

FOSKOR 



INTEGRATED REPORT  
**2017**

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## NAVIGATION

This integrated report is cross-referenced with other sources of information as shown below.



*More information about Foskor and its activities can be found on the Company's website, [www.foskor.co.za](http://www.foskor.co.za)*



*Refer to page numbers elsewhere in the integrated report*

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# ABOUT THIS REPORT

This is Foskor (Pty) Limited's integrated annual report for the year ended 31 March 2017 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. The most recently published report was for the year ended 31 March 2016.

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 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; in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines (Core) including the Mining & Metals sector supplement; the King Code of Corporate Governance; and the South African Companies Act of 2008. The previous year's report was a transition to the new G4 Guidelines and this report is prepared according to the new G4 Guidelines.

## SCOPE AND BOUNDARY

This report covers the key events that took place from 1 April 2016 to 31 March 2017. 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 has also been 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](http://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 KPMG Inc. and Ngubane & Co Inc. A combined assurance approach has been adopted by obtaining assurance for 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. A review to confirm our compliance with the GRI declaration has also been externally obtained.

A detailed combined assurance matrix and which indicators have been assured is incorporated into the GRI table which can be found on our website at [www.foