% The difference of 6.51% is mainly attributable to the fluctuations in production performance. The variance in production efficiency rate has the propensity to impact on year to date EBIT by approximately R208 million The major contributing factors were as follows:

   - Insufficient steam due to the Turbine Generator failures experienced at Sulphuric Acid
   - Low potable water supply at Phosphoric Acid plant thus limiting steam generation
   - Power failures
   - Availability of weak acid storage tanks (Full tanks)
   - Internal Process & Maintenance downtimes
   - Running plant at low rates due to strike action.

   Management brought forward a scheduled maintenance shutdown at the Sulphuric Acid plant to improve production and operations, thus de-bottlenecking the poor performance of Sulphuric Acid Plant. Thyssen Krupp were engaged to optimise the Turbine generator steam production and maintenance shutdown planning. Management are also considering the use of alternate power supplies and have a dedicated task team to review the plant water consumption, management and operating systems.

5. **Non-compliance to health and safety legislation – Inherent risk rating of 81% with a risk tolerance of zero fatalities**

   A fatality occurred at the Richards Bay Acid Division on 27 November 2018. Investigations in to the cause of death are currently ongoing by Foskor management and the Department of Labour. The cause of death has not been conclusively established and further post mortem tests and results are awaited.

6. **Contracts management risk – Inherent risk rating of 64% with a risk tolerance of production losses less than R25 million**

   The Mining Division experienced a production loss of approximately R25,828 million due to production targets not being achieved by a contractor due to equipment failure and availability.

   Management has implemented remedial measures in order to rectify poor performance and the performance of the contractor has since stabilised. Management has also further reviewed the duration of the contract to enable more effective acquisition and utilisation of capital equipment by the contractor.

# How we manage risk continued

**7. Reputational damage and poor public image – Inherent risk rating of 64% with a risk tolerance of zero adverse media reports**

Two allegations of racism at the Phalaborwa Mining Division were printed in the local Herald newspaper for the year to date.

Industrial relations management sourced external investigators to investigate and report on the veracity of the allegations made in the local media. Appropriate actions based on the outcomes of the investigation will be implemented by Industrial Relations management. The external investigation is at an advanced stage.

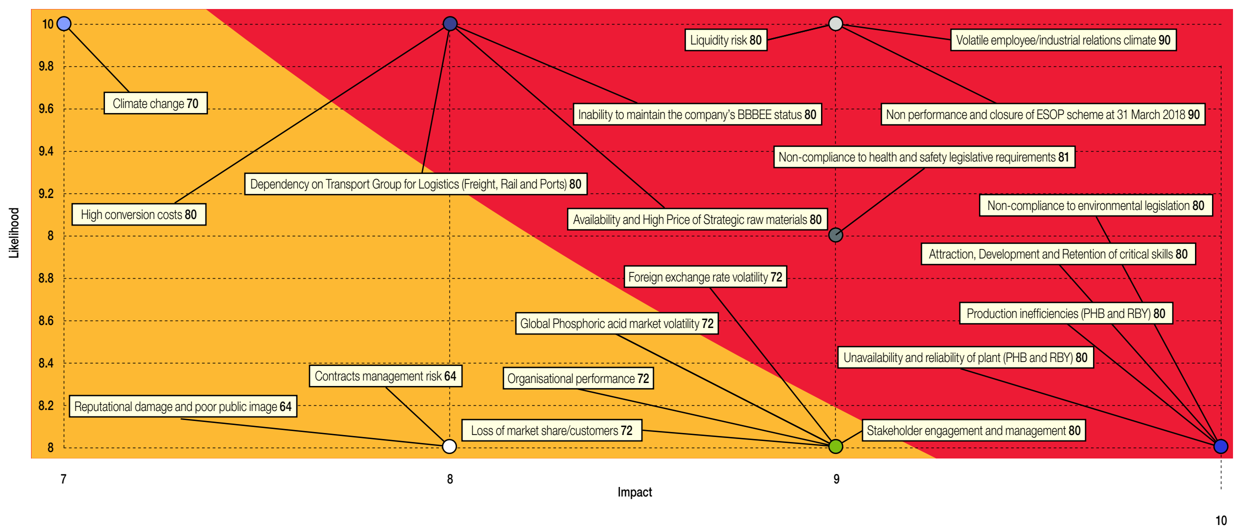
Whilst the risk management continuum has shown steady progress in achieving the desired company objectives, we will continue to refine our ERM processes, systems and reporting to ensure risk and opportunity management can achieve and sustain its desired value as a business enabler.

Our risk maturity within the organisation is on an upward trend as we further embed the ERM processes and initiatives within the organisation as per the annual ERM implementation plan. We are also striving to ensure that our ERM processes and activities are aligned and integrated with Foskor's strategy, operations and business processes.

**Risk Management's rolling plan to achieve the desired risk maturity level and enable the achievement of our strategic objectives over the next two financial years will be through:**

- Continuous monitoring of our strategic risk appetite and tolerance levels to enable effective management decision making by seeking further opportunities as well as ensure effective risk mitigation;
- implementation of the CURA BCM module to enable effective business continuity management arrangements and readiness with operations management;
- further development and implementation of Key Risk Indicators (KRI'S) at operations and divisional level to enable effective monitoring by management;
- monitoring and reporting on critical risks mitigation plans, emerging risks and effective control monitoring;
- effective utilisation of the CURA ERM system and risk management tools by the dedicated risk champions through training and awareness campaigns; and
- development of process level risk assessments.

### Foskor strategic risks heat map: top 20 inherent risks




- Climate change **70**
- Contracts management risk **64**
- Reputational damage and poor public image **64**
- High conservation costs **80**
- Liquidity risk **90**
- Shareholder engagement and management **72**
- Non-compliance to health and safety legislative requirement **81**
- Loss of market share/customers **72**
- Attraction, Development and Retention of critical skills **80**
- Unavailability and reliability of Plant (PHB) and RBY) **80**
- Dependency on Transport Group for Logistics (Freight, Rail and Ports) **80**
- Availability and High Price of Strategic raw materials **80**
- Inability to maintain the company's BBBEE status **80**
- Foreign exchange rate volatility **72**
- Volatile employee/industrial relations climate **90**
- Non performance and closure of ESOP scheme at 31 March 2018 **90**
- Non-compliance to health and safety legislative requirements **81**
- Organisational performance **72**
- Non-compliance to environmental legislation **80**
- Production inefficiencies (PHB and RBY) **80**

## Our key risks and opportunities

Our key risks are the strategic risks that have been identified in our risk management process and have been approved by the Board as the Company's strategic risks.

The strategic risks are presented in the heat map on previous page.

The top 10 strategic risks have then been prioritised as the top priority material issues and form the thread of the report.

| Risk description | Context | Mitigating strategies | Material issue link | Strategic priority | Outcome managed |
|---|---|---|---|---|---|
| **1 Liquidity risk** | Our sustained existence and growth is highly dependent on our ability to generate funds internally and externally. The volatility of the market and fluctuation in performance requires us to have sufficient funds to sustain operations in the downward cycle. | • Sourcing additional funding<br>• EBITDA upliftment<br>• Restructuring to improve profits and cash<br>• Cash flow management and cash generation | Funding and liquidity | Cash generation | • EBITDA upliftment<br>• Sourcing funding<br>• Cash flow and liquidity<br>• Cost control |
| **2 Employee share option (esop) scheme** | The ESOP trust had the options to start selling their vested units from 1 July 2016 until 30 March 2018. The scheme to be finalised by 30 March 2018.The scheme has not generated sufficient asset values to extinguish the liability. | • Review mechanisms for closure of existing scheme<br>• Implement new ESOP scheme | Improved operational performance | Operational excellence | • EBITDA upliftment<br>• Employee retension<br>• Industrial relations |
| **3 Volatile industrial relations climate** | Management needs to manage the relationship with the employees and their representation, as well as proactively deal with employee issues that could lead to industrial action. | • Improving engagement with labour unions and their members<br>• Regular assessment of remuneration and employee benefits<br>• Improved employee wellbeing | Employee wellbeing | People | • Staff turnover<br>• Safety and health<br>• Industrial relations |
| **4 Health and safety legislation non-compliance** | The health and safety of our employees is always our concern. We are also required to comply with stringent health and safety legislation for our Mining and Acid production facilities. | • Improving health and safety target ratios and performance<br>• Reducing the occurrence of occupational diseases<br>• Zero fatalities<br>• Retaining ISO certifications | Employee wellbeing | People | • Occupational health and safety targets<br>• Compliance to laws and regulations<br>• Maintaining licence to operate |
| **5 High conversion costs** | In order for us to remain competitive in the market we need to produce at a competitive cost. Some of the inputs such as water, electricity, diesel and gas contribute to high conversion costs thus impacting on profit margins. | • EBITDA upliftment – operational cost reduction<br>• Improvement of shift changeover to increase production output<br>• Energy saving devices installed in the plant<br>• Diesel hedging strategy in place<br>• Review and negotiate service providers contract agreements | Cost control | Operational excellence | • Operational cost savings<br>• EBITDA upliftment |

# How we manage risk continued

| Risk description | Context | Mitigating strategies | Material issue link | Strategic priority | Outcome managed |
|---|---|---|---|---|---|
| **6**<br>**Maintain companies Bbbee status** | Failure to maintain the company's BBBEE status and comply with SA BEE targets for employment equity could adversely affect our ability to maintain any mining rights and procure public contracts and licenses and private contracts.. | • Submission of quarterly and annual compliance assessments to the Department of Mineral Resources<br>• Submission of Social and Labour Plan with new transformation targets | Improved operational performance | Operational excellence | • Compliance to Mining Charter<br>• Improved BBBEE rating |
| **7**<br>**Environmental legislation compliance** | Due to the nature of our business, we have to ensure that we comply to various environmental legislation as both our operations have the potential to negatively impact the environment. The financial and reputational risk associated with legislative non-compliance is high. | • Ensure all SHEQ policies and procedures are implemented<br>• Reducing energy consumption and greenhouse gas emissions<br>• Ensure that permits with applicable authorities are obtained<br>• Retaining ISO certifications<br>• Continuous self-assessments in accordance to license requirements | Social license to operate | Operational excellence and people | • Environmental compliance<br>• Compliance to laws and regulations<br>• Maintaining licence to operate |
| **8**<br>**Production inefficiencies** | Production inefficiencies are caused by a number of factors including plant down time and inefficient use of resources to produce the finished product. | • Implementation of the proactive maintenance strategy<br>• Improving production efficiency ratios<br>• Meeting production targets<br>• Investment in capital replacement programmes in both divisions to replace aging machinery | Improved operational performance | Operational excellence | • Production performance<br>• Production efficiency<br>• Movement of raw material<br>• Minimise plant downtime |

| Risk description | Context | Mitigating strategies | Material issue link | Strategic priority | Outcome managed |
|---|---|---|---|---|---|
| **9**<br>**Attraction development and retention of critical skills** | Like many other organisations in the South African market, we face the same challenge in attracting, developing and retaining technical and engineering skills. The ability in retaining these skills will ensure that business sustainability is achieved by maintaining a competitive advantage. | • Headhunting of qualified experienced staff done on ongoing basis<br>• Ongoing training and development of staff<br>• Implementation of performance management and monitoring system<br>• Develop and implement a succession plan through out the company | Employee wellbeing | People | • Staff turnover<br>• Employee retension<br>• EBITDA uplipment |
| **10**<br>**Dependency on transnet freight rail for rail logistics** | We are overly reliant on TFR's railway line for the transport of our rock. The line suffers from capacity constraints, resulting in performance variability and high prices. | • Ensure that we have alternative rail corridor in place for exports<br>• Improved relationship with transnet<br>• Review and negotiate rates on regular basis | Improved operational performance | Operatinal excellence | • Movement of raw materials<br>• Cost control |

**The key opportunities identified for our business is sustainable cash generation and liquidity through:**

- an upturn in the commodity cycle which will have a positive impact on our performance as the selling prices of our products will increase;
- enhanced stakeholder engagement and management.;
- further training and skills enhancement of our workforce;
- compliance with relevant legislation to ensure our social license to operate is maintained.
- cost containment and optimised production efficiencies which will reduce our cost per ton thereby improving our profits and cash flow;
- effective allocation and deployment of limited capital for capital intensive projects and asset replacement;
- the implementation of innovative risk-based maintenance strategies to ensure increased plant availability, equipment reliability and enhanced asset and maintenance cost management;
- securing niche markets and customers to generate higher profit margins;
- success of our strategic partnerships and joint ventures.

# How we manage risk continued

## Our material issues

**The material issues are the main focus and thread throughout our report.** These material issues represent what our Board is most concerned about and hence their link to the strategic risks.

We continuously manage these issues in order to achieve our objectives, and have incorporated them into our performance management process by developing measurable key performance objectives for the Group.

| Material issue | Key performance indicator | Performance against KPI* | Future KPI** | Long-term KPI*** |
|---|---|---|---|---|
| **1 Sustainability of the business** | Increase percentage of local sales to reduce dependence on global markets and pricing | Local sales 2019: 53%<br>Local sales 2018: 53% | Local sales for 2020: 53% | Local sales: 60% |
| | Magnetite beneficiation Joint Venture | Beneficiation plant construction – 72% | Start producing concentrated magnetite from October 2019 | Sales to beneficiation plant 1.4m tons annually |
| | Rare Earth Oxide (REO) Extraction Project | Initial test work completed. | Project funding to be obtained and approval to be obtained | Project commences |
| **2 Funding and Liquidity** | Acquire additional short-term funding facilities | Short-term funds reduced at year-end by R164m | Additional funding facilities | Additional funding facilities |
| | Additional trade finance facilities | Zero acquired | Additional facilities | Additional facilities |
| | Cash flow management targets<br>• Cash generated from operations: R268m<br>• Free cash flow: R617m negative | Cash flow management targets<br>• Cash generated from operations: R178m<br>• Free cash flow: R541m negative | Cash flow management targets<br>• Generated from operations: R957m<br>• Free cash flow: R217m negative | Cash flow management targets<br>• Generated positive cash flow from operations<br>• Free cash flow to be positive |
| | Net debt by March 2019: R1.42bn | Net debt at March 2019: R1.16bn | Net debt at March 2020: R1.68bn | Obtaining target Debt/ Equity ratio |

** KPI achievement for the year ended 31 March 2019.*
*** Target for financial year ending March 2020.*
**** Target for 2021 financial year and beyond.*

## Our strategic response

### Material issues scorecards.

The material issues scorecard is a summary of our key performance indicators and our performance against those indicators.

The scorecard measures our progress against our strategy and the management of our material issues. The targets (key performance indicators) set are financial and non-financial, and we continuously monitor these KPIs throughout the period and revise them where necessary.

| Material issue | Key performance indicator | Performance against KPI* | Future KPI** | Long-term KPI*** |
|---|---|---|---|---|
| **3**<br>**Employee Wellbeing** | Safety indicators:<br>• Fatalities: 0<br>• LTIFR: <1 | Safety indicators:<br>• Fatalities: 1 (Acid)<br>• LTIFR: 0.22 (Mining)<br>• LTIFR: 0.63 (Acid) | Safety indicators:<br>• Fatalities: 0<br>• LTIFR: <1 | Safety indicators:<br>• Fatalities: 0<br>• LTIFR: <1 |
| | Retain:<br>• OHSAS 18001<br>• SANS 16001 | Retain:<br>• OHSAS 18001 (Acid pending follow up audit)<br>• SANS 16001 | Retain:<br>• OHSAS 18001<br>• SANS 16001 | Retain:<br>• OHSAS 18001<br>• SANS 16001 |
| | Staff turnover: 5% | Staff turnover: 5.3% | Staff turnover: less than 5% of headcount | Staff turnover: less than 5% of headcount |
| | Zero strikes/industrial action | Strike by NUMSA from 15 March 2019 to 29 April 2019 | Zero strikes/industrial action | Zero strikes/industrial action |
| **4**<br>**Improved operational performance** | Capital expenditure programme budget: R691m for 2019 financial year | Capital expenditure programme to date: R433m | Capital expenditure programme: R434m | Capital expenditure programme as per plan |
| | Phosphoric acid production efficiency: 91% | Efficiency: 85.22% | Efficiency: 91% | Efficiency: 91% |
| | Phosphate rock recovery: 74.94% | Phosphate rock recovery: 73.84% | Phosphate rock recovery: 75% | Phosphate rock recovery: 75% |
| | Rock logistics moved:<br>• 8.5 rock trains to all location per week (incl. exports)<br>• Railed to Richards Bay: 1.82m tons (incl. exports)<br>• Exported through Maputo: 266k tons | • Trains to all locations per week: 7.9<br>• Railed to Richards Bay: 1.61m tons<br>• Exported rock through Maputo: 331k tons | • 10 rock trains to all locations per week<br>• Railed to Richards Bay: 1.92m tons<br>• Export rock through Maputo: 300k tons | • 11 rock trains to all locations per week |
| | Planned production output:<br>• Rock: 2.31m tons<br>• Phosphoric acid: 500k tons<br>• Granular fertiliser: 370k tons | Production:<br>• Rock: 2m tons<br>• Phosphoric acid: 382k tons<br>• Granular fertiliser: 266k | Production:<br>• Rock: 2.26m tons<br>• Phosphoric acid: 550k tons<br>• Granular fertiliser: 350k tons | Production:<br>• Rock: 2.29m tons<br>• Phosphoric acid: 600k tons<br>• Granular fertiliser: 400k tons |

** KPI achievement for the year ended 31 March 2019.*
*** Target for financial year ending March 2020.*
**** Target for 2021 financial year and beyond.*

# How we manage risk continued

| Material issue | Key performance indicator | Performance against KPI* | Future KPI** | Long-term KPI*** |
|---|---|---|---|---|
| **5** **COST CONTROL** | Cost savings from:<br>• Approved opex 2019 budget<br>• Logistic costs budget | Cost savings achieved:<br>• Group opex savings 3.06% of 2019 budget<br>• Actual distribution costs 2.93% below budget | Cost savings from:<br>• Approved 2020 opex budget<br>• Logistic costs budget | Cost savings from:<br>• Approved opex budget<br>• Logistic costs budget |
| | Commodity input costs within budget | Commodity input costs:<br>• Sulphur cost per ton 26% above budget<br>• Ammonia cost per ton 16% above budget | Commodity input costs within budget | Commodity input costs within budget |
| | Distribution costs within budget:<br>• Maputo<br>• Richards Bay | Distribution costs to:<br>• Richards Bay 0.5% above budget<br>• Maputo 6.3% below budget | Distribution costs within budget:<br>• Maputo<br>• Richards Bay | Distribution costs within budget:<br>• Maputo<br>• Richards Bay |
| | Production cost per ton within budget:<br>• Rock<br>• Phosphoric acid | Production cost per ton:<br>• Rock cost per ton 10% above budget<br>• Phosphoric acid cost per ton 22% above budget | Production cost per ton within budget:<br>• Rock<br>• Phosphoric acid | Production cost per ton within budget:<br>• Rock<br>• Phosphoric acid |
| **6** **Operating licence** | Retain:<br>• ISO 14001<br>• ISO 9001 | Retained:<br>• ISO 14001 (Acid pending follow up audit)<br>• ISO 9001 | Retain:<br>• ISO 14001<br>• ISO 9001 | Retain:<br>• ISO 14001<br>• ISO 9001 |
| | Targeted compliance: Zero incidence of non-compliance and fines | Zero incidence of non-compliance and fines | Targeted compliance: Zero incidence of non-compliance and fines | Targeted compliance: Zero incidence of non-compliance and fines |
| | Maintain/renew licences to operate and legal compliance<br>• Water<br>• Air<br>• Mining | Maintain/renew licences to operate and legal compliance<br>• Water usage<br>• Air quality<br>• Mining | Maintain/renew licences to operate<br>• Water<br>• Air<br>• Mining | Maintain/renew licences to operate<br>• Water<br>• Air<br>• Mining |
| | Mining Charter compliance | Achieved Mining Charter compliance | Mining Charter compliance | Mining Charter compliance |
| | Mine rehabilitation compliance | Mine rehabilitation trust and guarantees in place | Mine rehabilitation compliance | Mine rehabilitation compliance |
| | B-BBEE Transformation compliance – Level 4 target | B-BBEE Level 6 | B-BBEE Level 5 target | B-BBEE Level 4 target |
| | Stakeholder engagement | Stakeholder engagements, CSI, LED, Community Projects | Stakeholder engagement to be improved and feedback monitored | Stakeholder engagement to be improved and feedback monitored |

** KPI achievement for the year ended 31 March 2019.*
*** Target for financial year ending March 2020.*
**** Target for 2021 financial year and beyond.*

# Governance and remuneration

## Governance

### Governance framework

**The Board is committed to applying the principles of corporate governance and it recognises that good corporate governance is essential in protecting the interests of all stakeholders.**

The governance structures and processes are regularly reviewed and updated to accommodate internal developments and reflect best practice.

The Board is accountable and responsible overall for the performance of the Company. Its role includes the establishment, review and monitoring of strategic objectives, approving major transactions, and oversight over the Group's systems of internal control, governance and risk management. The Board is also responsible for ensuring compliance with all relevant laws, regulations and codes. The Board's role is related to all economic, environmental and social impacts. The detailed description of the Board's responsibilities is contained in the Board Charter. New directors are informed of their duties through a formal induction process. Directors' training is held at least once a year to keep the directors updated with regards to their responsibilities and economic, environmental and social topical issues. The independence of directors is regularly assessed in accordance with Companies Act guidelines, half the Board is made up of independent directors while the other half represent the shareholders.

We apply the principles of good corporate governance.

The Board delegates certain functions to the Board Committees and management to assist in properly discharging its duties.

The Board committees are the Audit and Risk; Human Capital and Nominations; Technical; and Social and Ethics committees. The Board committees are then supported by the Executive Committee and a number of executive sub-committees namely the Internal Audit and Risk; Fraud Prevention and Ethics; ICT Steering Committee; Remuneration; and Compliance.

The Board selects and appoints the Company Secretary and recognises the pivotal role that this person plays in entrenching good corporate governance. All directors have unlimited access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are adequately followed.

The Board has adopted a comprehensive delegation of authority matrix aimed at clarifying the various limits of authority in place within the Group. The overall responsibility of management rests with the Chief Executive Officer and he gives regular reports about the achievement of Group objectives to the Board.

# The board and its governance structures

**BOARD OF DIRECTORS**

## Non-executive directors

- RM Godsell (Independent)
- PM Mainganya
- DP Martin (Independent)
- SP Ngwenya
- NG Nika (Independent)
- VP Pillay (Independent)
- V Ravichandran

## Chairman

- RM Godsell
- (Independent Non-executive Director)

## Executive directors

- Acting Chief Executive Officer: J M Morotoba
- Chief Financial Officer: MA Dindar

KING IV
The role of the Chairman is independent

KING IV
The roles of the Chairman and CEO are separate

**BOARD COMMITTEES**

## Board audit and risk committee

- NG Nika (Chairman)
- PM Mainganya
- SP Ngwenya
- VP Pillay

## Board technical committee

- VP Pillay (Chairman)
- JM Morotoba
- DP Martin
- V Ravichandran

## Board human capital and nominations committee

- DP Martin (Chairman)
- RM Godsell
- PM Mainganya
- V Ravichandran

## Social and ethics committee

- DP Martin (Chairman)
- RM Godsell
- PM Mainganya
- V Ravichandran

**MANAGEMENT**

## Executive committee

- JM Morotoba (Chairman)
- KM Cele

- MA Dindar
- K Muruganandam

- A Khanyile (Co-Secretary)

POLICIES AND GUIDELINES
Board and Committee Charters
Terms of reference/ Delegation of Authority/ Code of Ethics
**Board-approved policies**

# The role and function of the board

## Attendance of scheduled and ad hoc meetings

The Board members are required to attend all scheduled meetings of the Board and endeavour to also attend ad hoc and special meetings.

## Attendance register

| Board member | Scheduled Board Meetings | | Special Board Meetings | | Audit and Risk | | Human capital and nominations | | Social and ethics | | Technical | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| JR Barton | C | 4/4 | C | 2/2 | | | M | 4/5 | M | 3/3 | M | 1/1 |
| U Khumalo | | 4/4 | | 2/2 | I | 3/5 | I | 5/5 | I | 3/3 | M | 3/3 |
| MA Dindar | | 4/4 | | 2/2 | I | 5/5 | | | | | | |
| RJ Gaveni | | 3/3 | | 1/2 | | | C | 4/4 | C | 2/2 | | |
| R Mabusela-Jonga | | 3/4 | | 1/2 | M | 5/5 | | | | | | |
| P Mainganya | | 4/4 | | 1/2 | M | 5/5 | | | | | C | 2/2 |
| VD Mazibuko | | 3/3 | | 1/2 | | | | | | | M | 3/3 |
| B Mbomvu | | 4/4 | | 2/2 | M | 5/5 | | | | | | |
| NG Nika | | 4/4 | | 2/2 | C | 5/5 | | | | | | |
| V Ravichandran | | 2/4 | | 2/2 | | | AD | 1/1 | AD | 1/1 | M | 0/3 |
| VS Sahney | | 4/4 | | 2/2 | | | M | 3/5 | | | | |
| S Subramanian | | 3/4 | | 1/2 | | | M | 2/5 | M | 1/3 | | |

C: Chairman M: Member I: Invitee A: Acting Chairman AD: Alternate Director

The special Board meetings were convened to address the difficult trading conditions.

# The board and its governance structures continued

The Board is satisfied that the committees have effectively carried out their responsibilities according to their charters and terms of reference. A brief summary of the responsibilities of the committees, membership and their key focus areas during the year are summarised below:

| Committee | Members | Area of responsibility | Key focus for the year |
|---|---|---|---|
| **Audit and risk Committee** | NG Nika (Chairman)<br>PM Mainganya<br>SP Ngwenya<br>VP Pillay | The Board Audit and Risk Committee assists the Board in carrying out its responsibilities to stakeholders by, amongst others, providing independent oversight of the effectiveness of the company's assurance functions & service, with focus on combined assurance arrangements, including external assurance providers, internal and the finance function.<br>The committee is also authorised to provide independent oversight of the integrity of the annual financial statements and, to the extent delegated by the Board, other external reports issued by the company | • Approved and monitored the external audit plan<br>• Assessed the independence of the external auditor<br>• Obtained an unqualified audit opinion on the financial statements and recommended their approval to the Board<br>• Recommended the approval of the integrated annual report to the Board<br>• Approved and monitored the internal audit plan<br>• Obtained assurance over effectiveness of internal controls |
| **Human capital And nominations committee** | DP Martin (Chairman)<br>RM Godsell<br>PM Mainganya<br>V Ravichandran | The Human Capital and Nominations Committee considers, for commendation to the Board, the remuneration policy of Foskor .<br>The committee is also responsible for the approval of the remuneration The committee is also responsible for the approval of the remuneration packages and incentives of executives as delegated to the committee by the Board.<br>The committee also considers the composition of the staff complement, staff transformation/ diversity, succession planning and Industrial Relations matters.<br>The committee reviews the human capital policies and any other matters related to human capital management as mandated by the Board. | • Reviewed the executive contracts up for renewal<br>• To ensure alignment of the remuneration and human resources strategies and policies with the group's business strategy<br>• To ensure that organisational structures and policies facilitate good management and utilisation of human resources<br>• Recommend performance objectives for approval<br>• To determine, annually, any criteria necessary to measure the performance of senior management in discharging their functions and responsibilities to objectively test that performance conditions are met<br>• To approve annual salary increases for management and provide executive management with the necessary mandates for negotiations with trade unions<br>• Review of succession management strategy as per the identified leadership gaps and developmental plans |
| **Social and ethics committee** | DP Martin (Chairman)<br>RM Godsell<br>PM Mainganya<br>V Ravichandran | The Social and Ethics Committee has oversight over the company to ensure that Foskor aspires to be a good corporate citizen, including the Company's promotion of equality, prevention of unfair discrimination and reduction of corruption. | • Monitor Employment Equity and B-BBEE Acts Compliance<br>• Approved code of ethics booklet<br>• Monitored the Company's employment relationships and the educational development of its employees |

| Committee | Members | Area of responsibility | Key focus for the year |
|---|---|---|---|
| **Technical committee** | VP Pillay (Chairman)<br>JM Morotoba<br>DP Martin<br>V Ravichandran | The Board Technical Committee advises the Board on technical, safety, health and environment issues as well as the risks relating to the production processes and projects. The committee has no executive management responsibility but provides guidance and support to help management maintain the Company's sustainability and success. | • Evaluation of expansion, sustaining and stay-in- business projects to assist operations in making justified long-term and operationally sound decisions relating to capital expenditure<br>• Monitoring of operational excellence from health, safety, performance and quality point of view. This would include monitoring of rehabilitation processes and provisions, and any other environmental potential liability<br>• Evaluation of propositions relating to acquisition and organic growth Foskor might be considering, either for the purpose of horizontal or vertical integration for business sustainability<br>• Guidance in terms of stakeholder engagement on technical liaison with neighbouring businesses, suppliers and customers<br>• Evaluation of operational strategy relating to equipment replacement options and funding options |

## Internal audit

In accordance with the International Standards for the Professional Practice of Internal Auditing, it is the policy of Foskor to maintain a centralised independent internal auditing function, called Foskor Group Audit Services (FGAS).

The role of the FGAS is to assist the Board Audit and Risk Committee and management personnel at all levels in the effective exercise of their responsibilities through the provision of analyses, appraisals, recommendations, advice and information. The FGAS is therefore responsible for providing independent assurance to the Board Audit and Risk Committee regarding the effective management of any risk which may have an impact on the Company's business objectives.

The Board Audit and Risk Committee established the FGAS and defined its responsibilities. The Group Internal Audit Manager reports administratively to the Chief Executive Officer, and functionally to the Chairperson of the Board Audit and Risk Committee.

## Fraud prevention and ethics

It is an accepted fact that, no matter how stringent fraud prevention measures within an organisation are, there is no guarantee that fraud and unethical behaviour will not occur. Fraud, by its very nature, involves deception. New ways of circumventing controls in order to facilitate the perpetration of fraud are continually being devised. It is accordingly important that Foskor be prepared to respond to a crisis in an effective manner to limit losses.

Management is responsible for detecting fraud, theft and other irregularities. Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility and be alert for any indication of irregularity.

The Company expects its employees to conduct all aspects of business at the highest level of professionalism, conduct and excellence in line with established organisational values and code of conduct; a culture embedded within the Company's organisation, reporting and quality systems.

The Fraud Prevention and Ethics Committee is responsible for addressing investigations of unethical conduct and playing a leading role when incidents of fraud and corruption have occurred within Foskor thereby allowing more transparency in the investigation process.

## Whistle-blowing

Foskor is committed to the highest standards of openness and accountability. An important aspect of accountability and transparency is a mechanism to enable staff to report concerns in a responsible and effective manner. Where an individual discovers information which they believe shows serious malpractice or wrongdoing within the organisation, then this information should be disclosed internally without fear of reprisal.

Foskor recognises that employees, suppliers, customers, business partners, local communities and other stakeholders have a strong preference to be associated with organisations that value and practice ethical conduct. As a means of reinforcing Foskor values, the whistle- blowing policy serves to build employee, supplier, customer and business partner loyalty through identifying and eliminating unethical practices. The Whistle-Blowing Policy provides a confidential means of conveying information and does not replace existing lines of communication.

The policy is intended to encourage and enable staff to raise concerns within Foskor rather than overlooking a problem or blowing the whistle through inappropriate channels.

# The board and its governance structures continued

## Supplier/employee relationships

The Company expects its employees and suppliers to conduct all aspects of business at the highest level of professionalism and excellence in line with established organisational values; a culture embedded within the Company's organisation, reporting and quality systems.

All employees and suppliers are obliged to report suspicions of fraud, corruption, theft or unethical or similar illegal behaviour within Foskor. These types of allegations will be investigated by FGAS.The entities and individuals to be blacklisted will be dependent on the evidence gathered. Any employee found guilty of unethical conduct or who resigns prior to a disciplinary hearing will not be allowed to perform work for Foskor as a vendor and will not be permitted to be included on the Foskor vendor list.

## Mechanisms for communication to the highest governance body

Shareholders are represented on the Board and have an opportunity to provide recommendations and direction at the annual general meeting.

Employees are encouraged to raise issues of concern and interest via the formal and informal structures in place, including the Human Capital and Corporate Affairs Department, line management and union structures.

## Information and communications technology

The Group ICT Department continues to progress on the journey outlined by the King Report on Corporate Governance for South Africa 2016 (King IV). The Board is responsible for ICT governance and ensuring that ICT strategy is aligned with the Group's strategic objectives, and adopting and implementing an ICT control framework. The Group ICT Steering Committee ensures the development and monitoring of sound information and communication (including all forms of telecommunication) technology policies and procedures in accordance with the applicable regulatory framework of South Africa and incorporating global best practices for the Group and its operating divisions.These will include amongst others transparent, efficient, effective and uniform information and communication technology application and services required for the proper functioning of Foskor business and making all attempts to maximise the benefit from applying information and communication technology. The Group ICT Steering Committee which meets quarterly and reviews the adherence to the various policies and procedures and recommends improvements to the Executive Committee and the Board.

Foskor Group ICT department has adopted the Control Objectives for Information Technology ("COBIT"), as an ICT governance framework and assesses the maturity of the ICT processes against COBIT regularly. The ICT Disaster Recovery Policy and Disaster Recovery Plan have been defined, documented and aligned with the Foskor Group Business Continuity Policy. The Group ICT Department is constantly reviewing its current technology and investigating opportunities to utilise technology and integrate it into its strategy and processes. A comprehensive review and testing process to ensure that the Group ICT department is maintaining an adequate and effective ICT system is carried out on an ongoing basis by both management and Internal Audit.

## Regulatory and legislative compliance

Compliance with regulatory and legislative requirements is of strategic importance to Foskor and a critical component in Foskor's day-to-day management of its operations. The compliance strategy and objectives contained in the compliance policy provides a path aimed at embedding a culture that supports compliance within the organisation as a whole. The achievement of the organisation's compliance strategic objectives enables structured direction and continuous enhancement of compliance processes that supports the concepts of continuous improvement and best practice application.

Compliance governance is regulated by a set of policies, roles, responsibilities, and processes that guide, direct and control how Foskor complies with regulatory and legislative compliance.

Foskor's effective compliance governance strategy anticipates the needs and goals of the organisation and ensures that business performance is not hampered and opportunities that exist within the current regulatory framework are capitalised on.

The Board is ultimately responsible for compliance with all applicable regulatory and legislative requirements within the organisation. The Foskor Group Compliance Committee is established as a sub-committee of the Executive Management Team and is authorised in terms of its mandate from the Executive Management Team to exercise control of the overall governance and compliance process within Foskor. Divisional Compliance Committees ensure that compliance requirements are tailored to the divisional needs and unique regulatory and legislative requirements.

The Board is kept abreast of developments through formalised reporting structures, ongoing communication with management and Board meetings. The responsibility to facilitate compliance throughout Foskor has been delegated to the appointed Group compliance officer and manager who supervise the compliance function.

Key areas of focus were identified through Foskor's compliance risk management methodology. The Key areas of focus during the reporting period were in respect of legislation related to safety, health and environment. Future focus will remain on legislation related to safety, health and environment with the inclusion of competition legislation.

The effectiveness of Foskor's compliance management was monitored in accordance with Foskor's compliance risk management methodology. The outcomes of the monitoring conducted were reported internally at various committees with management providing action plans to address any non-compliances identified.

## Compliance Risk Methodology

The economical and efficient management of the compliance risks that Foskor is exposed to is dependent on the development and implementation of a Group-wide risk-based process and procedure to manage and mitigate the company's compliance risks. The Compliance Risk Methodology provides for a visible (to regulators, shareholders, clients), formalised and structured risk-based process and procedure to manage and reduce the compliance risks to a level acceptable to Foskor.

Foskor's Compliance Risk Methodology aligns with the requirements of the Generally Accepted Compliance Practice Framework, as issued by the Compliance Institute Southern Africa. The framework consists of principles, standards and guidelines that act as a benchmark for compliance best practice for Southern African organisations.

## Compliance risk methodology

| | |
|---|---|
| **Phase 1**<br>Compliance Risk Identification | Involves the determination of the compliance risks to which Foskor and its business are exposed to, i.e. to identify the regulatory requirements applicable to Foskor. The technique of control self-assessment is used to identify the compliance risks Foskor are exposed to. |
| **Phase 2**<br>Compliance Risk Prioritisation | Involves the measurement (product of impact/seriousness and probability) and prioritisation of the compliance risks, based on information and data supplied by both management and the compliance function on a consensus basis. Prioritisation forms the foundation for the management of the compliance risks, ensuring that the areas posing the greatest risks are the areas focused on. |
| **Phase 3**<br>Compliance Risk Management | Involves the determination of the status of the identified and prioritised compliance risks by documenting the specific compliance risks the business is exposed to and the control environment mitigating such risks in Compliance Risk Management Plans. |
| **Phase 4**<br>Compliance Risk Monitoring | Involves the determination of the status of the regulatory control environment. |
| **Phase 5**<br>Compliance Risk Reporting | Involves the provision of regular, reliable, valued and timely information regarding Foskor's level of compliance with applicable regulatory requirements and the compliance risks exposed to. |

## Application of the king report of corporate governance (King IV)

The Board is satisfied with its efforts to apply all material aspects of King IV during the year. Below is a summary of where there is currently partial compliance or non-compliance; the principles not reported are where full compliance has been achieved.

| Code of governance principle | | | Compliance | Explanation for non-compliance |
|---|---|---|---|---|
| **Chapter 2: board of directors** | The Board should assume the responsibility for the evaluation of its own performance and that of its committees, its chair and its individual members by determining how it should be approached and conducted. | Board evaluations to be conducted yearly. | X | The interim Board was appointed on 27 March 2019. Evaluations will be conducted, at least, six months after their appointment (November 2019). |
| **Chapter 8: Stakeholder relationships** | Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence. | The Board should consider disclosing in the integrated annual report the number and reasons for refusal of requests of information that were lodged with the Company in terms of the Promotion of Access to Information Act, 2000. | X | No requests were received during the period under review. |
| **Part 5.4: Governing functional areas** – combined assurance | 40.<br>The governing body should assume responsibility for assurance by setting the direction concerning the arrangements for assurance services and functions. The governing body should delegate to the audit committee, if in place, the responsibility for overseeing that those arrangements are effective in achieving the following objectives:<br>a. Enabling an effective internal control environment.<br>b. Supporting the integrity of information used for internal decision-making by management, the governing body and its committees.<br>c. Supporting the integrity of external reports. | | ✓ | The Board Audit and Risk Committee (BARC) has been delegated the responsibility for assurance within Foskor. The BARC Charter will be updated to include the Combined Assurance responsibility and presented at the BARC meeting for review and approval in 2019/20 financial year. |

# The board and its governance structures continued

| Code of governance principle | | Compliance | Explanation for non-compliance |
|---|---|---|---|
| **Part 5.4: Governing functional areas** – combined assurance (continued) | 41.<br>The governing body should satisfy itself that a combined assurance model is applied which incorporates and optimises the various assurance services and functions so that, taken as a whole, these support the objectives for assurance. | X | A Combined Assurance Policy Framework has been developed and approved by the governing body.<br>A Combined Assurance Plan will be developed in the 2019/20 financial year with the assistance of external consultants (due to resource capacity constraints) for execution in the 2020/21 financial year. |
| | 42.<br>The governing body should oversee that the combined assurance model is designed and implemented to cover effectively the organisation's significant risks and material matters through a combination of the following assurance service providers and functions as is appropriate for the organisation:<br>a. The organisation's line functions that own and manage risks.<br>b. The organisation's specialist functions that facilitate and oversee risk management and compliance.<br>c. Internal auditors, internal fraud examiners and auditors, safety and process assessors, and statutory actuaries.<br>d. Independent external assurance service providers such as external auditors.<br>e. Other external assurance providers such as sustainability and environmental auditors, external actuaries, and external forensic fraud examiners and auditors.<br>f. Regulatory inspectors | X | A Combined Assurance Policy Framework has been developed and approved by the governing body.<br>A Combined Assurance Plan will be developed in the 2019/20 financial year with the assistance of external consultants (due to resource capacity constraints) for execution in the 2020/21 financial year. |
| | 43.<br>The governing body and its committees should assess the output of the organisation's combined assurance with objectivity and professional skepticism, and by applying an enquiring mind, form their own opinion on the integrity of information and reports, and the degree to which an effective control environment has been achieved. | X | A Combined Assurance Policy Framework has been developed and approved by the governing body.<br>A Combined Assurance Plan will be developed in the 2019/20 financial year with the assistance of external consultants (due to resource capacity constraints) for execution in the 2020/21 financial year. |

| Code of governance principle | | Compliance | Explanation for non-compliance |
| --- | --- | --- | --- |
| **Part 5.4: Governing functional areas** – assurance of external reports (continued) | 44.<br><br>The governing body should assume responsibility for the integrity of external reports issued by the organisation by setting the direction for how assurance of these should be approached and addressed. | X | A Combined Assurance Policy Framework has been developed and approved by the governing body.<br><br>A Combined Assurance Plan will be developed in the 2019/20 financial year with the assistance of external consultants (due to resource capacity constraints) for execution in the 2020/21 financial year. |
| | 45.<br><br>The governing body's direction in this regard should take into account legal requirements in relation to assurance, with the following additional considerations:<br><br>a. Whether assurance should be applied to the underlying data used to prepare a report, or to the process for preparing and presenting a report, or both.<br><br>b. Whether the nature, scope and external assurance are suited to the intended audience and purpose of a report.<br><br>c. The specification of applicable criteria for the measurement or evaluation of the underlying subject matter of the report. | X | A Combined Assurance Policy Framework has been developed and approved by the governing body.<br><br>A Combined Assurance Plan will be developed in the 2019/20 financial year with the assistance of external consultants (due to resource capacity constraints) for execution in the 2020/21 financial year. |
| | 46.<br><br>The governing body should satisfy itself that the combined assurance model is effective and sufficiently robust for the governing body to be able to place reliance on the combined assurance underlying the statements that the governing body makes concerning the integrity of the organisation's external reports. | X | A Combined Assurance Policy Framework has been developed and approved by the governing body.<br><br>A Combined Assurance Plan will be developed in the 2019/20 financial year with the assistance of external consultants (due to resource capacity constraints) for execution in the 2020/21 financial year. |

# The board and its governance structures continued

| Code of governance principle | | Compliance | Explanation for non-compliance |
|---|---|---|---|
| **Part 5.4: Governing functional areas** – assurance of external reports (continued) | 47.<br><br>External reports should disclose information about the type of assurance process applied to each report, in addition to the independent, external audit opinions provided in terms of legal requirements. This information should include:<br><br>a. a brief description of the nature, scope and extent of the<br><br>assurance functions, services and processes underlying preparation and presentation of the report; and<br><br>b. a statement by the governing body on the integrity of the report and the basis for this statement, with reference to the assurance applied. | X | A Combined Assurance Policy Framework has been developed and approved by the governing body.<br><br>A Combined Assurance Plan will be developed in the 2019/20 financial year with the assistance of external consultants (due to resource capacity constraints) for execution in the 2020/21 financial year. |
| **Part 5.4: Governing functional areas** – internal audit | 60.<br><br>The governing body should ensure that external, independent quality review of the internal audit function is conducted at least once every five years. | X | The external quality assurance review was conducted in June 2018 and the next review is due in 2023. |
| | 61.<br><br>The governing body should obtain confirmation annually from the Chief Audit Executive (CAE) that internal audit conforms to a recognised industry code of ethics. | X | The Group Internal Audit Manager now reports annually (in May) to the BARC whether the internal audit confirms to a recognised industry code of ethics. |

# Who leads us

## Board of Directors

### Independent non-executive director and chairman

**Robert Michael Godsell** (68)

*MA (Liberal Ethics), Postgraduate Studies (Sociology and Philosophy), BA (Sociology and Philosophy)*

**Appointed as chairman:** 27 March 2019
**Board committees:** HC, S&E

### Executive director and acting chief executive officer

**James Morotoba** (49)

*BSc Eng (Min), MMC, MDP, AMP, MBA*

**Appointed:** 1 April 2019
**Board committees:** TC

### Executive director and chief financial officer

**Ashraf Dindar** (49)

*BCom, BAcc, CA(SA), GEDP (GIBS), MDP*

**Appointed:** 1 April 2018

### Independent non-executive directors

**Nkosemntu Nika** (61)

*BCompt (Hons)/CTA, CA(SA), AMP (INSEAD)*

**Appointed:** 3 February 2012
**Board committees:** A&R

**Vinogaren Pillay** (61)

*MDP, BSc (Honours) (Geology/Physics/Chemistry), MSc (Geology)*

**Appointed:** 27 March 2019
**Board committees:** TC, A&R

**David Philip Martin** (64)

*BSc Material Science, EDP*

**Appointed:** 27 March 2019
**Board committees:** TC, S&E, HC

### Non-executive directors

**Sibusiso Peter Paul Ngwenya** (65)

*BCom (Hons) Economics*

**Appointed:** 27 March 2019
**Board committees:** A&R

**Phakamile Mainganya** (45)

*Higher Diploma in Tax Law, BCom, BAcc, CA(SA)*

**Appointed:** 1 February 2018
**Board committees:** A&R, S&E, HC

**Venkatachalam Ravichandran** (63)

*BE (Hons), AICWA, PGDM, ACS*

**Appointed:** 18 June 2015
**Board committees:** TC, HC, S&E

# Executive Committee and Company Secretary

## James Morotoba (49)

**EXECUTIVE DIRECTOR AND ACTING CHIEF EXECUTIVE OFFICER**

*BSc Eng (Min), MMC, MDP, AMP, MBA*

## Ashraf Dindar (49)

**EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER**

*BCom, BAcc, CA(SA), GEDP (GIBS), MDP*

## Khumbulani Cele (46)

**VICE-PRESIDENT: LOGISTICS AND SAFETY**

*BCom (Hons), IEP (INSEAD)*

## Kadirvelu Muruganandam (56)

**VICE-PRESIDENT: ACID**

*BE Mechanical Engineering, Postgraduate Diploma in Business Administration*

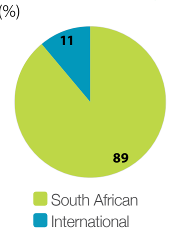
## Amagugu Khanyile (43)

**COMPANY SECRETARY**

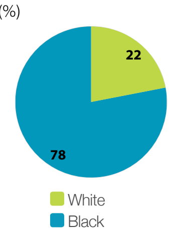
*BProc*

# Diversity of the Board

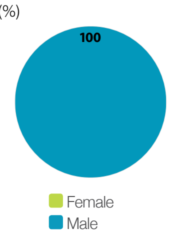
### Board diversity
(%)




### Race
(%)




### Gender
(%)

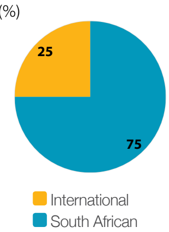



**Board committees:**

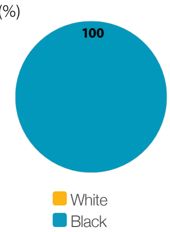
| | |
|---|---|
| **A&R:** | Audit and Risk Committee |
| **HC:** | Human Capital and Nominations Committee |
| **S&E:** | Social and Ethics Committee |
| **TC:** | Technical Committee |

# Diversity of the executive committee

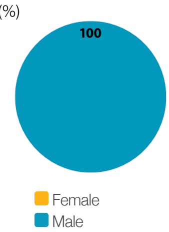
### Executive diversity
(%)




### Race
(%)




### Gender
(%)



# Remuneration

We aim to offer fair and competitive remuneration.

## Remuneration philosophy

In order to attract and retain qualified personnel, we aim to offer fair and competitive remuneration packages. Our remuneration structure provides a job grading system and a salary range for each grade. The remuneration structure is consistent with the Company's economic requirements and commensurate with those of the communities in which we operate.

We strive to obtain the highest possible degree of employee performance, morale and loyalty through:

- administering remuneration fairly and equitably;
- ensuring internal equity and consistency within and between all departments;
- providing an effective means of controlling payroll costs;
- providing a standard method of establishing and applying remuneration package rates;
- facilitating the employment, classification and promotion of employees; and
- ensuring that Foskor's remuneration policy is competitive globally.

**These goals are achieved by:**

- establishing remuneration package ranges that reflect the value of various occupations;
- establishing and maintaining justifiable differentials between job levels;
- ensuring that pay rates and benefits are equal to those offered by other;
- employers providing similar employment; and
- adjusting remuneration package ranges when warranted by changing economic and competitive factors.

## Employee benefits

Foskor aims to attract and maintain a healthy workforce. It provides affordable and effective healthcare, death and disability benefits to all employees and their dependants. Medical care is provided by a well-recognised medical aid providers. Employees have freedom of choice in the level of healthcare taken up, and the Company pays a portion of their contribution.

Four months fully paid maternity leave benefits are provided to permanent female employees who have been with the company for more than a year.

Insurance is provided by an insurance company and covers death, permanent and temporary disability and, the death of spouse or partner of the employee. Funeral cover for employees and their dependants and mortgage protection can also be accessed.

Permanent employees must be members of the Company's retirement fund, which is registered with the Financial Services Board (FSB) and the South African Revenue Service (SARS).

The defined benefit fund was closed in 1995, with a total surplus as at 31 December 2018 of R25.1 million. Personnel employed after 1995 are members of the defined contribution fund. The Company contributes to the fund on behalf of employees every month and individuals can select the level of their own contributions.

Temporary and part-time employees do not qualify for benefits provided to full-time employees such as medical aid, retirement funds, death, permanent or temporary disability insurance covers.

## Structure of remuneration across all levels

We have implemented a total guaranteed package approach for management staff and a cost-to-company approach for other levels of staff. These structures rest on three fundamental pillars: internal equity, structuring flexibility and external market competitiveness.

These in turn contain and define the total cost of employment, empower employees to structure competitive packages and ensure remuneration that is both equitable and defendable.

## Remuneration comprises the following elements:

| | Guaranteed remuneration | | | Performance-based incentives | | Other |
|---|---|---|---|---|---|---|
| | **Notional cost of employment** | **Benefits** | **Allowances** | **Short-term incentives (STI)** | **Long-term incentives (LTI)** | |
| **Bargaining category employees** | Cost-to-company package | Retirement, benefits medical aid, death and disability insurance | Housing<br>Transport | Divisional performance – production, safety, costs | Not applicable | Circumstantial remuneration consists of allowances and emoluments specific to an individual's job, plus any arising from skills scarcity.<br>Additional to this are emoluments rewarding specific skills or qualifications deemed necessary for employment in a legal capacity. This allowance is applicable to all levels of employees. |
| | All Company contributions to retirement funds, Group life and disability insurance are included in the package. Employees can structure packages to their own needs. | | All bargaining unit employees are paid monthly housing and transport allowances, irrespective of their position. The monetary amount of the transport allowance depends on the distance from the employee's residence to the workplace. | For staff in the bargaining unit comprise two components: a quarterly component and an annual component based on quarterly/annual achievement of production, safety and cost targets. | | |
| **Management category employees** | Total guaranteed package | Retirement benefits, medical aid, death and disability insurance | Not applicable | Company, divisional and individual performance | Company – Long-term strategic projects, ROCE Not applicable for middle management | Employee Share Ownership Plan units were awarded to employees who had been at Foskor up to 2013. Units vest over five years. Dividends are received when declared by Foskor.<br>Units were awarded to all employees. The sale of the units was restricted until 2016. |
| | This takes into account individual performance, external competitiveness, internal equity and affordability.<br>The package includes contributions to retirement funds, medical aid, Group life and disability insurance. Employees can structure their own package to their own needs. | | | Performance assessment based on short-term goals determined annually.<br>The targets are mainly: earnings, cash, production, safety, cost and transformation. | The criteria for LTI include the achievement of particular ROCE targets, product diversification measures, human capital criteria include employee wellbeing, talent management and culture. | |
| **Non-executive directors** | Attendance fees per meeting | | | Not applicable | Not applicable | |
| | Approved by the shareholders annually.<br>Executive Directors are not paid Directors' fees. | | | Not applicable | Not applicable | |

# Remuneration continued

| Remuneration elements | | Management category employees | | | | Bargaining category employees |
|---|---|---|---|---|---|---|
| | | Executive management | General management | Senior management | Middle management | |
| Guaranteed remuneration | Notional cost of employment | Annual total guaranteed package | | | | Annual cost-to-company package |
| | Guaranteed allowances | Not applicable | | | | Housing Transport |
| | Benefits | • Employer retirement fund contributions<br>• Employer medical aid contributions<br>• Employer contributions to Group life and disability insurance | | | | |
| | Circumstantial remuneration | • Job-specific<br>• Skills scarcity<br>• Legal appointments | | | | |
| Variable remuneration | Short-term incentives | Performance-based | | | | |
| | | • Company<br>• Divisional<br>• Individual | | | | Divisional |
| | Long-term incentives | Performance-based<br>• Company<br>• Individual | | | Not applicable | Not applicable |

## Guaranteed remuneration

Employees in management position are remunerated on a total guaranteed package. This takes into account individual performance, external competitiveness, internal equity and affordability. Included in the package are all company contributions to retirement funds, medical aid and Group life and disability insurance. Individuals can structure packages to their own needs.

Employees in the bargaining unit are remunerated on a cost-to company package. All company contributions to retirement funds and Group life and disability insurance are included in the package.

Individuals can structure packages to their own needs.

## Guaranteed allowances

All bargaining unit employees are paid monthly housing and transport allowances, irrespective of their position. The monetary amount of the transport allowance depends on the distance from the employee's residence to the workplace.

## Benefits

Both the employer and employee contribute to the employee's medical aid scheme.

Contributions to the Foskor Pension Fund and Chemical Industries National Pension Fund (CINPF) are made by both the employer and employee. Contributions to the Foskor Provident Fund are only made by the employer, though the employee may decide on the level of contribution.

Contributions to the Group life and disability insurance are made by the employer.

## Variable remuneration

### Short-term incentives (STI)

#### CIRCUMSTANTIAL REMUNERATION

Circumstantial remuneration consists of allowances and emoluments specific to an individual's job, plus any arising from skills scarcity. Additional to this are emoluments rewarding specific skills or qualification deemed necessary for employment in a legal capacity.

Short-term incentives for managers are payable annually after the financial year-end audit has been finalised. Incentives are calculated on company, divisional and individual performance.

The STI scheme for staff in the bargaining unit comprise two components: a quarterly component which is payable every quarter based on the preceding quarter's performance and, an annual component calculated on the preceding financial year's production, cost and safety targets.

### Long-term incentives (LTI)

A long-term incentive scheme was implemented in 2008 to attract, retain and motivate senior, general, executive and director level management personnel who, in the opinion of the Board of Directors, are able to influence the performance of the Company in alignment with management's interests and those of the Company's shareholders.

The criteria for LTI include, for example, the achievement of particular Return on Capital Employed (ROCE) targets, product diversification measures. In terms of human capital, criteria include employee wellbeing, talent management and culture.

## Employee share ownership plan (ESOP)

All Foskor employees (including executive management) are entitled to receive units in the Employee Share Ownership Plan Trust (ESOP) which holds 6% of Foskor's share capital through a special purpose vehicle. The initial allocation of the units was made in June 2011 to employees who had been employed with the Company on 1 April 2009, and a second allocation was made to employees engaged after 1 April 2009 but still in service on 30 June 2011. The allocated number of units per employee is based on their total cost to the Company.

The units from the initial allocation (employees present at 1 April 2009) have vested over a period of three years from 1 April 2012 to 1 April 2014.

The subsequent allocation units have vested over a period of three years from the third anniversary of the allocation date.

## Non-executive directors' remuneration

Non-executive Directors' remuneration is approved by the shareholders annually at the annual general meeting and is based on attendance of directors at Board and committee meetings.

Executive Directors are not paid Directors' fees. Directors' fees for Industrial Development Corporation representatives accrue to the IDC and not to the Directors individually.

Directors fees for the CIL representatives are paid to the directors.

## Remuneration and strategic objectives achievement

The remuneration of the staff is linked to the achievement of strategic objectives and key performance indicators (KPI). The STI performance is based on targets that are achievable in a year, including agreed milestones for the longer-term strategic projects.

The LTI performance is based on financial returns, implementation of strategic projects meant for beneficiation, expansion or growth and other agreed projects. There are no stretch targets.

The assessment of achievement is carried out by the Board, Human Capital and Nominations Committee and they recommend the payment percentages to the Board. The payment of the incentives is at the full discretion of the Board. The STIs are applicable for all levels of staff. Top and senior management are eligible for the LTI scheme.

The ESOP pays out dividends to employees in relation to the number of units held when dividends have been declared; the sale of the units was restricted until 2016, the scheme ends on 31 March 2018. However, IDC has not called an event of default. The ESOP is administered through a Trust that holds 6% of Foskor's equity through a special purpose vehicle. All employees who were employed at 1 April 2009 were allocated the initial units that vested in April 2014.

All employee who joined the Company between 1 April 2009 and March 2013 were allocated the subsequent units which vest over a period of five years from the allocation date.

The valuation of the units at the time of sale will be performed by an independent valuation expert as the shares of the Company are not listed. Their value will be derived from the Foskor company valuation.

Remuneration policies on sign-on bonuses and termination payments are approved by the Human Capital and Nominations Committee.

## Executive pay composition

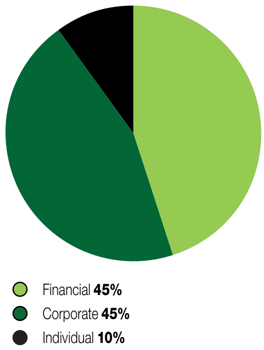
The performance objectives of the short-term and long-term incentive plans are derived with the strategy of the Company in mind. The strategic criteria for both plans are listed below and linked to the strategic priorities from our strategy.

| Short-term incentive criteria | | Strategic priority |
|---|---|---|
| Financial objectives | • Earnings before interest and tax<br>• Free cash flow | • Improve EBIT<br>• Improve cash generation |
| Corporate objectives | • Production targets<br>• Cost per ton<br>• Logistics (product railed)<br>• Strategic projects<br>• Safety<br>• Employee wellbeing<br>• Transformation | • Operational excellence<br>• Baneficiation projects<br>• Zero harm<br>• Good industrial relations |
| Divisional objectives | • Divisional costs<br>• Customer service<br>• Divisional projects<br>• Internal processes | • Operational excellence<br>• Customer value |
| **Long-term incentive criteria** | | **Strategic priority** |
| Corporate objectives | • Return on capital employed<br>• Strategic long-term projects<br>• Human capital projects | • Improve EBIT<br>• Beneficiation and capacity improvement<br>• People engagement |

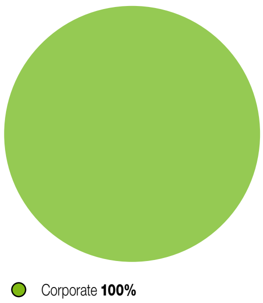
# Remuneration continued

The following graphs are for illustrative purposes to show the composition of the remuneration packages of the Chief Executive Officer and the executive management, as well as demonstrate the proportion of income for guaranteed and non-guaranteed income when targets are 100% achieved.

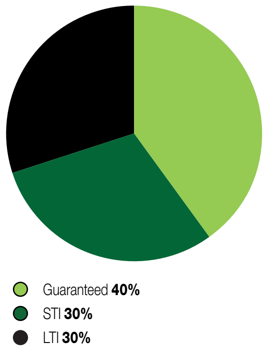
**Ceo weightings – Short-term incentive (%)**



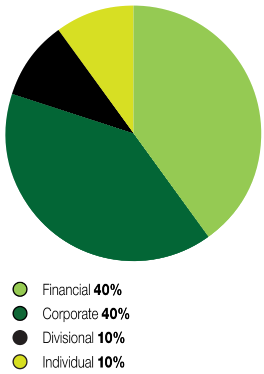

**Ceo weightings – Long-term incentive (%)**



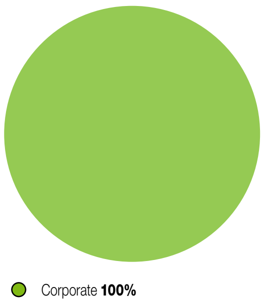

**Ceo weightings – On 100% incentive (%)**



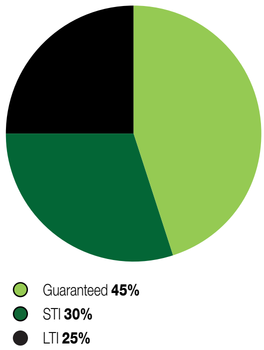

**Executive management (EM) – Short-term incentive (%)**




**Executive management (EM) – Long-term incentive (%)**




**Executive management (EM) – On 100% incentive (%)**




## Non-executive directors

Non-executive Directors' fees for the year were as follows:

| Director | Appointed with effect from | Resigned with effect from | Directors' fees 2019 (R) | Directors' fees 2018 (R) |
|---|---|---|---|---|
| MG Qhena (Chairman)[1] | | 1 February 2018 | **–** | 471 478 |
| JR Barton (Chairman) | | 26 March 2019 | **508 683** | 299 951 |
| RJ Gaveni[1] | | 4 March 2019 | **203 561** | 300 498 |
| R Mabusela-Jonga[5] | | 26 March 2019 | **192 671** | 162 951 |
| P Mainganya[1] | | | **261 054** | 15 654 |
| B Mawasha | | 3 May 2018 | **–** | 175 088 |
| VD Mazibuko[2] | | 26 March 2019 | **170 778** | 275 895 |
| B Mbomvu | | 26 March 2019 | **240 749** | 62 144 |
| N Medupe | | 31 December 2017 | **–** | 213 751 |
| NG Nika | | | **265 705** | 292 671 |
| DS Phaho | | 1 February 2018 | **–** | 232 115 |
| V Ravichandran[4] | | | **116 461** | 159 877 |
| VS Sahney[3] | | 26 March 2019 | **246 988** | 268 511 |
| L Sennelo[5] | | 5 October 2017 | **–** | 112 944 |
| S Subramanian[4] | | 26 March 2019 | **162 951** | 54 317 |
| G van Wyk | | 1 February 2018 | **–** | 236 789 |
| **Total** | | | **2 369 601** | 3 334 634 |

*1 IDC representative – fees accrue to the shareholder.*
*2 Manyoro Consortium representative – half of the fees accrue to the Directors and half to the shareholders.*
*3 Sun International – fees accrue to the Director.*
*4 CIL representatives – fees are paid to the Directors.*
*5 Half of the fees accrued to AWCA and half to shareholders Manyoro Consortium representative.*

## Executive management remuneration

For the year ended 31 March 2019

| Rands | Basic salary | Performance bonuses | Sign on bonus | Contributions to medical aid, pension, life, insurance and UIF | Expenses, allowances, leave encashment | Total |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| U Khumalo[2] | **4 662 629** | **–** | **3 070 616** | **481 904** | **509 185** | **8 724 334** |
| MA Dindar[3] | **3 100 009** | **–** | **–** | **–** | **–** | **3 100 009** |
| **Total** | **7 762 638** | **–** | **3 070 616** | **481 904** | **509 185** | **11 824 343** |
| **Executive officers** | | | | | | |
| JM Morotoba | **3 845 535** | **228 137** | **–** | **155 231** | **18 597** | **4 247 500** |
| SMS Sibisi | **2 906 972** | **258 839** | **–** | **427 972** | **5 000** | **3 598 784** |
| KM Cele | **2 680 927** | **240 798** | **–** | **468 222** | **18 004** | **3 407 951** |
| DP Singh[4] | **2 158 246** | **–** | **–** | **289 236** | **845 688** | **3 293 169** |
| K Muruganandam[1] | **–** | **–** | **–** | **–** | **237 500** | **237 500** |
| **Total** | **11 591 680** | **727 774** | **–** | **1 340 661** | **1 124 789** | **14 784 904** |

*1 Appointed 1 March 2019*

*2 Resigned 31 March 2019*

*3 Appointed as director 1 April 2018*

*4 Resigned 28 February 2019*

For the year ended 31 March 2018

| Rands | Basic salary | Performance bonuses | Sign on bonus | Contributions to medical aid, pension, life, insurance and UIF | Expenses, allowances, leave encashment | Total |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| U Khumalo | 4 424 209 | 193 863 | – | 387 833 | 25 344 | 5 031 249 |
| **Total** | 4 424 209 | 193 863 | – | 387 833 | 25 344 | 5 031 249 |
| **Executive officers** | | | | | | |
| JM Morotoba | 3 658 127 | 147 685 | – | 130 013 | 11 096 | 3 946 921 |
| SMS Sibisi | 2 759 888 | 125 522 | – | 406 391 | – | 3 291 801 |
| KM Cele | 2 545 441 | 116 451 | – | 384 724 | 262 549 | 3 309 165 |
| MA Dindar | 2 988 166 | – | – | – | – | 2 988 166 |
| DP Singh | 2 558 394 | 99 719 | – | 250 625 | – | 2 908 738 |
| **Total** | 14 510 016 | 489 377 | – | 1 171 753 | 273 645 | 16 444 791 |

# Financial performance

## CFO'S REPORT

**ASHRAF DINDAR**
*Chief Financial Officer*

### Financial overview

The 2019 financial year started on a very positive note with an increase in commodity prices supporting the operational improvements made. This resulted in three consecutive quarters of positive EBIT for the first time in many years. The untimely and unfortunate passing in November 2018 of Mduduzi Clifford Mthembu in the Acid Division resulted in some changes at an operational level. These changes were implemented to ensure the continued safety of employees with the consequential impact of limiting phosphoric acid production to approximately 60% of capacity and granular fertiliser production having to be completely stopped for most of the last four months of the financial year. Furthermore, protracted strike action initiated in March 2019 at the Acid Division brought production to an almost complete standstill. The final quarter of the financial year reversed all the positives that were achieved in the first three quarters.

There was a 26% improvement in gross profit compared to the 2018 financial year. This contributed to a lower operating loss of R150 million compared to the R903 million of 2018. The business generated positive cash flows from operations of R178 million which is a significant improvement from 2018.

The weakening of the Rand against the US Dollar by an average of 4% over the previous comparative period had a significantly negative impact on the import of raw materials and is the main reason for the exchange rate loss reflected in the income statement.

The shareholders, and IDC in particular, continued to provide financial support to the business for both working capital and the Capex programme aimed at further improving production performance and efficiencies.

## REVENUE
**↓ 8%**

**TO R5.4bn**
(2018: R5.9 billion)

## LOSS FOR THE YEAR
**↓ 76%**

**TO (R184m)**
(2018: R779 million loss)

## GROSS PROFIT
**↑ 26%**

**TO R968m**
(2018: R768 million)

## CASH GENERATED FROM OPERATIONS
**↑ 152%**

**TO R178m**
(2018: R344 million utilised)

# Key drivers

Foskor's earnings are highly sensitive to commodity prices and exchange rate movements. The consequences of movements in these key drivers can be expressed as follows:

## Sensitivity analysis

| Key driver | Movement | EBIT impact |
|---|---|---|
| Exchange rate | R1 per US dollar | R258 million |
| Phosphoric acid | $10 per ton | R35 million |
| Granular | $10 per ton | R32 million |
| Rock export | $10 per ton | R85 million |
| Magnetite export | $10 per ton | R28 million |
| Sulphur | $10 per ton | R63 million |
| Acid plant efficiency | 1% | R30 million |

Management has developed plans and strategies to deal with any significant changes in these key drivers. These are continuously being reviewed to mitigate the risk.

## Exchange rates

Our earnings are largely impacted by the average ZAR/USD exchange rate as most of our products' selling prices and raw material costs are in US Dollars. The Group uses forward contracts and options to hedge or cover foreign exchange exposure, in addition to the natural hedging that takes place between our exports and imports.

**During the year, the Rand averaged R13.61 to the USD; this is 4% weaker than the average of R13.04 recorded in 2018.**

The Rand weakened towards the end of the financial year and closed at R14.67 (2018: R11.82).

## Commodity prices

### SELLING PRICES

There was an improvement on commodity price on Phosphoric Acid and Granulation fertiliser while export magnetite, phosphate rock still remained fairly constant as impacted by the volatile trading conditions demonstrated by commodities markets. This had a positive impact on our Phosphoric Acid and Granulation revenues while negatively impacting our export magnetite and phosphate rock revenues. The average phosphate rock export price increased from US$100 per ton to US$104 per ton in the current year. Average granulation prices increased by US$26 per ton from US$406 per ton to US$432 per ton, while the average phosphoric acid export price increased by 31% from US$540 per ton to US$710 per ton in the current year.

### RAW MATERIAL INPUT COSTS

The Acid Division imports large quantities of sulphur and ammonia from international suppliers, exposing the Group to international commodity price volatility. The average delivered sulphur purchase price increased from US$137 per ton in 2018 to US$162 in the current year and average ammonia prices increased from US$352 per ton to US$380 per ton.

## Efficiencies

### PRODUCTION EFFICIENCY

The cost of producing phosphoric acid and granular is highly sensitive to the acid plant's production efficiency rate.

The higher the efficiencies, the lower the cost of production and *vice versa*.

Due to the impact of the strike as well as extended maintenance work carried out during the year under review, the production efficiency reduced from 89% to 85%.

# Financial performance continued

## Financial Performance

**Extracts from the statement of comprehensive income***

| R million | 2019 | 2018 | % change |
|---|---|---|---|
| Revenue | **5 429** | 5 893 | (8) |
| Cost of sales | **(4 461)** | (5 125) | 13 |
| Gross profit | **968** | 768 | 26 |
| Distribution costs | **(930)** | (1 263) | 26 |
| Administrative expenses and other income | **(188)** | (179) | (5) |
| Earnings before extraordinary items | **(150)** | (674) | 78 |
| Impairment of assets | **–** | (229) | 100 |
| Earnings before interest and tax (EBIT) | **(150)** | (903) | 83 |
| Net finance expense | **(98)** | (175) | 44 |
| Share of loss from an associate | **–** | (5) | 100 |
| Net foreign exchange (loss)/gain | **(128)** | 130 | (198) |
| Loss before tax | **(376)** | (952) | 60 |
| Income tax credit | **192** | 173 | 11 |
| **Loss for the year** | **(184)** | (779) | 76 |
| **EBITDA** | **206** | (319) | 164 |

## Revenue

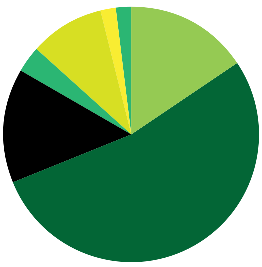
Group revenue decreased by 8% to R5.4 billion (2018: R5.9 billion). The decrease is as a result of lower sales volume in the current year. This was partly offset by higher revenue from the weaker exchange rate as well as higher sales prices on phosphoric acid and granular sales.

Phosphoric Acid accounted for 48% (2018: 36%) of revenue, Granular accounted for 25% (2018: 37%) of total revenue, while rock contributed 17% (2018: 19%) towards total revenue. Magnetite's contribution towards total revenue decreased from 6% in 2018 to 2% in 2019. Other sales comprising Sulphur, Sulphuric Acid accounted for 8% (2018: 2%).

Exports accounted for 47% of the Group's revenue in the current year, same as in 2018.

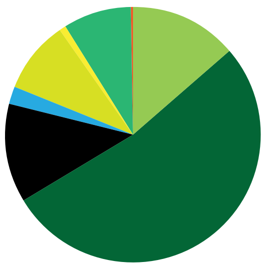
The composition of revenue by geographic location is set out below:

**2019 Geographic revenue segmentation (%)**



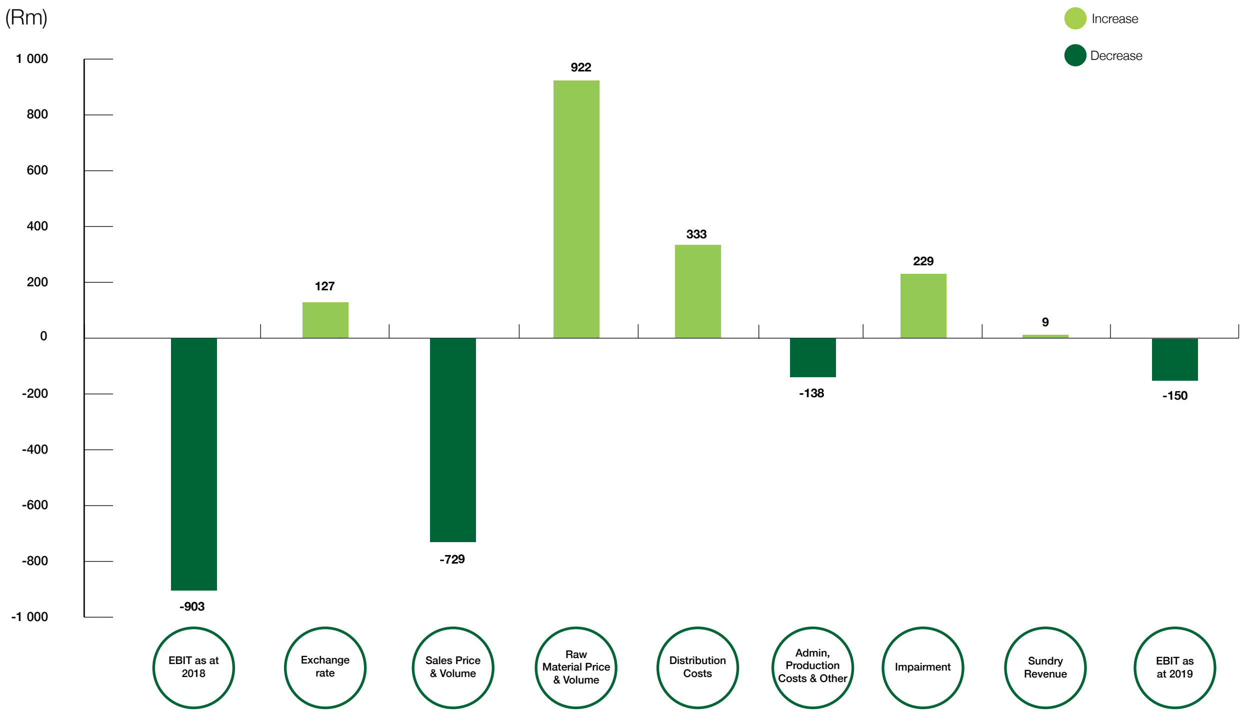
- India **16**
- South Africa **53**
- Europe **14**
- Middle East **3**
- Far East **10**
- Australia **2**
- South America **2**

**2018 Geographic revenue segmentation (%)**



- India **14**
- South Africa **53**
- Europe **13**
- Middle East **2**
- Far East **9**
- Australia **1**
- South America **8**

**Change in operating profit – year on year**




## Production costs

The Acid Division Phosphoric production costs increased by US$88 per ton from US$677 to US$765 per ton. The increase in production costs is mainly due to higher raw material costs, lower efficiencies and maintenance issues which results in lower production and higher raw material usage per ton of production.

The Mining Division Rock production costs per ton increased by US$5 per ton from US$83 to US$88 per ton in the current year. This is largely due to lower production of 2.004 million tons as compared to the previous year's production of 2.141 million tons.

## Impairment

The Group recognised an impairment loss of Rnil as compared to prior year impairment of R229 million relating to property, plant and equipment.

## Finance costs

Net finance costs reduced from R175 million to R98 million in the current year as a result of the decrease in the average debt levels compared to the previous financial year.

## Foreign exchange

The net losses resulting from foreign exchange was R128 million as compared to gains of R130 million in the prior year. These losses resulted mainly from hedging instruments to cover export sales as well as settlement of import purchases at a higher exchange rate as compared to invoicing rate.

## Loss for the year

The net loss for the year decreased from R779 million to R184 million mainly due to lower cost of sales and higher gross margins earned, lower distribution costs, lower interest expense partly offset by lower revenue and foreign exchange loss as compared to the previous year.

# Financial position

## Summary statement of financial position*

| R million | 2019 | 2018 | % change |
|---|---|---|---|
| Assets | **8 094** | 8 328 | (3) |
| Equity | **4 830** | 4 376 | 10 |
| Liabilities | **3 264** | 3 952 | 17 |

## Equity

During the year the Company issued additional class D shares. The shares have a preferential right to dividends over ordinary shares and the required rate of return is an after tax IRR of 10.5%.

## Funding

| R million | 2019 | 2018 | % change |
|---|---|---|---|
| Long-term loans | **(1 182)** | (956) | (24) |
| Short-term loans | **(300)** | (558) | 46 |
| Cash | **325** | 276 | 18 |
| **Net debt (R'm)** | **(1 157)** | (1 239) | 7 |

The IDC funding facility of R4 billion is still in place and is made up of a R700 million working capital loan, R2.3 billion capital expenditure loan and a R1 billion equity injection. As at 31 March 2019, the R700 million working capital loan and R482 million of capital expenditure facility had been utilised. The capital injection of R1bn has also been made. The Group entered into a debtors' factoring agreement with ABSA in 2016 whereby Foskor debtor's book (excluding foreign debtors) was ceded to ABSA. ABSA provides a facility of R350 million in this regard. The facility is valid for a period of 12 months and renewable annually at the discretion of the bank. Foskor has short-term facilities of R555 million (2018: R580 million) available from commercial banks.

# Financial performance continued

## Working capital

| R million | 2019 | 2018 | % change |
|---|---|---|---|
| Inventory | **1 456** | 1 169 | 25 |
| Trade and other receivables | **722** | 1 105 | (35) |
| Trade and other payables | **(1 058)** | (1 218) | 13 |
| **Working capital requirement** | **1 120** | 1 056 | 6 |

Working capital increased by 6% from R1.06 billion in 2018 to R1.12 billion in the current year. This is largely due to a R287 million increase in inventory and R160 million decrease in trade and other payables. The decrease in trade and other receivables is due to the strike impact in March 2019 at the Acid Division which resulted in lower production and lower sales for that quarter. Our working capital requirements were financed through cash on hand and short-term funding facilities.

## Cash flow

### Cash flow statement extracts*

| R million | 2019 | 2018 | % change |
|---|---|---|---|
| Cash generated from/ (utilised by) operations | **178** | (344) | 152 |
| Cash utilised by operating activities | **(45)** | (400) | 89 |
| Cash used in investing activities | **(495)** | (757) | 35 |

The R178 million cash generated from operations compared to the previous year is mainly due to the reduction in losses as well as the reduction in trade receivables offset by the reduction in trade payables and increase in inventory. Trade receivables decreased from R969 million in 2018 to R501 million in 2019 due to lower sales at year-end. Raw Materials increased by R184 million from R159 million in 2018 to R343 million in 2019. Finished goods also increased by R51 million from R345 million in 2018 to R396 million in 2019. Cash utilised by operating activities reduced from R400 million utilisation to R45 million utilisation mainly due to trade receivable reduction in the current year. Cash used in investing activities reduced by R262 million to R495 million mainly due to lower investment in capital expenditure incurred in the current year.

## Outlook

The first quarter of the 2020 financial year has started with the continuation of strike action that affected operations at the Acid Division. The strike was eventually settled after 47 days with the loss of Revenue estimated at close to R500 million. All attempts will be made to make up some ground during the remainder of the financial year.

Phosphoric acid prices started the financial year on a downward trend with prices coming down by $95 per ton from the previous year. The softer prices are expected to continue throughout the financial year. However, sulphur prices have also come down by approximately $70 per ton recently. This reduction in sulphur will assist in minimising the impact of the drop in Phosphoric Acid prices as well as the curtailment of production in the last quarter of the financial year for safety reasons.

The new Magnetite Beneficiation plant that Foskor has a 40% shareholding in, is expected to become operational in the second half of the 2020 financial year. With current Magnetite prices reflecting an upward trend, this is expected to contribute positively to the Company's financial performance in future. This would also assist in balancing the volatility in phosphates-based commodity prices.

The focus on operational efficiencies and cost containment will continue. Continuous improvement initiatives have been identified and the implementation thereof will make further inroads into turning the Company's financial performance around.

Despite the negative start with the strike action, 2020 is likely to show further improvement over 2019.

* *For a full set of consolidated financial statements please refer to www.foskor.co.za.*

# Summary of financial statements

The summarised consolidated financial results have been approved by the Board of Directors and were signed on their behalf by the Chairman, Mr RM Godsell and Acting Chief Executive Officer, Mr J Morotoba.

This document provides a summary of the information contained in Foskor's annual consolidated financial statements, which are available on our website.

The summarised consolidated financial results are not the Group's statutory accounts and do not contain sufficient information to allow for as complete an understanding of the results and state of affairs of the Group as that provided by the full set of Group consolidated annual financial statements.

## Basis of preparation

The information in these summarised consolidated annual financial statements of the Group have been extracted from the Group's audited annual financial statements and have been prepared in accordance with IAS 34, Interim Financial Reporting and the South African Companies Act of 2008, as amended.

They do not include all the information required for the full annual financial statements and should be read in conjunction with the consolidated annual financial statements for the Group as at the year ended 31 March 2019. The financial statements have been prepared under the historical cost convention, except for certain items including the revaluation of available-for-sale investments and financial assets and liabilities at fair value through profit or loss. The summarised consolidated results are prepared on a going-concern basis.

## Significant accounting policies

The accounting policies applied by the Group in the summarised consolidated annual financial statements are the same as those applied by the Group in its full set of consolidated annual financial statements as at and for the year ended 31 March 2019.

## Key estimates and areas of judgement

The preparation of the summary annual financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these summary consolidated annual financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated annual financial statements as at the year ended 31 March 2019.

The presentation and functional currency of Foskor (Pty) Limited is the South African Rand (R) and all monetary amounts are rounded to the nearest thousand.

Mr MA Dindar CA(SA), Chief Financial Officer is responsible for this set of financial results and has supervised the preparation thereof.

## Independent audit by the auditors

The Group's 2019 consolidated annual financial statements have been audited by the Group's joint external auditors, Ngubane & Co (Johannesburg) Incorporated and SizweNtsalubaGobodo Grant Thornton Incorporated. The individual auditors assigned to perform the audit are Ms N Ashom and Mr M Hafiz.

These summarised consolidated annual financial statements have not been audited by the Group's joint external auditors.

## Audit report opinion

The unqualified audit report on the full set of annual financial statements, is available at the Company's registered office.

# Abridged group statement of financial position

As at 31 March 2019

| | Notes | GROUP 2019 R'000 | GROUP 2018 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **4 803 214** | 5 187 556 |
| Intangible assets | | **6 406** | 7 218 |
| Investment in joint venture | | **25** | 25 |
| Investment in associate | | **–** | – |
| Financial investments | | **271 485** | 231 255 |
| Deferred tax assets | | **509 261** | 316 956 |
| | | **5 590 391** | 5 743 010 |
| **Current assets** | | | |
| Inventories | 1 | **1 456 154** | 1 169 220 |
| Trade and other receivables | | **722 449** | 1 105 236 |
| Derivative financial instruments | | **–** | 34 096 |
| Cash and cash equivalents | 2 | **324 887** | 275 956 |
| | | **2 503 490** | 2 584 508 |
| **Total assets** | | **8 093 881** | 8 327 518 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners** | | | |
| Ordinary shares | | **4 020 795** | 3 385 502 |
| Share premium | | **132 013** | 132 013 |
| Retained earnings | | **373 622** | 554 543 |
| Share-based payment reserve | | **303 914** | 303 914 |
| **Total equity** | | **4 830 344** | 4 375 972 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Finance lease liability | | **5 401** | 7 029 |
| Environmental rehabilitation liability | | **523 155** | 1 006 977 |
| Employee share-based payment liability | | **1 322** | 2 113 |
| Long-term interest-bearing loans | | **1 182 464** | 956 419 |
| Retirement benefit obligations | | **129 929** | 137 282 |
| | | **1 842 271** | 2 109 820 |
| **Current liabilities** | | | |
| Trade and other payables | | **1 058 523** | 1 218 564 |
| Short-term interest-bearing loans | | **299 673** | 558 292 |
| Current tax liability | | **652** | 659 |
| Finance lease liability | | **1 628** | 1 823 |
| Derivative financial instruments | | **21 864** | 5 640 |
| Provisions | | **38 926** | 56 748 |
| | | **1 421 266** | 1 841 726 |
| **Total liabilities** | | **3 263 537** | 3 951 546 |
| **Total equity and liabilities** | | **8 093 881** | 8 327 518 |

# Abridged group statement of comprehensive income

For the year ended 31 March 2019

| | GROUP | |
|---|---|---|
| | **2019 R'000** | **2018 R'000** |
| Revenue | **5 429 057** | 5 892 981 |
| Cost of sales | **(4 461 491)** | (5 125 175) |
| **Gross profit** | **967 566** | 767 806 |
| Distribution costs | **(930 386)** | (1 262 889) |
| Administrative expenses | **(278 458)** | (283 556) |
| Share-based payment expense | **791** | 23 659 |
| Impairment of assets | **–** | (229 000) |
| Other income | **90 701** | 81 609 |
| Loss on disposal of property, plant and equipment | **(331)** | (490) |
| **Operating loss before interest and tax** | **(150 117)** | (902 861) |
| Finance income | **33 145** | 33 572 |
| Finance costs | **(131 263)** | (208 703) |
| Share of loss from investment in associate, net of tax | **–** | (4 589) |
| Net foreign exchange (loss)/gain | **(127 765)** | 130 128 |
| **Loss before taxation** | **(376 000)** | (952 453) |
| Income tax credit | **192 280** | 173 302 |
| **Loss for the year** | **(183 720)** | (779 151) |
| **Other comprehensive income:** | | |
| ***Items that will not be reclassified to profit or loss:*** | | |
| Remeasurements of post-employment benefit obligation, net of tax | **8 064** | (3 630) |
| Fair value adjustments of trade receivables | **(5 265)** | – |
| **Other comprehensive income/(loss) for the year, net of tax** | **2 799** | (3 630) |
| **Total comprehensive loss for the year** | **(180 921)** | (782 781) |

# Abridged group statement of changes in equity

For the year ended 31 March 2019

| GROUP | Share capital R'000 | Share premium R'000 | Retained earnings R'000 | Share-based payment reserve R'000 | Total R'000 |
|---|---|---|---|---|---|
| **Balance at 31 March 2017** | 3 015 962 | 132 013 | 1 337 324 | 303 914 | 4 789 213 |
| Class B shares issued | 170 000 | – | – | – | 170 000 |
| Class D shares issued | 199 540 | – | – | – | 199 540 |
| Loss for the year | – | – | (779 151) | – | (779 151) |
| **Other comprehensive income** | | | | | |
| Post-employment benefit obligation remeasurements | – | – | (5 041) | – | (5 041) |
| Deferred tax | – | – | 1 411 | – | 1 411 |
| Share of other comprehensive loss of associate | – | – | – | – | – |
| **Total comprehensive loss for the period** | – | – | (782 781) | – | (782 781) |
| **Balance at 31 March 2018** | 3 385 502 | 132 013 | 554 543 | 303 914 | 4 375 972 |
| **Balance at 1 April 2018** | **3 385 502** | **132 013** | **554 543** | **303 914** | **4 375 972** |
| Adjustment on initial application of IFRS 9 (net of tax) | **–** | **–** | **–** | **–** | **–** |
| Class D shares issued | **635 293** | **–** | **–** | **–** | **635 293** |
| Loss for the year | **–** | **–** | **(183 720)** | **–** | **(183 720)** |
| **Other comprehensive income** | | | | | |
| Post-employment benefit obligation | **–** | **–** | **11 200** | **–** | **11 200** |
| Deferred tax | **–** | **–** | **(3 136)** | **–** | **(3 136)** |
| Fair value adjustments of trade receivables | **–** | **–** | **(5 265)** | **–** | **(5 265)** |
| **Total comprehensive loss for the period** | **–** | **–** | **(180 921)** | **–** | **(180 921)** |
| **Balance at 31 March 2019** | **4 020 795** | **132 013** | **373 622** | **303 914** | **4 830 344** |

# Abridged statement of cash flow

For the year ended 31 March 2019

| | GROUP 2019 R'000 | GROUP 2018 R'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from/(utilised by) operations | **177 797** | (343 675) |
| Interest received | **20 816** | 28 393 |
| Interest paid | **(116 318)** | (180 988) |
| Realised foreign exchange (loss)/gain | **(127 765)** | 96 169 |
| Income taxes paid | **(2)** | – |
| **Cash (utilised by) operating activities** | **(45 472)** | (400 101) |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(467 681)** | (728 143) |
| Purchase of intangible assets | **(2 083)** | (2 995) |
| Proceeds from sale of property, plant and equipment | **–** | 23 |
| Purchase of financial investment held in the environmental rehabilitation trust | **(26 300)** | (10 372) |
| Financial investment held in Richards Bay Ammonium Consortium | **786** | (15 046) |
| Redemption of preference shares investment | **–** | – |
| **Cash used in investing activities** | **(495 278)** | (756 533) |
| **Cash flows from financing activities** | | |
| Issue of class B shares and class D shares | **635 293** | 369 540 |
| Repayment of finance lease liability | **(1 823)** | (1 823) |
| Proceeds of long-term interest-bearing loan | **214 829** | 326 419 |
| (Repayment)/proceeds of short-term interest-bearing loan | **(258 618)** | 74 240 |
| **Net cash from financing activities** | **589 681** | 768 376 |
| **Net increase/(decrease) in cash and cash equivalents** | **48 931** | (388 258) |
| Cash and cash equivalents, beginning of year | **275 956** | 664 214 |
| **Cash and cash equivalents, end of year** | **324 887** | 275 956 |

# Selected explanatory notes to the abridged group annual financial statements

| | GROUP | |
|---|---|---|
| | **2019 R'000** | **2018 R'000** |
| **1. INVENTORIES** | | |
| Spares and consumables stores | **207 622** | 470 802 |
| Phosphate rock | **342 859** | 194 554 |
| Raw materials | **396 199** | 158 815 |
| Finished goods | **509 473** | 345 049 |
| **Total inventories** | **1 456 154** | 1 169 220 |

The value of inventory write down to net realisable value in the current year is R5.2 million (2018: Rnil).

| | GROUP | |
|---|---|---|
| | **2019 R'000** | **2018 R'000** |
| **2. CASH AND CASH EQUIVALENTS** | | |
| Cash at bank and on hand | **324 887** | 275 956 |
| Cash and cash equivalents | **324 887** | 275 956 |

| | GROUP | |
|---|---|---|
| | **2019 R'000** | **2018 R'000** |
| **3. COMMITMENTS** | | |
| **Capital commitments** | | |
| Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows: | | |
| Property, plant and equipment | **95 349** | 201 895 |
| **Total capital commitments** | **95 349** | 201 895 |
| **Operating lease commitments** | | |
| The future minimum lease payments payable under non-cancellable leases are as follows: | | |
| Payable not later than one year | **300** | 1 200 |
| Payable later than one year and not later than five years | **–** | 300 |
| **Total lease commitments** | **300** | 1 500 |

# Selected explanatory notes to the abridged group annual financial statements continued

## 4. GROUP SEGMENTAL REPORTING

### 4.1 Segment information

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Executive Committee considers the business primarily from a product perspective. The products are segmented into phosphate rock and magnetite (Phalaborwa) and phosphoric acid and granular fertiliser.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade and other receivables, and cash and cash equivalents. Segment liabilities comprise of borrowings, trade and other payables, and provisions.

Capital expenditure comprises additions to property, plant and equipment (refer to note 4) and intangible assets (refer to note 5 of the full set of annual financial statements).

| | Phalaborwa | | Richards Bay | | Total |
|---|---|---|---|---|---|
| | Phosphate rock 2019 R'000 | Magnetite 2019 R'000 | Phosphoric acid 2019 R'000 | Granular 2019 R'000 | 2019 R'000 |
| Total segment revenue | **3 136 080** | **90 450** | **3 018 548** | **1 374 457** | **7 619 535** |
| Local revenue | **2 244 865** | **13 137** | **1 454 274** | **1 374 457** | **5 086 733** |
| Export revenue | **891 215** | **77 313** | **1 564 274** | **–** | **2 532 802** |
| Inter-segment revenue | **(2 191 472)** | **–** | **–** | **–** | **(2 191 472)** |
| Revenue from external customers[1] | **944 608** | **90 450** | **3 018 548** | **1 374 457** | **5 428 063** |
| Earnings before interest and tax (EBIT) | **78 551** | **43 825** | **(136 613)** | **–** | **(14 237)** |
| Depreciation and amortisation | **(241 412)** | **–** | **(114 102)** | **–** | **(355 514)** |
| Impairment charge | **–** | **–** | **–** | **–** | **–** |
| Reportable segment assets | **4 281 301** | **–** | **3 237 939** | **–** | **7 519 240** |
| Capital expenditure for reportable segment non-current assets | **233 448** | **–** | **197 567** | **–** | **431 015** |
| Reportable segment liabilities | **812 243** | **–** | **1 059 508** | **–** | **1 871 751** |

[1] *Revenue from unreported segments amounts to R1 million (2018: R0.9 million).*

### 4.2 Reconciliation of reportable segment EBIT to Group profit before tax is provided as follows:

The Executive Committee assesses the performance of the operating segments based on a measure of adjusted earnings before interest and tax (EBIT). Segment EBIT equals segment revenue less segment expenses, which include costs of sales and other operating costs. This measurement basis excludes the effects of allocated corporate expenditure. Interest income and expenditure, as well as foreign exchange gains and losses, are not allocated to segments as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The revenue from external parties reported to the Executive Committee is measured in a manner consistent with that of the statements of comprehensive income and there were no reconciling items. Sales of phosphate rock between operating segments (Rock and Acid Divisions; and Acid and NPK Divisions) are carried out at arm's length.

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Segmental earnings before interest and tax (EBIT) | **(14 237)** | (559 615) |
| Net corporate and subsidiaries expenses | **(135 880)** | (347 835) |
| Finance income | **33 145** | 33 572 |
| Finance costs | **(131 263)** | (208 703) |
| Net foreign exchange (losses)/gain | **(127 765)** | 130 128 |
| **Group loss before tax** | **(376 000)** | (952 453) |

## 4. GROUP SEGMENTAL REPORTING continued

### 4.3 Reportable segment assets are reconciled to total Group assets as follows:

The amounts provided to the Executive Committee with respect to the total assets are measured in a manner consistent with that of the financial statements. Derivative financial instruments held by the Group are not considered to be segment assets but rather are managed by the central treasury function.

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Segment assets for reportable segments | **7 519 240** | 7 929 781 |
| **Unallocated:** | | |
| Deferred tax asset | **509 261** | 316 956 |
| Derivative financial instruments | **–** | 34 096 |
| Other assets | **65 380** | 46 685 |
| **Total group assets per the statement of financial position** | **8 093 881** | 8 327 518 |

### 4.4 Reportable segment liabilities are reconciled to total liabilities as follows:

The amounts provided to the Executive Committee with respect to the total liabilities are measured in a manner consistent with that of the financial statements. Deferred tax and derivative financial instruments are not considered to be segment assets but rather are managed by the central treasury function.

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Segment liabilities for reportable segments | **1 871 751** | 2 820 648 |
| **Unallocated:** | | |
| Deferred tax liability | **–** | – |
| Corporate and subsidiary liabilities | **1 391 786** | 1 130 898 |
| **Total group liabilities per the statement of financial position** | **3 263 537** | 3 951 546 |

# Operational performance

## Mining division

### Key achievements

| | |
|---|---|
| Improved safety record | • ZERO fatalities<br>• Lost Time Injury Frequency Rate (LTIFR) of 0.22<br>• 18% reduction in vehicle-related incidents<br>• 40% decrease in track – bound mobile incidents<br>• Zero reportable fire incidents |
| Environmental management | • No environmental incidents occurred |
| Improved production efficiencies | • Production efficiencies improved to 73.84% (2018: 73.53%)<br>• No production loss due to labour strikes, community unrest or DMR |
| Successful implementation of key strategic initiatives and projects | • Continuation of mining fleet replacement programme with delivery of support equipment, two water bowsers and grader and order placed for new primary loader<br>• Successful integration of North Pit Pushback project into the North Pit Mine, to extend life of North Pit mine<br>• Implementation of initiatives to reduce product losses and improved production efficiencies at the end of March to 75%<br>• Construction phase of Magnetite Beneficiation plant has commenced to upgrade lower grade magnetite deposits. Project 72% complete with expected completion in 12 months' time (Foskor Joint Venture) |
| Retained SHEQ integrated management systems | • All Management System Certifications retained (ISO: 14001:2015, ISO: 9001:2015, OSHAS 18001 and SANS 16001)<br>• In the process of converting OSHAS 18001 to ISO 45001 |
| Infrastructure and development projects | • Successful completions of new Selati Tailings Dam dust reduction project (Environmental Compliance)<br>• Construction of silt collection pond 56% complete (Environmental Compliance) |

### Challenges

| | |
|---|---|
| Decreased production | Production of Phosphate 6.4% lower than 2018. Impacted by:<br>• Drilling performance of primary drilling contractor<br>• Lower supply of ROM due to waste removal backlog<br>• Failure of Ext 8 mill gearbox in December 2018<br>Production Risk<br>• Age of processing equipment at Secondary Crusher Plant<br>• Foskor South Pit haul road closure due to PMC pit subsidence. 1 366 720 tons lower ROM supply (2018: 1 157 198 tons) |

# Overview

The Mining Division mines apatite, a phosphate-bearing mineral, at its two open-cast mines and produces sufficient quantities of rock to feed Foskor's phosphoric acid plant at the Acid Division in Richards Bay, supply other local clients and export excess product to international clients.

The Mining Division continues to grow its magnetite business. Recent advances in iron ore smelter technology have increased the demand for magnetite. Although magnetite is no longer present in the pyroxenite ores excavated from the two mines, Foskor has sufficient stockpiled resources to capitalise on the increased demand from China. As a result of the demand for higher grade magnetite, Foskor has established a joint venture with other partners to further upgrade available magnetite resources

# Mine performance

## Mining Performance

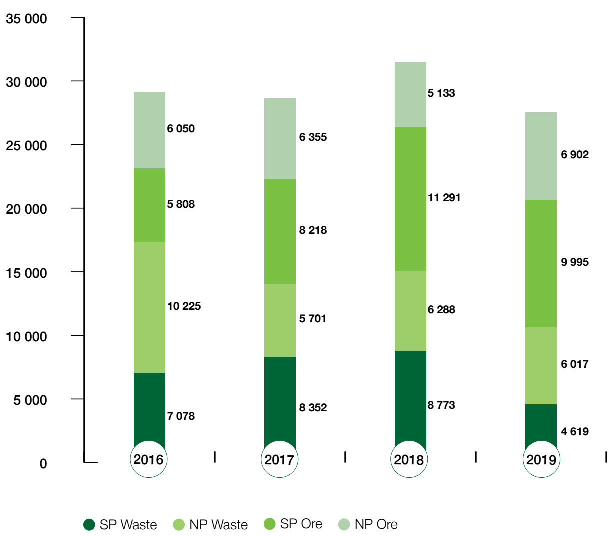
The Mining Division mined a total of 27.53 million tons of material in 2019 (2018: 32.84 million tons), inclusive of the North Pit Pushback Project (NPPB), resulting in 10.63 million tons of waste (2018: 14.45 million tons) and 16.89 million tons of ore (2018:18.39million tons). The processing facility treated 14.90 million tons of ore, 7.11% lower than 2018. Run-of-mine (ROM) feed grades were marginally higher at 6.82% $P_2O_5$ (2018: 6.71%). Mine development work in the North Pit mine (NPPB Project) was completed in July 2018. The North Pit mine now operates as an integrated unit.

## Production performance

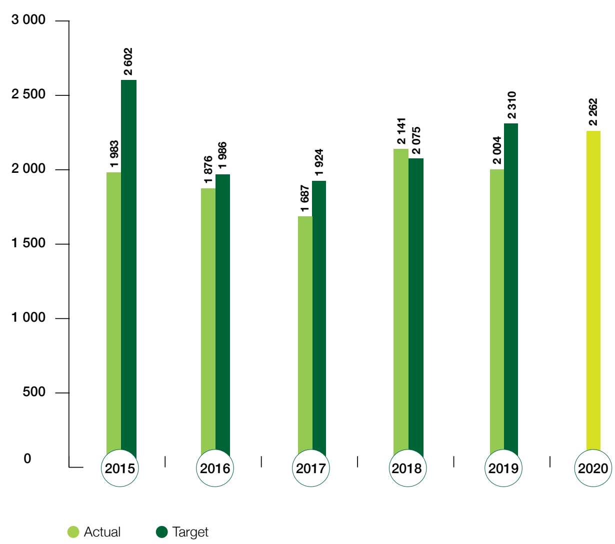
The overall processing efficiency was higher at 73.84% (2018: 73.53%). Total production for 2019 was 6.4% lower than 2018 at 2.004 million tons concentrate (2018: 2.141 million tons). Lower production was mainly as a result of contractor equipment reliability problems in the outsourced functions of primary drilling and load and haul function in the North Pit. While the age of some of the Mining Divisions crusher plants still pose a production risk pending replacement and upgrade, primary and secondary crusher reliabilities have improved compared to 2018 after various interventions. Implementation of the "hot seat" changeover shift system at the Mining and Crusher Departments has proven to be successful.

Only localised Section 54 stoppages were issued with none negatively impacting production.

**Performance per mine (k tons mined)**




**Rock production (k tons produced)**



# Operational performance continued

## Product distribution

The Division dispatched 1.97 million tons of rock concentrate to the Foskor Acid Division, export and local customers (2018: 2.244 million tons) or 12.2% lower compared to the 2018 dispatches. This is 9.7% lower than the 2019 target of 2.174 million tons. Decreased rock concentrate intake at the Foskor Acid Division compared to 2018 resulted in the lower dispatches from the mine.

Total product railed to the Acid Division was 1.303 million tons (2018: 1.423 million tons) compared to the 2019 target of 1.57 million tons.

Phosphate railed to Maputo harbour for export was 335 417 tons (2018: 430 817 tons) compared to 2019 target of 260 000 tons.

Product railed to Richard Bay for export was 302 728 tons (2018: 325 388 tons) compared to a target of 250 000 tons. Phosphate railed to other local customers was 28 128 tons (2018: 64 254 tons) compared to 2019 target of 90 000 tons.

The magnetite dispatches from the Division decreased by 86.4% to 143 762 tons (2018: 1 057 404 tons) compared to a target of 279 996 tons. Unfavourable iron ore prices (high grade magnetite) resulted in the ceasing of sales during the majority of the financial year.

## Addressing production challenges

To improve on our performance, we are actively addressing the remaining production challenges and opportunities.

| | |
|---|---|
| **Reliability of the crushing circuits due to age of the infrastructure** | The crusher replacement and renewal programmes are continuing and progress is subject to CAPEX approval and cash flow position. Critical spares have been sourced and various crusher equipment and components have been replaced. A revised risk and condition based maintenance programmes has also been implemented at the crushers. |
| **Lower production throughput as a result of a shortfall in hauling capacity and reliability of aging mining fleet** | CAPEX to the value of circa R700 million has been previously approved to replace the aging mining fleet. Replacement of the aging fleet continues with the focus on support equipment and loaders in 2019. Delivery of two water bowsers and a grader took place during the financial year. The delivery of a new primary loader is expected in September 2019. |
| **Efficiency improvements** | The implementation of initiative to address process instability at the Extension 8 plant was completed in Q4 in the financial year. The full benefit of the project will realise in the next financial year.<br><br>Phase 1 of a project to reduce product losses was also initiated and completed in the financial year with full benefit in the new financial year. Production efficiencies have marginally increased in 2019. |
| **Performance of outsourced functions** | Underperformance of key outsourced operational functions negatively impacted production. The Division has reviewed the vendor selection process and changed procedures to include a much more robust risk assessment step in the technical review and adjudication steps of the procurement processes. |
| **South Pit Haul Road closure due PMC pit subsidence impact** | The detail design to reinstall buffer stockpile system to continue to feed the secondary crusher train has been completed. It is expected to start construction of the system in the new financial year with completion during June 2020. |

## Mine and mineral content quality

Run-of-Mine (ROM) feed grades remained constant at 6.82% (2018: 6.71%).

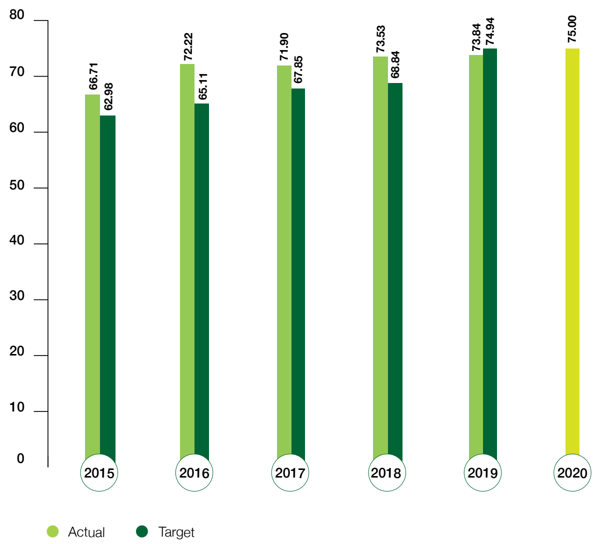
Total weighed phosphate rock recovery for the year was 73.84%, compared to 73.53% in 2018. This is expected to improve in the 2019 financial year due to further improvement initiatives to be implemented.

The combined stripping ratio (the amount of waste material required to be mined in order to extract ore) for the two mines was 0.68 (2018: 0.79). Less waste was mined due to primary drilling and loading constraints of the drilling and North Pit mining contractor.

The North Pit Push Back project (unlocking new reserves and extend life of mine from eight years to 30 years) has been completed and is now fully integrated with the current North Pit mine.

Overall stripping ratios in the mining complex are expected to remain between 0.75 and 0.8 for the next few years ensuring mining cut off grades of not lower than 5% $P_2O_5$ are maintained.

**Total $P_20_5$ recovery (k tons mined)**




## Production performance

Production* performance per stream

| STREAM | Product grade % $P_2O_5$ | 2017 (tons) | 2018 (tons) | 2019 (tons) | Targeted (tons) | % of target |
|---|---|---|---|---|---|---|
| F-Bank concentrate | | 775 501 | 1 052 805 | **1 050 705** | 1 085 654 | 96.78 |
| DSF concentrate | | 505 430 | 542 143 | **523 791** | 593 296 | 88.05 |
| Extension 8 concentrate | | 394 460 | 546 234 | **422 147** | 631 535 | 66.85 |
| Other recoveries | | – | – | **8 976** | – | – |
| Total Palfos B production | | 1 675 391 | 2 141 182 | **2 004 219** | 2 310 485 | 86.74 |
| Palfos R | | 11 260 | – | **–** | – | – |
| **Total production** | **37.08** | **1 686 651** | **2 141 182** | **2 004 219** | **2 310 485** | **86.74** |

** Calculated weighted production per stream.*

Production of final product decreased by 6.4% to 2.004 million tons (2018: 2.141 million tons).

## Occupational health and safety

ZERO fatalities were recorded in the Mining Division during the 2018 financial year. Two of the six lost time injuries resulted in amputations of a part of a finger.

The Department of Mineral Resources (DMR) conducted 12 safety audits of which eight resulted in localised Section 54 stoppages. None affected production. Foskor continues to foster a positive relationship with DMR and supports their drive to reduce fatalities and injuries and regular inspections and recommendations has supported safety improvement initiatives.

As per the Recognition Agreement with National Union of Mineworkers and requirements in the Mine Health and Safety Act, the Division Safety Steering Committee and Departmental Safety Committees continue to meet as required.

The number of Minor injuries recorded for the year was 27 (2018: 27). The All Injury Frequency Rate (AIFR) was 1.19 (2018:1.11). Trackless Mobile Machinery (vehicle-related) incidents have reduced to 27 (2017: 33). Six (6) Lost Time Injuries (LTIs) occurred compared to the four in 2018. The LTIFR was 0.22 (2017: 0.14) calculated based on the 200 000 man-hour method of calculation.

The division retained the ISO 14001:2015, ISO 9001:2015, OHSAS 18001 and SANS 16001 AIDS management certifications during the annual Management System audits. Foskor will convert to the new ISO 45001 Safety Standards in November 2019.

The Mining Division remains an active participant in the Limpopo Occupational, Health and Safety Tripartite Forum for open-cast mines that meets quarterly and is supported by Organised Labour.

SHREQ focus for 2019/20 will be contractor safety and will continue to coach and support contractor companies in developing safety systems in their companies.

The occupational health of our employees is high priority and through annual medical surveillance, monitoring employee health status ensures proactive management and reduction of risks, Health awareness focus will continue to focus on diabetes and hypertension. An increase in chronic illnesses has been observed that can negatively impact employee wellness. Number of employees diagnosed with hypertension has reduced to 47 (2018: 52) and those with diabetes increased to 37 (2018: 32).

The divisional safety goal remains zero harm to all stakeholders. The safety campaign for 2019 was visible change and, for 2019 it will be "Contractor Safety".

# Operational performance continued

## Environmental management

### Biodiversity and environmental management

The Foskor's Mining Division is situated in the Lowveld of the Limpopo province and borders the Kruger National Park, private nature reserves and the town of Phalaborwa. The Ga-Selati and Olifants Rivers also passes through or borders the mining property.

Foskor is aware of the ecological sensitivity of the surrounding area. Through our commitment to the ISO 14001 requirements, Foskor environmental practices and policies and adherence to relevant environmental legislation, the Company ensures responsible mining and processing of minerals and in doing so prevent incidents harmful to the environment. No major reportable environmental incidents occurred during the year.

The Mining Division has retained both its ISO 9001 Quality and ISO 14001 Environmental certification. Our environmental management system is externally audited on an annual basis. The Mining Division operates with an up to date and approved Environmental Management Programme that is reviewed annually for compliance. As required by Section 41 of the MPRD, Foskor has provided sufficiently for both scheduled and unscheduled mine closure and is implementing changes to ensure compliance to the new rehabilitation requirements as per the National Environmental Management Act, due in February 2020.

We actively participate as members in the following environmental management committees:

| Committee | Members | Area of responsibility | Key focus for the year |
|---|---|---|---|
| **Inter-Company Water and Waste Management Forum** | Discusses water and waste management with the Department of Water and Sanitation, other major companies and the Kruger National Park | Department of Water and Sanitation | Quarterly |
| **Phalaborwa Environmental Committee** | Discusses air, water and waste management with the Department of Environmental Affairs, other major companies and the Kruger National Park | Department of Environmental Affairs | Six-monthly |
| **Alien Plant Committee** | Discusses the management of alien plants in the area | Foskor<br>Palabora Copper | Quarterly |
| **Environmental Community Forum** | Discusses basic environmental issues with the community | Foskor<br>Palabora Copper | Six-monthly |

### Fresh water usage

We adhere strictly to the conditions of the water usage licence issued by the Department of Water Affairs. The Mining Division continuously seeks new ways to reduce fresh water intake by increasing the recovery of process water. Fresh water intake is only used to supplement water supplies available onsite.

Water seepage is an unavoidable aspect of open-cast mining. In order to regulate the impact of our mining activities on underground water, continuous monitoring of underground water resources is done. All plant surface run-off water is captured and stored for re-use onsite Van Rysen catchment dam. The current construction of a silt recovery pond will further improve water quality and reduce seepage. The project will be completed in Q2 of the new financial year. Fresh water consumption has reduced since the successful completion of various projects and awareness campaigns to save water.

### Effluent and tailings dams

Serious environmental disasters related to tailings dams in the last few years in Brazil and Canada has raised the awareness levels of safely operating tailings dam facilities.

Water levels in all tailings dams are within safe operating margins and the freeboards on the dams are more than adequate to satisfy mandatory requirements. Outer walls are in good condition and the dam safety status, as measured by industry standards, remained SAFE. The independent annual review of the Foskor tailings dams was completed in Q4 of the financial year and the dams were found sound and safe.

### Air quality

Foskor operates with and approved Air Emission Licence issued by the Department of Environmental Affairs which expires in 2021. The conditions of the licence are strictly adhered to, monitoring and measurement of emissions is conducted as required. The Mining Division operates within the allowable limits as defined in the Licence. Capital to the value of circa R30 million has been allocated to reduce dust emissions from tailings dams and the tailings dam dust reduction project to reduce dust generation because of wind was completed during 2018 and ensures a reduction in dust fall out emanating from the tailings dam beaches.

### Reportable environmental incidents

There were no major reportable environmental incidents during the financial year

# Sustainability performance data

## Performance Data – Human, Natural and Social capital

| | 2019 Actual | 2019 Target | 2018 | 2017 | 2016 | 2015 | 2014 | Level of assurance |
|---|---|---|---|---|---|---|---|---|
| **People** | | | | | | | | |
| Employee numbers | **1 348** | | 1 381 | 1 381 | 1 338 | 1 311 | 1 357 | |
| Recruitment | **32** | | 61 | 44 | 72 | 61 | 44 | |
| Unionised labour | **90%** | | 92.5% | 93.4% | 81.0% | 88.1% | 88.1% | |
| Employee turnover | **6.1%** | | 5.4% | 6.7% | 6.3% | 5.5% | 11.4% | |
| **Skills development** | | | | | | | | |
| Training and development (R) | **4 579 169** | **4 257 187** | 7 975 035 | 2 197 744 | 2 807 017 | 7 532 399 | 8 659 835 | |
| Learnerships (number) | **212** | **270** | 183 | 175 | 147 | 68 | 83 | |
| Learnerships (R) | **9 211 665** | **13 000 000** | 4 325 373 | 5 090 640 | 2 110 000 | 4 189 888 | 5 114 128 | |
| Bursaries (R) | **1 001 057** | | 165 000 | 920 000 | 1 162 864 | 1 405 832 | 1 442 729 | |
| Bursaries | **21** | **20** | 3 | 9 | 15 | 4 | 5 | |
| **Safety** | | | | | | | | |
| Fatalities | **–** | **–** | – | 1 | – | – | 1 | High |
| Lost time injuries | **6** | **–** | 4 | 6 | 4 | 10 | 8 | High |
| Lost Time Injury Frequency Rate (LTIFR) | **0.22** | **<0.4** | 0.14 | 0.27 | 0.17 | 0.37 | 0.25 | High |
| Occupational diseases (Hearing loss) | **2** | **–** | 9 | 2 | 3 | 10 | 13 | High |
| Man-hours without any lost time injury (millions) | **0.33** | **–** | 0.35 | 0.44 | 0.6 | 0.2 | 0.6 | High |
| Number of Section 54 notices issued by the DMR | **8** | **–** | 4 | 3 | – | 4 | 5 | High |
| **Greenhouse gases energy** consumption (kg of $CO_2$e) | | | | | | | | |
| Coal (Scope 1)[1] | **75 480** | | 68 245 | 52 104 | 68 929 | 71 920 | 56 075 | Moderate |
| Diesel (Scope 1)[1] | **37 228** | | 41 927 | 55 557 | 40 546 | 45 894 | 46 881 | Moderate |
| Petrol (Scope 1)[1] | **179** | | 214 | 269 | 230 | 337 | 322 | Moderate |
| Water (Scope 1)[2] | **633** | | 12 199 | 11 726 | 11 326 | 12 036 | 2 348 | Moderate |
| Electricity (Scope 2)[2] | **412 326** | | 434 666 | 359 877 | 375 107 | 440 057 | 414 055 | Moderate |
| Total greenhouse gas ($CO_2$ equivalent) | **525 846** | | 557 251 | 479 533 | 496 138 | 570 244 | 519 681 | |
| **Water** | | | | | | | | |
| Potable water (Municipal) m³ | **370 372** | | 369 441 | 296 219 | 326 241 | 262 867 | 208 588 | High |
| Industrial water (Lepelle) m³ | **5 694 600** | | 6 425 600 | 6 440 240 | 6 308 640 | 6 788 198 | 8 889 168 | High |
| Total fresh water consumption | **6 064 972** | | 6 795 041 | 6 736 459 | 6 634 881 | 7 051 065 | 9 097 756 | |
| **Waste management (tons)** | | | | | | | | |
| General refuse and waste – registered landfill Disposal | **746** | | 550 | 661 | 336 | 380 | 378 | Moderate |
| Uncontaminated steel – scrap sales disposal | **747** | | 759 | 1 562 | 1 560 | 1 439 | 1 197 | Moderate |
| Radiation-contaminated steel – stockpiled onsite disposal | **650** | | 650 | 710 | 660 | 746 | 746 | Moderate |
| Hazardous material – registered Enviroserve landfill disposal | **369** | | 55 | 65 | 72 | 62 | 150 | Moderate |
| **Air quality stations (mg/m²/day)** | | | | | | | | |
| Background | **180** | **300** | 142 | 120 | 115 | 168 | 144 | High |
| Residential receptor | **200** | **600** | 166 | 147 | 160 | 317 | 277 | High |
| Industrial receptor | **800** | **1 200** | 855 | 613 | 464 | 1 137 | 871 | High |
| Source monitoring | **1 800** | **2 400** | 1 650 | 1 243 | 1 788 | 2 350 | 2 300 | High |

# Operational performance continued

## Sustainability performance data continued

### Performance Data – Human, Natural and Social capital continued

| | 2019 Actual | 2019 Target | 2018 | 2017 | 2016 | 2015 | 2014 | Level of assurance |
|---|---|---|---|---|---|---|---|---|
| **Mine rehabilitation** | | | | | | | | |
| Closure costs – scheduled (R millions) | **546** | | 589 | 565 | 526 | 478 | 458 | High |
| Closure costs – unscheduled (R millions) | **693** | | 684 | 642 | 616 | 596 | 559 | High |
| Mineral reserves (million tons) | **1 343** | | 1 356 | 1 376 | 1 388 | 1 405 | 1 435 | High |
| Mining area (km²) | **23** | | 23 | 23 | 23 | 23 | 23 | High |
| Legal compliance | | | | | | | | |
| Fines, penalties and settlements (number) | **–** | | – | – | – | – | – | Moderate |
| Fines, penalties and settlements (Rands) | **–** | | – | – | – | – | – | Moderate |
| Procurement spend (%) | | | | | | | | |
| Local | **62** | **–** | 60 | 62 | 59 | 61 | 63 | High |
| Other provinces | **35** | **–** | 38 | 36 | 37 | 38 | 37 | High |
| International | **3** | **–** | 2 | 2 | 4 | 1 | – | High |
| Procurement spend against mining targets (%) | | | | | | | | |
| Local procurement of capital goods | **100** | **40** | 81 | 57 | 70 | 30 | 35 | Moderate |
| Local procurement of services | **100** | **70** | 84 | 72 | 66 | 67 | 41 | Moderate |
| Local procurement of consumables | **88** | **80** | 64 | 31 | 62 | 27 | 44 | Moderate |
| B-BBEE rating level | **6** | **4** | 5 | 3 | 5 | 5 | 4 | High |

*High level of assurance = independent external verification/assurance, report available; Moderate = internally verified by management.*

[1] *Scope 1 = Direct energy consumption.*

[2] *Scope 2 = Indirect energy consumption.*

## Mine resources and ore reserves

### The Foskor mines are situated within the Phalaborwa Igneous Complex. Foskor operates two open pit mines extracting apatite, the phosphate baring mineral.

The Foskor mines comprise 14 distinct rock types, each with a specific mineral composition.

The complex is a vertical volcanic pipe, roughly kidney-shaped and measuring between 1.5 and 3.5 kilometres in width and 6.5 kilometres in length. Extensive drilling since 1950 has allowed geologists to develop an accurate three-dimensional geological model of the complex. It consists of three joined lobes – namely the North Pyroxenite, Loolekop and South Pyroxenite areas. High concentrations of apatite mineralisation (expressed as a percentage of phosphoric acid) are present in the foskorite and pyroxenite rock types found across the three lobes. The foskorite and carbonatite rock types found in the Loolekop lobe contains copper, magnetite and apatite.

Our mineral resources and reserves are classified according to the South African Mineral Resource Committee (SAMREC) Code.

Present-day calculations suggest that mined ore must contain at least 5% phosphate to be economically viable (cut-off grade).

Material between 4% and 5% $P_2O_5$ is classified as marginal ore and stockpiled separately.

Foskor has vast phosphate resources and at current mining rates (circa 34 million tons per year), the life of mines is in excess of 100 years.

**Resource estimates for the South and North Pyroxenite deposits based on our current geological and resource models shows minerals reserves (proved) as at 31 March 2019:**

- **200.7 million tons in the North Pyroxenite deposit (2018: 207.2 million tons)**
- **1 142.4 million tons in the South Pyroxenite deposit (2018: 1 152.1 million tons)**

The decline in Reserve Classification is in line with mining tons for 2018/19.

Phosphate-rich tailings have been deposited in the Palaborwa Mining Copper (PMC) active tailings dam since the late 1970s. Foskor owns the rights to the apatite in the tailings. Although not economical viable to mine at present, this remains a valuable phosphate resource for the future.

PMC also, from time-to-time, transports high phosphate rock content tailings from their open-cast vermiculite mining area to a stockpile close to Foskor's East Crusher. Since 2006, Foskor has been reclaiming these phosphate tailings from this stockpile on an opportunity basis to supplement run-of-mine from the open pits.

Based on current geological and resource models mine resources and ore reserves are presented in the table below:

### Proven and probable mineral reserves

| | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| **GEOLOGICAL AREA** | **Reserves category** | **Reserves (Million tons)** | **% $P_2O_5$** | **Reserves (Million tons)** | **% $P_2O_5$** |
| **North Pyroxenite Pit** | Proven | 200.7 | 7.16 | 207.2 | 7.14 |
| | Probable | 20.1 | 6.91 | 20.1 | 6.91 |
| **South Pyroxenite Pit** | Proven | 1 142.4 | 6.78 | 1 152.1 | 6.78 |
| | Probable | 137.8 | 6.47 | 137.8 | 6.47 |

### Mineral resources

| | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| **GEOLOGICAL AREA** | **Reserves category** | **Reserves (Million tons)** | **% $P_2O_5$** | **Reserves (Million tons)** | **% $P_2O_5$** |
| **North Pyroxenite Pit** | Measured | 781.2 | 7.13 | 787.7 | 7.13 |
| | Indicated | 690.9 | 6.94 | 690.9 | 6.94 |
| | Inferred | 742.1 | 6.52 | 742.1 | 6.52 |
| **South Pyroxenite Pit** | Measured | 2 569.3 | 6.46 | 2 579.0 | 6.46 |
| | Indicated | 1 317.1 | 6.15 | 1 317.1 | 6.15 |
| | Inferred | 1 713.6 | 6.11 | 1 713.6 | 6.11 |
| **PMC Active Tailings Dam** | Measured | 238.3 | 6.70 | 238.3 | 6.70 |
| | Indicated | 48.8 | 6.60 | 48.8 | 6.60 |
| | Inferred | 9.9 | 6.40 | 9.9 | 6.40 |

# Operational performance continued

## Mining rights

Foskor has been issued all the required mining rights and converted all old order rights as required. Only one new right is still pending approval by the Department of Mineral Resources. Subsequent to various meetings with the DMR during 2018, further submissions has been made to finalise the remaining Foskor application. The outstanding approvals does, however, not impact the mining operation in the short- to medium-term.

| | | |
|---|---|---|
| LP30/5/1/2/2/09 MR | New mining right to mine the South Pyroxenite mine | Granted September 2009 |
| LP30/5/1/2/2/03 MR | New mining right to mine the North Pyroxenite extension | Granted September 2009 |
| LP30/5/1/2/2/22 MR | New mining right for the Stripping Area | Granted September 2009 |
| LP30/5/1/2/2/124 CMR | Old order used right converted to mine the North Pyroxenite mine | Granted January 2013 |
| LP30/5/1/2/2/125 CMR | Old order used right converted to utilise all existing Stockpiles | Granted January 2013 |
| LP30/5/2/2/126 MR | New mining right to include the North-West corner of the North Pyroxenite mine | Approval pending |

Mining right application (LP30/5/1/2/2/124 CMR) is pending approval to include the rights for the North-West corner of the North Pyroxenite lobe. In terms of Section 102 of the Mineral and Petroleum Resources Development Act (MPRDA), Foskor has also amended and resubmitted some of the abovementioned applications to include additional minerals. All these submissions are under review by the DMR and we are awaiting approval. Follow up meetings are held with the DMR to review progress.

## Mine rehabilitation

Foskor has taken cognisance of the changes pertaining to provisions for mine closure cost during active operations and provision for latent defects after closure. Currently a separate environmental rehabilitation trust fund and bank guarantees are in place to rehabilitate land in the event of either scheduled or unscheduled mine closures. Closure costs are evaluated annually and sufficient provision has been made for closure cost. Rehabilitation cost provision is made in line with the requirements of the MPRDA Act, Section 41 and is currently reviewed as per requirements in NEMA Act that becomes enforceable February 2020.

# Operational performance continued

## Acid division

### Key achievements

| | |
|---|---|
| Maintained quality management | • ISO certifications ( 90001, and SANS 16001) retained. OSHAS 18001 and ISO 14001 currently pending follow up Audit from DEKRA. |
| Asset replacement programme progressing well | • C1 Phosphoric Acid Tank rebuilt in progress and at 90% completion<br>• 812 Phosphoric Acid Maturation Tank major refurbishment in progress and at 82% completion<br>• E8 Phosphoric Acid Export Acid Tank major refurbishment in progress and at 90% completion<br>• Phosphoric Acid Concentration Line 1 new heat exchanger delivered to site and replacement in progress<br>• Sulphuric Acid A Plant replacement Burner fabrication completed<br>• Sulphuric Acid B Plant replacement Burner fabrication completed<br>• Sulphuric Acid B Plant replacement Cold Heat Exchanger fabrication completed<br>• Sulphuric Acid C Plant replacement Cold Heat Exchanger fabrication in progress and at 90% completion |

### Challenges

| | |
|---|---|
| Major equipment and failures | • Water restrictions remained at Level 3 due to drought conditions<br>• Major power outages experienced throughout the year<br>• Failure of Line 1 concentration Heat Exchanger<br>• Failure of turbines for A & B Sulphuric acid plants<br>• B – Plant Cold Heat Exchanger failure<br>• Failure of acid coolers for B-plant<br>• Failure of dryer drum girth gear at granulation plant<br>• Switch from using Mondi waste water to sea water |
| Decline in safety | • One fatality recorded (2018: 0) Target: Zero |

## Overview

The Acid Division has three sulphuric acid plants, two streams of phosphoric acid plants and a granulation plant to make granular fertiliser products. Major raw materials used in Richards Bay is rock which is produced from our mining division and transported to Acid Division through rail while sulphur is imported and transported to Richards Bay. Sulphur is converted into Sulphuric acid in Sulphuric acid plant and taken to Phosphoric Acid plant where it is used to process the phosphate rock to convert into Phosphoric Acid. The phosphoric acid is either exported in its acid form, sold locally, or used in the production of granular fertiliser. Granular fertiliser is mainly sold locally.

## Production

### SULPHURIC ACID

The sulphuric acid plants produced 86% of their target (1 359 789 tons against the target of 1 580 315 tons) for the period ended March 2019. The production was marginally higher in the previous year (2018: 1 377 881 tons) as the phosphoric acid production requirements were higher.

The sulphuric acid plant's capacity was restricted due to mainly, water restrictions, power failures, failure of B-plant Cold Heat Exchanger, industrial action, fatality and shutdown of A- plant within the financial year 2018/19, resulting in limited steam supply to the phosphoric acid plant. The risks to the sulphuric acid plant include the original converters and their common stack as well as acid coolers. The plant ran with frequent stoppages due to high stack visibility requiring frequent stoppage to clean the troughs on A & B plant stack.

The B-plant Cold Heat Exchanger failed and an unplanned shut down was taken to conduct the repairs. The performance remained at below 30% capacity after the repairs. The shutdown planned for April 2019 was also brought forward to end of March. A new Cold Heat Exchanger and sulphur burner will be installed on the B-plant replacing the old one which is in a poor condition and another sulphur burner will be replaced on the A-plant in 2020. The C-Pant will undergo a shutdown in 2019 and Cold Interpass Exchanger will be replaced as well as repairs conducted for the cooling towers.

### PHOSPHORIC ACID

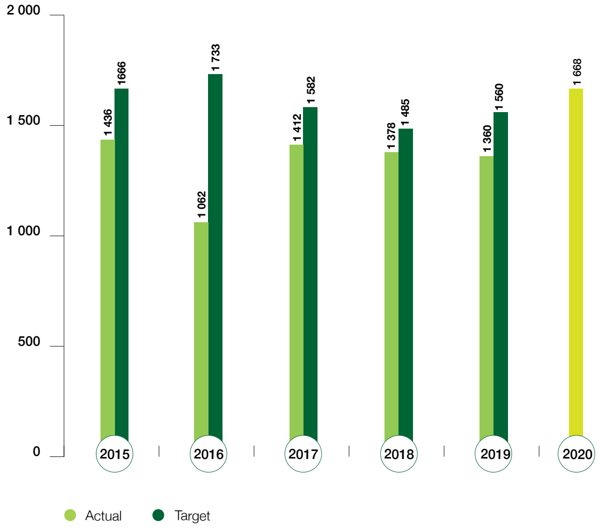
The phosphoric acid plant produced 382 035 tons against a target of 500 000 tons – this represents 76% of the target. In 2017/2018, the plant produced 452 526 tons of phosphoric acid.

The challenges faced in the current year that led to lower production were:

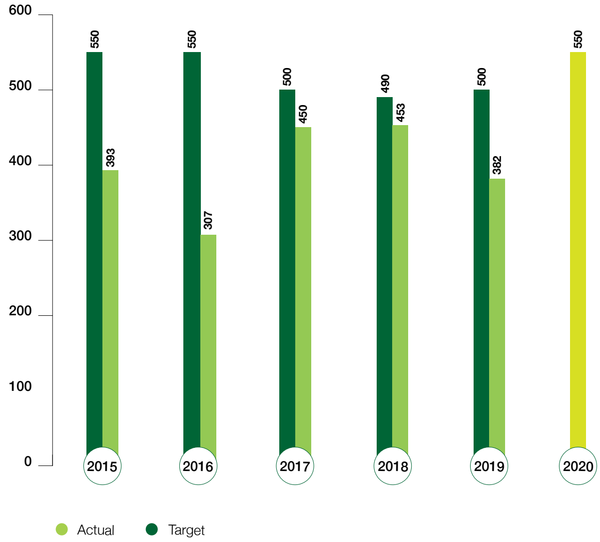
- **Reaction and Filtration**. The main restrictions were due to storage tank unavailability for weak acid, fatality, water restrictions where Mondi water was not used after the fatality and industrial action in March 2019.

  The Belt Filter #3 went for revamp and was brought back online. The digestion tank 3 and Pan filter 1 were taken out for major rebuilding and will be completed in 2019/20.

**Sulphuric acid (k tons mined)**




**Phosphoric acid (k tons mined)**



# Operational performance continued

## Acid division continued

### PHOSPHORIC ACID continued

- **Concentration** – There were frequent failures of pumps and export pipes that restricted production. However, the main restrictions were caused by shortage of steam due to power failures and restrictions in Sulphuric acid plant. There was a delay in the delivery of the New Heat Exchanger destined for Line 1 in the new concentration plant. The installation will be completed in 2019/20.
- **Storage Tanks**. The availability of storage tanks remained a constraint to both concentration and weak acid production. Several tanks were taken out for repairs and major refurbishment and will be completed in 2019/20.
- **Steam Availability**. The power failures, failure of the B- Cold Heat Exchanger and delayed A-plant shutdown due to the delay in delivery of the Cold Heat Exchanger, contributed immensely to the unavailability of enough steam to meet the concentration section demand.
- **Water restrictions.** Due to the drought experienced in the country, especially the Richards Bay area, the Department of Water and Sanitation and the local authority implemented water restrictions to all industries. Level 4 water restriction which is 25% reduction in water supply resulted in reduced production rates. The restriction is still in place although revised to Level 3.

### PRODUCTION EFFICIENCY

The production efficiency rate for the year was 85.22% against the budget of 91%. Last year, the efficiency achieved was 88.83%.

We are continuously addressing the challenges faced in the year and with additional process improvements, we are quite positive that our efficiency will increase.

### GRANULATION

Granulation plant production volume gets governed by Phosphoric Acid availability after meeting local supply of the product. Based on the Phosphoric Acid availability, the granulation plant was able to produce 266 345 tons of granulated fertiliser product against the budget of 370 000 tons. The limited supply of Phosphoric Acid to Granulation, strategic marketing decision not to produce granular product, unavailability of steam and power due to power failures as well as industrial action in March 2019, were the main reason for lower production of granulation fertiliser.

### ASSET REPLACEMENT

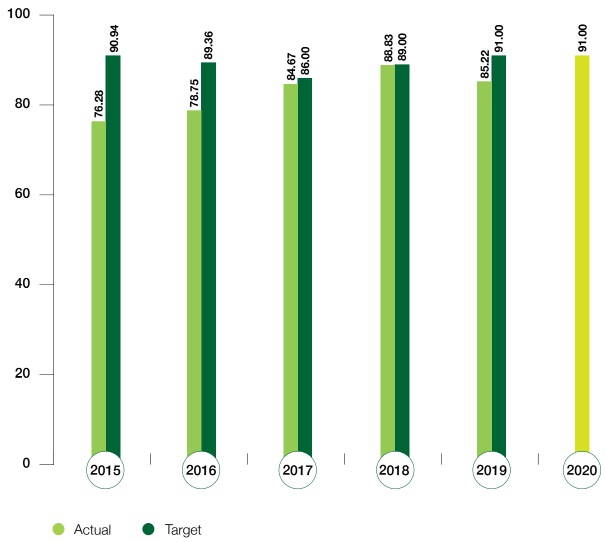
Ageing of the Acid Division's plant and machinery, that was installed in 1976, result in a large amount of replacement or refurbishment being required. The completion of these projects will increase plant availability thereby leading to improved production capacity and efficiency.

The asset replacement programme commenced in the 2014/2015 financial year. Critical tanks have been put on major maintenance or replacement as part of the asset replacement programme.

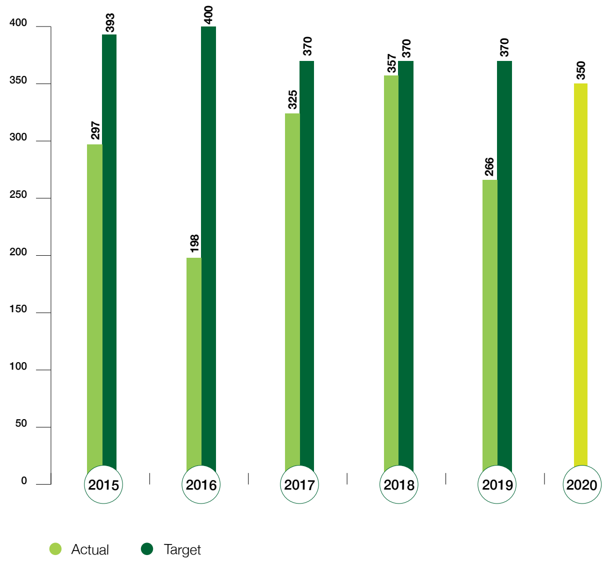
In the sulphuric acid plant priority was the replacement of the Cold Heat Exchangers for both A & B plant and the sulphur burners. These projects will be completed in 2019/20. In the phosphoric acid plant, the following were completed: 1) Refurbishment of Belt Filter #3: 2) commissioning E1 tank and: 3) Repair of 831 tanks.

During the financial year 2019/2020, emphasis will be given to complete the capital projects pertaining to storage tank repairs and refurbishment and replacement of the burners for both A& B sulphuric acid plants and both B & C plant Cold-Heat Exchangers.

**P205 efficiency (k tons mined)**




**Granualtion (k tons mined)**



The main focus will continue to be on asset replacement programme projects and details are stated below:

| Asset replacement items | Description | Planned timeline |
|---|---|---|
| **1**<br>**Replace both pan Filters in the old Phosphoric acid plant** | The old phosphoric acid plant utilises two pan filters which have passed their useful lifespan and are due for replacement. Major refurbishment Pan Filter 1 was completed in 2017. | Refurbishment of pan filter 2 commenced in the final quarter of the 2018/2019 financial year, with a planned completion date of June 2019. |
| **2**<br>**Install an additional Acid clarifier** | Our existing infrastructure consists of two acid clarifiers; a 1 800m$^3$ clarifier in our old plant and a 3 500m$^3$ clarifier in our new plant. We recently revised our acid plant configuration in both weak and strong grade phosphoric acid sections. Due to the reconfiguration, we need to improve our clarifier capacity to improve sludge handling and minimise associated acid losses. | The current challenges in the Acid Plant indicated that the requirement for an additional in-process storage tank is of higher priority than an additional clarifier. Construction of the tank is in progress and at 90% completion. The planned completion date is end July 2019. |
| **3**<br>**Replace key equipment In the sulphuric acid plants** | A pre-feasibility study and a feasibility study on determining the integrity of A, B & C Plants, recommending refurbishment required to improve the availability of the plants and addressing compliance to the 2020 air quality was completed in December 2017.<br><br>Depressed market conditions do not warrant full implementation of the feasibility study and a decision was made to request postponement of compliance to 2025 from the authorities. | Key equipment, approaching the end of its life, were identified for replacement to sustain stable plant performance.<br><br>The fabrication of the burners for A &B Plants were completed as well as the Cold Heat Exchanger for B Plant. Fabrication of the cold heat exchanger for C Plant is in progress with a planned completion in May 2019. Installation of the burner and Cold Heat Exchanger for B Plant will take place during the maintenance shutdown in April 2019. Installation of the cold heat exchanger for C Plant is planned to take place during the maintenance shutdown in May 2019.<br><br>Phase 1 of the repair to the steel structure to the A & B Plant common stack commenced in the third quarter of 2018/2019.<br>The postponement application towards the 2020 air quality compliance was submitted to the authorities in February 2019. |
| **4**<br>**Replacement of heat exchangers in the phosphoric acid concentration plants** | The aggressive conditions in which the Heat Exchangers operate require regular maintenance. However, maintenance can only be performed a number of cycles after which the thermal efficiency of the Heat Exchanger requires the replacement of the heat exchanger. | One unit for replacement of the Line 1 Heat Exchanger was delivered in February 2019 and installation is in progress.<br><br>A second unit was ordered for replacement of the Line 2 Heat Exchanger and is being fabricated in Germany.<br><br>Commercial transactions for two units for the Old Phosphoric Acid plant are in progress and will be ordered early in the 2019/2020 financial year. |
| **5**<br>**Replace the majority of acid storage tanks** | The majority of our acid storage tanks for sulphuric and phosphoric acid are quite old and have been repaired numerous times. All the old tanks are earmarked for major refurbishment or phased replacement. | Demolition of a molten sulphur tank was completed in March 2018, and construction of a new replacement tank is planned to commence in 2019/2020.<br><br>Refurbishment of two phosphoric acid tanks are in an advanced stage with completion at 82% and 90% and planned completion dates of July 2019 and May 2019 respectively.<br><br>Repairs to three phosphoric acid tanks were completed and four more are in an advanced stage of repair with planned completion by mid-2019. |

# Operational performance continued

| Asset replacement items | Description | Planned timeline |
| --- | --- | --- |
| **6.** **Replacement of asbestos roof sheeting** | When the plant was built in the mid 1970's, asbestos was an acceptable material of construction. All roofs of stores and buildings in the plant were covered with asbestos containing roof sheeting due to the corrosive nature of the plant processes and the coastal environment. Health hazards associated with asbestos resulted in legislative requirements to replace asbestos containing materials. | The asbestos replacement programme commenced in 2008 with the replacement of the roof sheeting of the Phosphate Rock Store. The project was completed in December 2009. Replacement of the roof sheeting of the Granular Product Store and Main Workshop followed with completion dates of March 2013 and July 2018 respectively.<br>The roof sheeting of the largest store on site, the Sulphur Store, was completed in December 2018.<br>Replacement of the roof and side sheeting of the Granulation Plant is in progress with 26% completion at end March 2019. |

## OCCUPATIONAL HEALTH AND SAFETY

We make use of an accredited external service provider to audit and rate our safety, health and environmental performance on an annual basis. These assessments include our compliance with all SHREQ-related legislation and certification regimes. The latest SHREQ performance audit, rated us at 78.69%, against our target of >91%.

Our annual LTIFR of 0.63 was in our target range of less than one, but compared to last year's LTIFR of 0.44, signals an increase in the number of injuries.

There were four Section 24 incidents reportable to Department of Labour in terms of the OHS Act 85 of 1993.

- While an employee was entering the A3 evaporator, he slipped and in the process injured his back.
- An instrumentation employee was attending to a level probe at Phosphoric Acid New Reaction and Filtration Plant on top of the Gypsum Tank. While he was performing the task, the employee collapsed. He was found by his colleague lying on his back on top of the tank, near the level probe (Fatality).
- The employee was called out to assist in decanting a sulphuric acid road tanker that was leaking and in the process, acid sprayed on to the employee, resulting in multiple acid burns on his body.
- Contractor employee was working on the clean Sulphur temporary tank area. He was found splashed with caustic soda and sustained multiple burns.

There was one fatality in this division during the year. The OHSAS 18001 certification is currently in review pending the follow up audit and continues to be the foundation of our health and safety system.

## OCCUPATIONAL HEALTH RISKS

The Acid Division is a registered Major Hazardous Installation (MHI) and our employees are exposed to the following occupational health risks:

- Fumes and gases including, but not limited to: sulphur dioxide, ammonia, sulphur trioxide, fluorides and welding fumes.

  Various dusts resulting from the handling, transportation and stockpiling of sulphur, phosphate rock and fertilisers:
- Thermal (heat) stress
- Noise

Excessive exposure to these hazardous substances may lead to health problems and impaired fitness for work. Various engineering control systems, such as dust and gas extraction units, have been put in place to reduce the risk of exposure at source. It is also mandatory for all employees and contractors to wear their full Personal Protective Equipment (PPE) and carry escape respirators inside the plant. At the Granulation Plant engineering solutions and chemical dust suppression additives are being investigated to minimise dust. Additionally, it is mandatory for all employees and contractors working at the Granulation plant to wear dust masks that are FFP3-rated and able to filter out at least 99% of all airborne particles.

A Baseline Risk Assessment of employee exposure to the various biological, chemical and physical stressors has been conducted in order to establish updated and accurate risk profiles. This has been done both qualitatively and quantitatively. From the Baseline Risk Assessment, employees were grouped into similar exposure groups and their exposure to various stressors in their activity areas are being monitored on a continuous basis in accordance with the Occupational Exposure Sampling Strategy Manual (OESSM). This monitoring programme is not only a legal requirement but also enables us to identify problem areas and implement suitable controls.

The Occupational Technologists and Occupational Medical Practitioner conduct walk-through surveys on a monthly basis within specific areas of the plant in order to qualitatively identify potential health risks within the area, and to determine the extent of the risks (if any) and action required to reduce the risk.

## ENVIRONMENTAL MANAGEMENT

This is our seventh year of reporting on carbon footprint. We used the Greenhouse Gas (GCG) Protocol Corporate Accounting and Reporting Standard methodology to establish a carbon footprint baseline against which to measure future progress. The carbon footprint monitoring system has been established throughout the division and more accurate emissions have been obtained thus far especially for Scope 1 and Scope 2. Nevertheless Scope 3 emissions still need attention since all the downstream and upstream emissions need to be considered.

The ever-rising cost of, and demand for, energy in South Africa requires that we look at innovative initiatives to improve our energy efficiency. Carbon reduction is largely dependent on the effective use of turbine generator and heat energy efficiency.

**Energy consumption and greenhouse gas equivalent emissions per source – 2018/2019**

| Source | Scope | Annual consumption | Monthly average consumption | Conversion factor kg $CO_2e$ | kg of $CO_2$-e | % total |
|---|---|---|---|---|---|---|
| Sasol gas – CH4 (GJ) | Scope 1 | 69 568 | 5 797 | 50.1 | 3 485 356 | 0.06 |
| Diesel (L) | Scope 1 | 383 027 | 31 918 | 2.67 | 1 022 682 | 0.24 |
| Grid electricity (kWh) | Scope 2 | 149 161 425 | 12 430 118 | 1.03 | 153 636 267 | 95.02 |
| Water (Kl) | Scope 3 | 10 323 001 | 860 250 | 1.78 | 18 374 941 | 4.41 |
| General Waste (Kg) | Scope 3 | 220 420 | 18 368 | 2.94 | 648 034 | 0.20 |
| Recycled waste (Kg) | Scope 3 | 29 600 | 2 466 | 1.84 | 54 464 | 0.07 |
| **Total** | | **149 864 040** | | | **177 221 744** | **100** |

*Scope 1 = Direct emissions.*

*Scope 2 = Indirect emissions as a result of purchased electricity.*

*Scope 3 = Other indirect emissions not included in Scope 2.*

## WATER USE

Our operations are heavily reliant on water. As both societal and industrial demand for water grows and access becomes increasingly competitive, we expect water prices to increase and regulatory requirements to become more stringent. It is therefore important that we consider proactively the risks associated with the availability of water, both in terms of quality and quantity, and respond by using water responsibly and reducing our impact on local water resources. Historical water use as supplied by the municipality is shown below.

**Fresh water consumption ($m^3$)**

| Water type | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Potable water | 3 196 644 | 5 528 217 | 3 953 376 | 2 494 389 | 2 619 318 | 3 112 068 |
| Clarified water | 4 160 662 | 2 528 708 | 1 538 147 | 3 360 984 | 3 155 859 | 6 332 587 |
| **Total** | **7 357 306** | **8 056 925** | **5 491 523** | **5 855 373** | **5 775 177** | **9 444 655** |

### Fresh water use

We obtain all our water from the uMhlathuze Municipality in two grades: potable water and clarified water. More raw water was used than the previous years due to insufficient sea water supplied to the plant, less Mondi water usage, lower volumes received from South 32 and leak on Municipality feed line for a week. The Richards Bay region had been experiencing drought since September 2014 due to low water levels at Goedertrouw Dam (Water level at 49.7% as of 31 March 2019) which supplies the Richards Bay area and the surrounding towns. Consequently, the municipality has put in place water restrictions based on allocation. With Level 4 – 15% water restrictions currently in place, we are bound to consume 9 800 Kl of potable water and 14 450 Kl per day. This compelled and encouraged us to look at ways to improve water efficiency on site and also explore water saving projects. Nonetheless, in January 2018, the water restrictions were lifted from Level 4 restrictions to Level 3 restrictions since there had been a slight improvement in water levels (49.7% as of 31 March 2019).

## ALTERNATIVE WATER SUPPLY

A storm water dam situated on the south-east boundary of the site collects majority of storm water run-off from the site. The water is reused in our two Phosphoric Acid Plants. We also have an agreement with a neighbouring facility, South 32, to recycle their storm water as additional water supply to our own municipal raw water intake. The Acid Division will endeavour to reuse and recycle water from within the site and from other industries wherever practically possible.

## EFFLUENT MANAGEMENT

In July 2017,Mhlathuze water was issued a “new” permit to discharge effluent into coastal waters in terms of Section 69 of the Integrated Coastal Management Act (Act No. 24 of 2008) (ICM Act). The permit was issued by the Department of Environmental Affairs and replaced the old one that was issued by the Department of Water Affairs at the time.

The new permit came with more stringent requirements (limits) which Foskor should meet. There is risk of non compliance with the new limits.

A new effluent disposal agreement between Foskor and Mhlathuze Water reflecting new permit conditions still has to be finalised. In the meantime, Foskor still uses the old agreement. Foskor Richards Bay on a daily basis, analyses a 24-hourly composite sample and submits a split sample to Mhlathuze’s Scientific Services Laboratory for analysis.

As a way of enforcing compliance to all stakeholders, Mhlathuze Water Board implemented a non-conformance penalty system which came in to effect in July 2015. Buoyant line effluent compliance especially on pH and fluoride is a concern.

Consequently, there is a task team managed by the Phosphoric Acid Plant manager to address effluent compliance on site.

# Operational performance continued

### GROUNDWATER REMEDIATION

During the year we reassessed the strategies we currently have in place to prevent ground water pollution and pollution of the surrounding environment. The study proposed various mitigation measures as set out in our Ground Water Remediation: Concept Designs Report. Additional boreholes were installed to monitor efficiency of the subsoil drains and barriers. The secondary dam upgrade is planned for the new financial year. Also, the pump connections and drain points have been installed and are currently operational.

Ground water contamination on site is still a concern, however, there are projects in the pipeline that will minimise and prevent further contamination. These include:

- Repairs and Upgrade of the C Tank Farm
- Repairs and Upgrade of the E Tank farm
- Maintenance and improvement of containment around sulphur melters, suphur section and Sulphuric Tank farm
- Roadway repairs

### AIR QUALITY MANAGEMENT

Foskor's new AEL was issued and approved on 30 September 2015 and is valid to September 2020. Foskor is currently compliant with the New AEL. The phosphoric acid plant and the granulation plant are 100% compliant against emissions limits as stipulated in the AEL. The sulphuric acid plant is 100% compliant. The Scheduled Trade Permit has also been received. The Sand Blasting facility did not meet the requirements of the permit and was subsequently closed pending upgrade to meet permit conditions.

Our asset replacement programme takes into account the new air emissions legislation that requires us to reduce our sulphur dioxide gas emissions to 134 ppm (350 mg/Nm3) per plant by March 2020. Fluoride and ammonia are also required to be reduced to 5 mg/ Nm3 and 50 mg/Nm3 by 2020 respectively. Tenders are out to determine Service Provider to undertake the project.

The vast capital investment demanded by the modifications as well as reducing the impact of plant non-availability during modifications will result in the modifications implemented in a phased approach. This approach will result in completion of the modifications in 2025 and a concession for not meeting the requirements by 2020 will be sought from the authorities.

### REPORTABLE INCIDENTS AND EXTERNAL AUDITS

There was no Section 30 Reportable Incident in terms of the National Environmental Management Act, 107 of 1998:

The DEDTEA Waste audit was conducted on the October 2018, the following non-conformances were raised:

- Unauthorised storage of Gypsum in the plant at the bunker Yard.
- Cracks on Salvage yard floor

A project was in place and being finalised during the audit. All the gypsum at the bunker yard was removed, neutralised and taken to the dam.

### WASTE MANAGEMENT

The Acid Division generates a variety of waste materials and about 25 waste streams have been identified. We acknowledge the importance of effective waste management on site. The Company believes in the culture of reusing and recycling wherever possible and that waste disposal to landfills should be the last resort. Consequently we are committed to developing sustainable ways to implement waste management. Our waste is divided into two broad categories – hazardous and general (and recyclable waste). The amount of waste disposed and the form of disposal is presented in the Sustainability Performance Data table.

### RADIATION MONITORING

Foskor Acid Division has a certification of registration with the National Nuclear Regulator (NNR) and therefore have to comply to set conditions and regulatory requirements. In order to comply to set conditions systematic management programs and controls are implemented, monitored and evaluated for continual improvement to take effect.

The NNR audited the facility in May 2018 and there was one non-conformance raised and the site received a score of 96% compliance.

Annual dose reports for the sites are up-to-date and have been submitted to the NNR for review and accepted. All exposure limits were below 7mSv/a against a legal limit of 20mSv/a.

# Sustainability performance data

## Performance Data – Human, Natural and Social capital

| | 2019 Actual | 2019 Target | 2018 | 2017 | 2016 | 2015 | Level of assurance |
|---|---|---|---|---|---|---|---|
| **People** | | | | | | | |
| Employee numbers (including contractors) | **624** | | 595 | 603 | 665 | 602 | |
| Recruitment | **37** | | 17 | 26 | 49 | 29 | |
| Unionised labour | **91.02%** | | 92.5% | 76.5% | 75.3% | 82.7% | |
| Employee turnover | **3.7%** | | 5.3% | 13.1% | 5.0% | 7.4% | |
| **Skills development** | | | | | | | |
| Training and development (R) | **11 899 263** | **9 044 011** | 3 631 936 | 2 783 240 | 1 612 363 | 2 262 757 | |
| Learnerships (number) | **61** | **61** | 63 | 48 | 63 | 54 | |
| Learnerships (R) | **2 319 819** | **2 207 073** | 183 030 | 645 000 | 1 457 500 | 2 485 912 | |
| Bursaries (R) | **225 000** | **750 000** | 400 000 | 300 000 | 839 422 | 805 224 | |
| **Safety** | | | | | | | |
| Fatalities | **1** | **–** | – | – | – | – | High |
| Lost time injuries | **8** | **–** | 6 | 3 | 3 | 4 | High |
| Lost Time Injury Frequency Rate (LTIFR) | **0.63** | **0.5** | 0.44 | 0.22 | 0.24 | 0.34 | High |
| Total Injury Frequency Rate (TIFR) | **3.38** | **4.5** | 1.99 | 2.45 | 4.96 | 6.65 | High |
| Occupational diseases (reported to COID) | **–** | **–** | – | – | 1 | – | High |
| **Greenhouse gases energy consumption (kg of $CO_2$-e)** | | | | | | | |
| Diesel (Scope 1)[1] | **1 022 682** | | 853 179 | 826 322 | 721 642 | 1 350 517 | Moderate |
| Gas (Scope 1)[1] | **3 485 356** | | 3 902 990 | 2 157 757 | 3 927 289 | 2 533 506 | Moderate |
| Water (Scope 1)[2] | **18 374 941** | | 10 283 858 | 10 426 663 | 9 774 911 | 14 346 966 | Moderate |
| Electricity (Scope 2)[2] | **153 636 267** | | 123 284 245 | 136 268 222 | 131 110 198 | 100 447 581 | Moderate |
| General waste (Scope 3)[3] | **648 034** | | 785 000 | 913 975 | 953 374 | 1 480 999 | Moderate |
| Recycled waste (Scope 3)[3] | **54 464** | | 153 647 | 1 372 782 | 854 744 | 1 528 121 | Moderate |
| Total greenhouse gas ($CO_2$ equivalent) | **177 221 744** | | 139 262 919 | 151 965 721 | 147 342 159 | 121 687 690 | Moderate |
| **Water** | | | | | | | |
| Potable water (Municipal) $m^3$ | **3 112 068** | | 2 619 318 | 2 494 389 | 1 538 147 | 5 528 217 | High |
| Clarified water (Municipal) $m^3$ | **6 332 587** | | 3 155 859 | 3 360 984 | 3 953 376 | 2 528 708 | High |
| Total fresh water consumption | **9 444 655** | | 5 775 177 | 5 855 373 | 5 491 523 | 8 056 925 | |
| **Waste management (tons)** | | | | | | | |
| Hazardous material – registered landfill disposal | **18 495** | | 13 344 | 13 880 | 11 909 | 13 716 | Moderate |
| General material – registered landfill disposal | **220 420** | | 256 | 311 | 667 | 834 | Moderate |
| Recyclable material – registered landfill disposal | **29 600** | | 84 | 680 | 794 | 1 614 | Moderate |
| **Legal compliance** | | | | | | | |
| Fines, penalties and settlements (number) | **–** | | – | – | – | – | Moderate |
| Fines, penalties and settlements (Rands) | **–** | | – | – | – | – | Moderate |
| **Procurement spend (%)** | | | | | | | |
| Local | **61** | | 37 | 64 | 64 | 66 | High |
| Other provinces | **7** | | 4 | 7 | 8 | 10 | High |
| International | **32** | | 59 | 29 | 28 | 24 | High |
| BBBEE rating level | **6** | **4** | 5 | 3 | 5 | 5 | High |

*High level of assurance = independent external verification/assurance, report available; Moderate = internally verified by management.*

*[1]Scope 1 = Direct emissions* *[2]Scope 2 = Indirect emissions* *[3]Scope 3 = Other indirect, not included in Scope 2*

# Operational performance continued

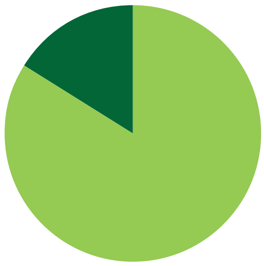
## Our people

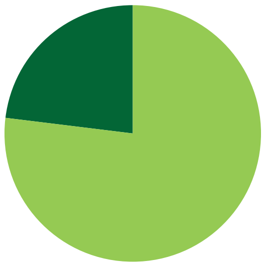
| TOTAL EMPLOYEES | 2019 | % Change | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Foskor Group (including contract workers) | **1 972** | (0.2) | 1976 | 1 984 | 2 003 | 1 913 |

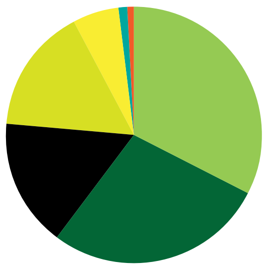
| EMPLOYEES PER CONTRACT TYPE | 2019 | Location Split | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Permanent | **1656** | 84.0 | 1 677 | 1 689 | 1 778 | 1 767 |
| Contract (learnership/graduates in training) | **316** | 16.0 | 299 | 295 | 225 | 146 |

| EMPLOYEES PER GENDER | 2019 | Gender % | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Male | **1 527** | 77.4 | 1 561 | 1 595 | 1 640 | 1 595 |
| Female | **445** | 22.6 | 415 | 389 | 363 | 318 |

| EMPLOYEES PER LEVEL | 2019 | % Change | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Top management | **11** | (0.0) | 11 | 12 | 11 | 12 |
| Senior management | **25** | 4.2 | 24 | 21 | 29 | 30 |
| Middle management | **115** | (2.5) | 118 | 125 | 126 | 132 |
| Skilled | **548** | 1.1 | 542 | 551 | 567 | 566 |
| Semi-skilled | **645** | (2.6) | 662 | 661 | 708 | 686 |
| Unskilled | **312** | (2.5) | 320 | 319 | 337 | 341 |
| Contractors | **316** | 5.7 | 299 | 295 | 225 | 146 |
| Foskor Group | **1 972** | (0.2) | 1 976 | 1 984 | 2 003 | 1 913 |




## Recruitment

Foskor hired 69 new permanent employees during the year, and our permanent employee complement decreased by 1.25% to 1 656 (2018: 0.71% decrease). All skill levels, except top management, senior management and skilled levels, reduced in numbers.

The size of our senior and top management team increased to 36 this year, while our overall female representation increased by 7.2% (2018: increased by 1.4%).

Contractors increased to 316 (2017: 299), representing 16.0% of our total workforce, although the majority are learnership programmes and graduates in training.

The average age of our entire workforce is around 41.9, which leaves 23.1 years on average working life until retirement. Average annual staff turnover is 5.3% (2018: 5.4%) of which retirees make up 1.7%. A system whereby some of the retirees are appointed as mentors and coaches for the engineers in our training programme is in place.

| PERMANENT EMPLOYEES RECRUITED | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Foskor Group | 90 | 121 | 70 | 78 | **69** |
| **RECRUITMENT PER DIVISION** | **2015** | **2016** | **2017** | **2018** | **2019** |
| Phalaborwa and Midrand | 61 | 72 | 44 | 61 | **32** |
| Richards Bay | 29 | 49 | 26 | 17 | **37** |
| **RECRUITMENT PER GENDER** | **2015** | **2016** | **2017** | **2018** | **2019** |
| Male | 73 | 95 | 48 | 60 | **47** |
| Female | 17 | 26 | 22 | 18 | **22** |
| **RECRUITMENT BY AGE** | **2015** | **2016** | **2017** | **2018** | **2019** |
| <30 | 42 | 69 | 34 | 39 | **28** |
| 30 – 40 | 35 | 41 | 24 | 28 | **23** |
| 40 – 50 | 7 | 8 | 10 | 11 | **18** |
| 50 – 60 | 6 | 3 | 2 | – | **–** |
| >61 | – | – | – | – | **–** |
| **% EMPLOYEE TURNOVER** | **2015** | **2016** | **2017** | **2018** | **2019** |
| Foskor Group | 6.1 | 6.2 | 9.0 | 5.4 | **5.3** |
| **% TURNOVER PER DIVISION** | **2015** | **2016** | **2017** | **2018** | **2019** |
| Phalaborwa and Midrand | 5.5 | 6.3 | 6.7 | 5.4 | **6.1** |
| Richards Bay | 7.4 | 5.0 | 13.8 | 5.3 | **3.7** |
| **% TURNOVER PER GENDER** | **2015** | **2016** | **2017** | **2018** | **2019** |
| Male | 6.1 | 6.2 | 9.4 | 5.6 | **5.8** |
| Female | 6.4 | 4.2 | 7.2 | 4.2 | **2.9** |
| **% TURNOVER BY AGE** | **2015** | **2016** | **2017** | **2018** | **2019** |
| <30 | 6.0 | 3.5 | 6.1 | 3.7 | **3.1** |
| 30 – 40 | 4.4 | 5.7 | 6.0 | 3.9 | **3.3** |
| 40 – 50 | 7.2 | 4.9 | 6.1 | 3.5 | **4.8** |
| 50 – 60 | 3.4 | 4.2 | 8.2 | 3.7 | **3.3** |
| >60 | 35.9 | 24.5 | 45.6 | 28.8 | **23.6** |

## Training and development

Training is one of the key ways we maintain and improve our intellectual capital, and the quality of an organisation's training affects its value. The Company at all times tries to ensure 100% execution of the Work Place Skills Plan, in line with the Skills Development Act. Knowledge and skills development remain vital to the health of our organisation. Training initiatives bolster employee retention and we view them as a vitally important investment.

Special emphasis was placed on the development of women and various initiatives were introduced during the year aimed at training women in the workplace. Motivational Speakers were invited in February and August to present Women in Leadership programme to motivate women employees. To empower women the Acid Division sent female employees to a Women in Business networking session.

# Operational performance continued

## Employee operational structure and diversification

Foskor's staff falls broadly into two categories: Operational staff (bargaining category employees) and managerial (middle, senior and top management). The table below also shows the racial and gender diversification of our permanent staff.

| Occupational Levels | Actual head-count | Disadvantaged | | Advantaged | | Race and gender composition | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | % | Total | % | AF | AM | CF | CM | IF | IM | WF | WM |
| Top management | 11 | 10 | 90 .9 | 1 | 9.1 | 3 | 5 | – | – | – | 2 | – | 1 |
| Senior management | 25 | 20 | 80.0 | 5 | 20.0 | 4 | 12 | – | 1 | 1 | 1 | 1 | 5 |
| Professional and middle management | 115 | 88 | 76.5 | 27 | 23.5 | 30 | 43 | – | 1 | – | 9 | 5 | 27 |
| Skilled | 548 | 468 | 85.4 | 80 | 14.6 | 82 | 337 | 2 | 2 | 7 | 19 | 19 | 80 |
| Semi-skilled | 645 | 625 | 96.9 | 20 | 3.1 | 83 | 533 | 1 | – | – | 4 | 4 | 20 |
| Unskilled | 312 | 310 | 99.4 | 2 | 0.6 | 72 | 238 | – | – | – | – | – | 2 |
| Total | 1656 | 1521 | 91.8 | 135 | 8.2 | 274 | 1168 | 3 | 4 | 8 | 35 | 29 | 135 |

Emphasis is placed on effective succession planning as it assists with the smooth transition when employees are promoted or with natural attrition. Our succession plans take into account our strategic objectives. Management is responsible for succession planning and the identification of potential successors for key positions.

In order to address the shortage of skills, especially critical skills, we provide bursaries, learnerships, internships and other technical training opportunities. The mining division provided 123 learnerships, few of them were recruited after successfully completing their learnerships. 107 apprentices were trained at the technical training centre.

Our bursary programme offers deserving candidates the opportunity to study engineering, geology, chemistry, environmental science, law and accounting at a university or a university of technology. We currently have 21 bursars at the Mining Division and 14 at the Acid Division. This brings the total number of bursars for the Foskor group to 35.

Our graduate development programme aims to develop a strong technical foundation and blends academic theory and practical exposure. Every participant has a mentor who supervises their formal training and work exposure. A total of 19 graduates are currently participating in this programme 15 in the Mining Division and 4 in the Acid Division. There are 15 Interns in various fields in the Acid division. There is also one Diploma student completing his P1/P2 in the Mining Division. Foskor also has an agreement with the MQA to assist with a development programme for MQA graduates and currently there are two MQA graduates being hosted by the Mining Division. MQA grant cost is R7 709 316. This shows commitment on Skills Development and uplifting of the skills level in the country, which directly have an impact into the community.

The Adult Education Training programme presented at the Mining Division currently hosts 29 employees. Foskor invested R167 351.85 in the programme in 2018 which offers eligible employees free tuition and learning materials.

Fifty-one learners were registered at the Mining Division in the Foundational Learning Competency (FLC) to assist them to meet the MQA basic requirements, thus enabling them to register for qualification in Mineral Processing (Metallurgy) and Mineral Excavation Skills Programmes. An amount of R36 219.17 was invested in the programme.

In partnership with Mopani FET College and the LGSETA, the Mining Division is hosting 33 Interns in the fields of Management Assistant, Business Management, Finance Management and HR. The purpose is to assist the learners in gaining work place experience to enable them to qualify for diplomas at the end of the 18-month training programme.

An apprenticeship programme is run at the Acid Division for the development of artisan learners. In partnership with Umfolozi FET College and CHIETA, the Acid Division is hosting 28 learners to eventually be declared competent artisans. The Acid Division further hosted 13 apprentices also in partnership with Umfolozi FET College. R1.5 million was spent on study assistance, career advancement training interventions for employees in the Acid Division.

### TRADE UNION REPRESENTATIVENESS

Foskor subscribes to the principles of industrial democracy and employee participation. This is achieved through recognition of trade union representatives who meet regularly with management. There are also monthly briefing sessions which are attended by all employees. In this way, all employees of Foskor are able to directly and indirectly participate in any matter of mutual interest and other matters affecting their conditions of employment.

There are presently seven trade unions representing a total of 1 517 employees (out of 1 656 total employees), which equates to approximately 91.6 % of the total permanent staff complement as at 31 March 2019.

The new trade union, namely National Union of Metalworkers of South Africa (NUMSA) rapidly increased its membership base at the Acid Division and has in the process deposed CEPPWAWU of its majority status.

NUM continued to command a majority membership status with 56.4% of the total union membership in the Group. The National Union of Metalworkers of South Africa (NUMSA) represents 14.7% whereas the Chemical Energy Paper Printing Wood and Allied Workers Union (CEPPWAWU) represents 11.6%. Both CEPPWAWU and NUMSA are based at the Acid Division in Richards Bay. Solidarity at the Mining and Acid divisions has a combined membership share of approximately 8.1%, non-unionised employees account for 8.4% and United Association of South Africa (UASA) has a support base of 0.8%.

### SUBSTANTIVE CONDITIONS OF EMPLOYMENT

The substantive conditions of employment agreements which were concluded in 2017 at both Mining and Acid divisions respectively are set to run their last leg, which begins on 1 April 2019 until 31 March 2020. This means that the Company and the majority trade unions at both divisions are set to begin negotiations towards the end of the 2019 calendar year.

Both SOLIDARITY and NUMSA, which were not party to the conclusion of the three-year agreement at the Acid division challenged the phasing out of the scarcity allowance. Their attempts, which ended at bargaining Council, were unsuccessful and the phasing out of the scarcity allowance was once again successfully implemented.

### PAY PROGRESSION CRITERIA

The process of developing a pay progression criterion is at an advanced stage. However, it was put on hold because of the Company's unfavourable financial situation. The Pay Progression criteria is aimed at making it possible for employees to systematically progress between the minimum and maximum of the salary scales for Level 1 – 7 employees. Unfortunately, this item, together with the ESOP matter, which is dealt with below, gave rise to strike action at the Acid division.

The Employee Share Ownership Programme (ESOP) is one of the two items which are central to the strike action that commenced on 15 March at the Acid division. The employees are demanding compensation in the amount of R25 000 per employee in lieu of the scheme that is now under water. This is as a result of the enterprise value of the company declining since the ESOP was implemented. The matter was eventually resolved and the strike ended on 29 April 2019.

### DISPUTE RESOLUTION

During the year under review (2018/2019 financial year), 26 CCMA/NBCCI and labour court cases as reflected below were reported, of which 18 were finalised and 8 were still outstanding at the time of compiling this report. Altogether 24 of the cases related to individuals while two were collective in nature. The cases were concluded as follows:

| | |
|---|---|
| Favourable outcomes | 9 |
| Lost cases | 1 |
| Settlements | 8 |
| Total finalised cases | 18 |
| Outstanding cases | 8 |

It is also worth mentioning that of these finalised cases, eight relate to allegations of unfair labour practice (ULP), three of alleged unfair discrimination, one mutual interests matter, five dismissals for misconduct one constructive dismissal.

### RESTRUCTURING EXERCISE

There was no restructuring exercise during the period under review. However, a Business Reengineering Committee was established with a view to investigating ways in which the operations can be optimised. Its work was concluded in March 2019 and a report was submitted to the Board for deliberation and decision making.

### GENERAL INDUSTRIAL RELATIONS CLIMATE

The IR climate was not at its best during the year under review. The crux of the unstable IR can be ascribed to the discontentment on both Pay Progression and ESOP as aforementioned. Although this resulted in a strike action at the Acid division, the matter was somewhat under control at the Mining division where the majority trade union, namely NUM, decided not to utilise a strike certificate that the union had obtained in May 2018. The IR climate remains volatile.

# Operational performance continued

## Social

The advent of the new Mining Charter has brought a new perspective to how mining industry should evolve to meet the new demanding targets as set in the charter.

The cost of compliance is high and we will be trying to put a strategy in place to support the requirements of the new Mining Charter.

It gives some hope that the mining industry continues to be a sector that presents significant opportunities for employment, community development, Supplier and Enterprise Development which ultimately makes a positive impact on the regional development.

We have a number of success stories with black business that are surfacing in the supply of technical related goods and services.

For the communities of Ba-Phalaborwa and Richards Bay, this mining operation remains a beacon of hope to these communities as they understand both the historical and current impact of mining in local economies.

For Foskor to be productive, safe, responsible and sustainable, our mine must operate alongside thriving communities.

We are bound to align our Socio Economic Development activities to the needs of the local communities as established through the municipal Integrated Developments Plans (IDP) of the municipality.

We are host to communities that are dominated by increasing poverty, growing inequality and there are increasing calls for the mining industry and the private sector in general, to dig deep into the pockets for social spending irrespective of our loss making situation.

We are driving effective stakeholder engagement initiatives for us to be able to identify and realise opportunities to deliver impact at a bigger scale.

The South African government in conjunction with vision 2030 aspires among others, to eliminate poverty and create 11 million jobs by the year 2030. This is a clarion call to the mining industry in general to put strategies in place to contribute meaningfully to the challenges that are faced by our host communities, regions and the province.

Our open and honest engagement with our critical stakeholders is paramount in gaining and maintaining our social and regulatory licences to operate and therefore ensuring the sustainability of our business.

When Foskor was issued with the conversion of the mining rights in 2009, the licence to operate was conditional on compliance with the Mining Charter, Broad-Based Black Economic Empowerment (B-BBEE) Act and the Minerals and Petroleum Resources Development Act (MPRDA).

The second Social and Labour Plan has reached the end of its tenure as at the end on August 2018 and the completion of the projects would have seen R35 million spend in Ba-Phalaborwa Communities. The four projects with their costs that had to be implemented are:

| | |
|---|---|
| Makatikele School | R5 million |
| New landfill site | R7 million |
| Rehabilitation of streets | R13 million |
| The electrical infrastructure | R10 million |

We have spent R1.3 million in the period under review on pothole repairs in the Ba-Phalaborwa municipal jurisdiction area as part of the rehabilitation of streets. Refer to page 104-105 for more details of these projects.

The third Social and Labour Plan has been developed and submitted and the following proposed LED projects will be implemented in conjunction with Ba-Phalaborwa municipality:

| | |
|---|---|
| Development of a new landfill site | R7 million |
| Upgrading of gravel to tar projects | R24 million |
| Electrical Infrastructure – High mast lights | R9 million |

Foskor firmly believes in the spirit of transformation for ensuring the growth and sustainability of our business. We believe that, by creating an enabling business environment with clear deliverables as guided by the principles of transformation, historically disadvantaged South Africans (HDSAs) will be empowered to participate meaningfully as employees, shareholders, communities and suppliers. Foskor's approach on sound and honest interaction with all stakeholders is the essence of our approach to sustainable development that resonates very well with Foskor's mission statement "We will create value and profit by converting opportunities with determination, responsibility and sustainability".

We are an organisation that is not interested in basic compliance but we build solid relationships with all our stakeholders through maintaining our regulatory and social licences to operate. Through our stakeholder engagement initiatives, we continue to strengthen our relations with the local communities to foster trust between ourselves and our host communities. We acknowledge that our operations are part of our host communities and our health barometer as a business is directly linked to the wellbeing of these communities. We have a sound relationship with our host communities as we have found better ways to cohabitate in harmony for our mutual benefit.

We take transformation very serious and in conformance with South Africa's mining laws and in fulfilment of the requirements or conditions of the issuing of the Company's Mining Rights, we are implementing the provisions of the relevant pieces of legislation that governs transformation in general.

We have developed systems, forums and processes to support the spirit of transformation and we have different transformation initiatives in the divisions to assist in bringing to the management team's attention issues that affect our employees and the immediate communities. The consultative forums include Employment Equity c1ommittees, monthly organised labour meetings, scheduled community meetings, quarterly transformation sittings and others.

## Career development and women in mining

Our Human Resources remains an important integral part of our organization and development of women at Foskor has been embraced as an imperative towards sustainable development.

Our management team has adopted the spirit of transformation and the initiatives to support this business imperative includes capacity building for women through development and their inclusion on the formal succession development programme. Our career development and succession planning programme provides for employees to be chosen for development and advancement based on core competency requirements.

A career path is then planned for the individuals selected with a mentor assigned to the protégé. The career progression plan for women at Foskor is given priority and the management team supports initiatives to develop women and we currently have 18 women that are identified for career progression. The career progression planning at Foskor ranges from 12 months to four years depending on the extent of the level of the incumbents' workplace exposure. It must be noted that mentoring forms an integral part of employees' career development to ensure that there is proper and well-informed transfer of skills.

Due to the nature of Mining and the Acid divisions, the recruitment of women into technical positions remains a major challenge, primarily due to a lack or shortage of women with those scarce technical skills. By actively engaging with women in the recruitment process Foskor continues to strive towards improving the representation of women across all levels within the organisation.

In the year under review, women occupied 18% of the total positions in both the Mining and Acid divisions.

Our employment equity plan is continuously being reviewed by the employment equity forums in both divisions and it remains a guiding document towards supporting the increasing number of women that we employ.

## Broad-based black economic empowerment

We are currently finalizing the B-BBEE verification process and the preliminary scores based on the stringent new codes are presented below:

| Element | Maximum score on the new scorecard | Foskor score |
|---|---|---|
| Equity Ownership | 25 | 6.25 |
| Management Control | 19 | 13.95 |
| Skills Development | 25 | 8.57 |
| Enterprise and Supplier Development | 44 | 33.01 |
| Socio-Economic Development | 5 | 5.00 |
| Grand Total | 118 | 66.78 |

The preliminary score is level 6 based on the new codes. We have been negatively impacted by the ownership component with high equity debt and lack of servicing of the loans by the equity partners as a result of Foskor's loss making situation.

## Mining charter

As Foskor we are committed to transformation and are guided by the provisions as stipulated in the Broad-Based Black Economic Act and the Empowerment Charter for the South African Mining and Minerals Industry (Mining Charter).

All mining rights holders are required to submit quarterly and annual compliance assessments to the Department of Mineral Resources on progress made against meeting the annual targets in the Charter. We have submitted all the required annual reports.

The new Social and Labour Plan has been submitted and presented to the Department of Mineral Resources and we are awaiting the date for presentation to the DMR head office delegation.

Foskor perceives the Mining Charter as a tool that is used to direct and manage transformation in the mining sector and Foskor as one of the catalysts for change in the industry and will endeavour to make all attempts to ensure that there is compliance under the current difficult and trying economic conditions.

## Development

The delivery of community development projects is informed by the Social and Labour Plans (SLPs) that are submitted every five years to the DMR, detailing community development projects and targets. Foskor will be making a minimum direct investment of R40 million for the funding of the three Local Economic Development projects in the SLP of the Mining Division for the next five-year cycle and this cost excludes the cost of the three dedicated employees which includes a senior manager that are responsible for implementation of these projects.

A total of R9.86 million was spend on Local Economic Development.

A further annual investment of R2.4 million is made in the group as part of the fixed and ad hoc donations.

We invest in communities within a 50-kilometre radius of our Mining and Acid operations. Our Corporate Social Investment (CSI) and Local Economic Development (LED) under the stewardship of the Corporate Affairs Department, manage education, skills development, housing and infrastructure upgrades and healthcare and social welfare. We conduct rigorous community needs assessments through the Integrated Development Planning (IDP), and put in place monitoring and control systems through monthly meetings with the municipality to safeguard the integrity of initiatives and ensure they continue to meet the needs of our local communities.

## Communities

Our Corporate Social Investment (CSI) expenditure predominantly supports vulnerable and marginalised stakeholders who are unable to participate in our main stream economic value chains.

The mining industry is expected to make a difference by being able to create a sustainable business which can effectively engage its stakeholders – most directly our employees and the communities close to our operations, but equally to the stakeholders who indirectly affect, or are affected by, what we do, including governments, shareholders, partners and suppliers. We are committed to working with all our stakeholders in government, business and civil society.

We believe that establishing strong relationships built on trust, integrity and mutual respect is fundamental to our ability to create value for the communities and the shareholder. The need to invest in building mutually beneficial relationships is of great importance to Foskor.

Our established Community Trusts are currently not operational due to lack of profitability of Foskor as they are mainly funded through dividends but they are geared towards supporting the local communities by adopting the approach of the provincial development plan which supports poverty alleviation through agricultural projects and skills development initiatives. The Community Trusts are managed by community-representing Trustees in terms of the trust deeds.

Our Corporate Social Investment includes investments in sports, arts and culture, health and food security, and the support of vulnerable groups.

There are no disputes with communities relating to land use, customary rights of local communities and indigenous people. There is one pending land claim in Phalaborwa.

**Our main aim with CSI and LED is to:**

Maintain and observe the conditions attached to the issuing of our mining licenses to operate and we deliver on our mandate beyond compliance;

Use the allocated financial resources appropriately and effectively to respond to identified and agreed community needs Focus efforts on achieving tangible and sustainable impacts that will continue beyond the life of mine;

Go beyond financial resources and consider the best use of other internal assets, resources and most importantly to be part of the local communities;

Utilise the pool of expertise and forge relationships that will benefit the host communities;

Avoid dependency and encourage the creation of alternative economies that are independent of mining;

Continuously monitor and evaluate the impact and social returns from these important investments.

# Operational performance continued

The following are some of the projects that have been undertaken in both the Phalaborwa and Richards Bay areas:

- Social development programme
- Employee volunteer programme
- The Foskor 21 half marathon
- The Foskor Primary School
- The Annual Foskor – 1KZNTV Charity Golfday
- The Koko Riba day care centre
- The Makatikele combined school
- The donation of the refuse collection truck as part of the Local Economic Development
- Namakgale primary school palisade fencing project
- Foskor supported SAPS with a jojo tank
- Foskor supported vuxeni high school with a jojo tank
- Namakgale Clinic
- Education Programmes:
  1. High Flyers Matriculants Winter & Summer School Science Programmes,
  2. Foskor Media Resurce Centre
  3. University of Zululand Science Centre
  4. Take a girl Child to work Programme
  5. Department of Education Top matric Achievers Awards
  6. City of UMhlathuze Mayoral Back to School Programme

**A brief summary of some of the projects follows:**

- **Employee Volunteer Programme**

Employee Volunteering Programs (EVPs) refer to any formal or organised company support for employees who wish to give of their time and skills in service to the community. This does not only include Corporate Social Investment staff whose job description is to work on CSI, but rather employees from non-CSI departments. A team of employees from different departments including Senior Managers dedicate their time and skills in making the CSI Initiatives a success on these programmes, e.g. Mandela Days, Take a girl child to work, Arbor Days (planting of trees) Coastal Clean-Ups, CANSA Relays, the Foskor 21 half marathon, etc.

This initiative has ensured that the camaraderie spirit is shared within the employees from different departments.

- **Foskor Primary School Fencing Project**

Foskor Primary School approached us with a request to fence their sporting field as the community members were starting to use it as a dumping area. As Foskor's primary school sponsor we saw it befitting to assist the school and also to prevent the community from using the sports field as a dumping area.

Other concerns raised related to safety in the sense that while playing soccer and netball children will occasionally have the ball kicked onto the road and the learners have to cross the busy road to fetch the ball. To avoid any potential incidents, erection of the fence will assist in keeping the learners away from the road.

A fence was erected by a local 100% percent black woman owned company.

The sporting field is now safe for the learners and there are controls in place for the community to access when they want to utilize the soccer field.

- **The Annual Foskor – 1KZNTV Charity Golfday**

Foskor charity Golf day in partnership with 1KZNTV is an annual event which is hosted by the Foskor Acid Division. The main aim of this fundraising event is to:

1. Raise funds to support the underprivileged learners with school uniforms.
2. Assist the students from poor backgrounds with university tuition fees who excel academically in their matric examinations and produce good results.
3. Have impact on students from deep rural areas within our municipal jurisdiction.

This is a two day opportunity for our customers, suppliers and contractors to network and play golf with our employees for a worthy cause of raising funds for the underprivileged. Our media partner ensures that they afford free airtime for the customers, suppliers and contractors to market their businesses through 1KZNTV.

It was a humbling moment at the beginning of the 2019 university academic year with the distribution of the 2018 charity golf proceeds that were used for paying registration grants for eight University students who were registering in different universities. King Cetshwayo District Municipality assisted in the selection criteria of these needy students. Each student was allocated R10,000-00 as a registration grant. The City of UMhlathuze Mayoral Back to School Campaign which is a project that Foskor supports was also assisted with these proceeds where 350 primary school learners from different schools were provided with school bags and sanitary pads.

- **Namakhale Primary School Palisade Fencing Project**

Namakgale Primary school is one of the oldest schools in a local township of Namakgale and it has deteriorated due to lack of continuous maintenance of the school.

The school approached us with a request for assistance with a palisade fence due to the state of dilapidation of the old fence. The school premises were exposed due to lack of controlled access to the school and the palisade fence was a reasonable deterrent to uncontrolled access to the premises. We then requested our technical department to do an assessment and they recommended that we get drawings through the drawing office for the design of the palisade fencing.

We had to prioritize the precious and important lives of the kids at the school by providing security through construction of the palisade fence.

Foskor appointed a local 100% black owned company for the erection of the palisade fencing. Foskor is proud to have played an important role in creating a safe environment for the learners of Namakgale Primary School.

- **Foskor supports vuxeni high school with a jojo tank**

Foskor through its CSI initiatives assisted Vuxeni High School with a steel structure and a Jojo tank. The approval was informed by the intermittent water supply that affects the effective learning and teaching in the school as the learners are sent home if there is no water supply.

This project is aimed at ensuring that schooling is not interrupted and learners can fully exploit the learning and teaching time allocated through the schooling calendar.

We have approved this project in the interest of securing a healthy environment for both the learners and educators.

The project was completed by a local 100% black owned company and the commissioning of the project was done and handed over to the school.

- **Namakgale clinic**

One of the most important CSI priorities in Foskor is health and we will always go an extra mile to meet the community's needs on health. We made a courtesy visit to the clinic at Namakgale Zone A to check its state after the local ward councilor send us a letter to request assistance with the refurbishment of the clinic. Upon our arrival we identified a need for repairs of basic things like fixing the toilets and their waiting area.

We continued with a contractor's engagement and approached a local 100% black owned company that has a minor works contract with Foskor to assist in fixing the defects that were identified at the clinic. Foskor will keep supporting the clinic and making sure that they assist the community of Ba-Phalaborwa.

The following were repaired:

- Leaking taps
- Toilets
- Waiting area
- Doors

# Operational performance continued

Foskor jointly with Ba-Phalaborwa Municipality continue to support communities through Local Economic Development (LED) initiatives. We committed R40 million to three Projects in our Social and Labour Plan for the five-year cycle 2019 to 2023, being:

| | | |
|---|---|---|
| 1. | Establishment of a new landfill site | R 7 million |
| 2. | High mast lights | R 9 million |
| 3. | Upgrading of gravel to tar project | R 24 million |

The projects and status of the previous SLP cycle are summarised as follows:

**1. THE CONSTRUCTION OF THE MAKATIKELE COMBINED SCHOOL ( Project Value R 5.6m )**

The Local Economic Development Component of the current Foskor SLP has been changed accordingly to accommodate this legacy project of a school in the new development area of Boelang village. Foskor has developed all the necessary plans which were submitted to the Municipality for approval in terms of the relevant municipal bi-laws and they are approved.

Foskor saw a need for the project as the children walk a long distance to attend schools which are outside the village. The school is named after one of our local Chiefs, Andries Makatikele Malatji (Makhushane), as the village is under his leadership.

A local 100% black owned small consulting company has been appointed to perform the consulting work. The tender for the fencing was awarded and the fence is erected. The construction tender has been awarded to Six local black owned companies. Four contractor to construct a block which consists of 4 class rooms, one contractor to construct the administration block and the last contractor to construct the ablution facility. These opportunities are broken down for the benefit of our locally based 100% black owned SMME's.

We have committed to local communities that we will break the project down to accommodate a number of contractors to ensure that the benefit is on a broad base basis. We have engaged with our suppliers to pledge for this initiative as the allocated budget will not complete this project.

Material will be procured by Foskor and contractors will be responsible for the construction work only.

The following companies committed to giving back to the community through this project:

- Barloworld – R 500 000.
- BP Masana R 100 000.
- Steffanutti Stocks R 100 000.
- Phalaborwa scaffolding has committed all the scaffolding needs for the project.
- SAMREU security has committed discounted security rates at the school until we handover the school to the department.
- Agreenco has committed and installed R 20 000 worth of an irrigation system and develop a food garden that will feed the children at the Makatikele school.
- Kholo drilling for the sinking of a borehole.

Foskor is very proud to have a legacy project. This project will be a sign that Foskor was making a big impact in the communities of Ba-Phalaborwa even after Foskor reaches its life span.

## 2. POTHOLE REPAIR PROJECT AS PART OF REHABILITATION OF STREETS IN BA-PHALABORWA

The budget allocated for the pothole repair project was R1 000 000 for the year under review. The rehabilitation of streets project has a budget allocation of R13 000 000 which will be implemented in the 2020 financial year.

This project has employed 12 community members of Ba-Phalaborwa communities and we believe in running projects that creates employment for our local communities. A total budget of R 24 million has been committed as part of planning for the next five-year Social and Labour Plan.

## 3. THE PROVISION OF THE REFUSE REMOVAL TRUCK AS PART OF THE LANDFILL SITE PROJECT

The Integrated Development Plan of Ba-Phalaborwa Municipality is bearing sweet fruits with the delivery of a refuse collection truck for the benefit of all residents within the Ba-Phalaborwa municipal jurisdiction.

Foskor in conjunction with the Ba-Phalaborwa Municipality identified the struggles that the surrounding communities had with regards to garbage collection. Foskor has implemented this project with the preservation of the environment in the back of its mind. This project was not a legal compliance matter, but we are confirming our moral responsibility that we have as a responsible corporate citizen of Ba-Phalaborwa to meet the expectations of our local communities.

When the Parliament passes laws, they would like to see the spirit of the law put into action. This is the time when Foskor says, we are indeed putting the spirit of the Mining Charter into life by delivering sustainable projects that will benefit the communities of Ba-Phalaborwa.

This official handover of the Refuse Collection Truck is part of the bigger project being, the establishment of a new landfill site and the second phase of the project will be the installation of the concrete palisades around the parameter of the facility. Foskor is passionate about the environment hence this was one of our initiatives to support the bigger Municipality vision in making sure that our town achieves its cleanest town status which we celebrated sometime in the recent past.

Foskor is implementing these projects irrespective of the current loss-making situation and our moral responsibility does not depend on our profitability but by doing what is right. We would like to appreciate the cordial and open relationship that we have with Ba-Phalaborwa Municipality and to ensure that we nurture and maintain it going into the future.


## 4. COMMUNITY TRAINING

The provision of skills in the local communities remains an important priority for the company and we will continuously engage with communities to assist with skills development to those that are without formal qualifications. The community training is an annual project in the amount of R1 000 000 for both the Mining and Acid divisions. We have seen the impact that this training has in our hosting communities. Through this initiative community members were employed by contractors and some have increased their potential to be employed.

Four service providers were appointed for the Community skills training respectively (HIRA, Basic Health & Safety, First Aid Level 1, Steel Fixing, Shutter Hand, Dozer and Forklift Training).

Foskor takes pride in this initiative as it creates a platform for employment and starting small business to sustain the beneficiaries' livelihood in the community. The contractors can absorb them with ease because of the skills they gain from this training.

# Glossary

| Abbreviation | meaning | Abbreviation | meaning |
|---|---|---|---|
| **ABET** | Adult Basic Education Training | **EXCO** | Executive Committee |
| **AEL** | Atmospheric Emissions Licence | **FFP3** | Filtering Face Piece Level 3 respirator |
| **AHF** | Anhydrous fluoride acid | **FGAS** | Foskor Group Audit Services |
| **AMS 16001** | Aids Management Systems 16001 standard | **FOB** | Free on Board |
| **ARC** | Agricultural Research Council | **FOR** | Free on Rail |
| **B-BBEE** | Broad-Based Black Economic Empowerment | **FZE** | Free zone establishment. Refers to a limited liability entities owned by an individual or corporate entity, as in Sun International (FZE) Dubai |
| **BARC** | Board Audit and Risk Committee | **GRI** | Global Reporting Initiative |
| **BEE** | Black Economic Empowerment | **HDSA** | Historically Disadvantaged South Africans |
| **Capex** | Capital expenditure | **HIV/AIDS** | Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome |
| **CCMA** | Commission for Conciliation, Media Arbitration | **HL, CMW, HDPE, K4** | Various recyclable waste generated |
| **CEO** | Chief Executive Officer | **IAS** | International Accounting Standards |
| **CFO** | Chief Financial Officer | **ICT** | Information and Communications Technology |
| **CEPPWAWU** | Chemical, Energy, Paper, Printing, Wood and Allied Workers Union | **IDC** | Industrial Development Corporation of South Africa Limited |
| **CIL** | Coromandel International Ltd | **IDP** | Integrated Development Plan |
| **CINPF** | Chemical Industries National Provident Fund | **IFRS** | International Financial Reporting Standard IIR Framework |
| **$CO_2$** | Carbon dioxide | **IR** | Industrial Relations |
| **COBIT** | Control Objectives for Information Technology | **IRMSA** | Institute of Risk Management of South Africa |
| **COID** | Compensation for occupational injuries and diseases | **ISO 14001** | International Organisation of Standards – Environmental Management |
| **COSO** | Committee of Sponsoring Organisations | **ISO 16001** | International Organisation of Standards – Energy Management Systems |
| **CRF Institute** | A company offering independent HR assessment and acknowledgement headquartered in The Netherlands | **ISO 31000** | International Organisation of Standards – Risk Management |
| **CSI** | Corporate Social Investment | **ISO 9001** | International Organisation of Standards safety, – Quality Management |
| **DAEA** | Department of Agriculture and Environmental Affairs | **King IV** | Corporate Governance Codes of the King IV report |
| **DAP** | Di-ammonium phosphate | **KPI** | Key Performance Indicator |
| **DEA** | Department Environmental Affairs | **KZN** | KwaZulu-Natal |
| **DEKRA Certification** | A global provider of auditing and certification services, specialising in the fields of environment and health, headquartered in Germany | **LA Crushers** | A load and haul materials handling service provider in Phalaborwa for both the PMC and Foskor |
| **DMR** | Department of Mineral Resources | **LED** | Local economic development |
| **DTI** | Department of Trade and Industry | **LTIFR** | Lost time injury frequency rate |
| **DWA** | Department Water Affairs | **MAP** | Mono-ammonium phosphates |
| **EBIT** | Earnings before interest and taxes | **MAPz** | MAP with zinc |

| Abbreviation | meaning |
|---|---|
| **EBITDA** | Earnings before interest, taxes, depreciation and amortisation |
| **ERM** | Enterprise-wide risk management |
| **ESOP** | Employee share ownership plan |
| **MDP** | Management Development Programme |
| **MDW** | Mission-directed work teams |
| **MPRDA** | Mineral and Petroleum Resources Developments Act |
| **MQA** | Mining Qualifications Authority |
| **MVA** | Megavolt Ampere |
| **MW** | Mega Watt |
| **NECSA** | Nuclear Energy Corporation Ltd of South Africa |
| **NEMA** | National Environmental Management Act |
| **NERA** | National Empowerment Rating Agency |
| **NGO** | Non-governmental organisation |
| **NNR** | National Nuclear Regulator |
| **NPK** | Nitrogen-phosphate-kalium (complex fertilisers) |
| **NPPB** | North Pit Pushback Project |
| **NUMSA** | National Union of Metal Workers of South Africa |
| **NUM** | The National Union of Mineworkers |
| **OESSM** | Occupational Exposure Sampling Strategy Manual |
| **OHS Act** | Operational Health and Safety Act of South Africa |
| **OHSAS** | Occupational Health and Safety Assessment Series |
| **$P_2O_5$** | The term used in the phosphate industry to measure its phosphoric acid production volumes |
| **PAS 2050 standard** | Publicly Available Standards (PAS) 2050 is a method for the assessment of the life cycle GHG emissions associated with goods and services |
| **PHB** | Phalaborwa |
| **PMC** | Phalaborwa Mining Company |
| **PPE** | Personal Protective Equipment |
| **PROTEC** | Programme for Technological Careers |
| **RBY** | Richards Bay |
| **REO** | Rare Earth Oxide |
| **ROCE** | Return on capital employed |
| **ROM** | Run-of-mine |
| **SABS** | South African Board of Standards |
| **SAMREC** | South African Mineral Resource Committee |
| **SANS** | South African National Standards |
| **SANS 16001** | South African National Standards for HIV/AIDS |
| **SANS 451:2008** | South African National Standards for Spirometry |
| **SARS** | South African Revenue Service |
| **SASDC** | South African Supplier Development Council |
| **SEAON** | South African Environmental Observation Network |
| **SETA** | South Africa's Skills Education and Training Authority |
| **SGS** | is a leading inspection, verification, testing and certification company, headquartered in Switzerland |
| **SHREQ** | Safety, Health, Radiation, Environment and Quality |
| **SHE** | Safety, Health and Environment |
| **SHEQ** | Safety, Health, Environment and Quality |
| **SMME** | Small, Medium and Micro Enterprise |

# Notes

FOSKOR

www.foskor.co.za.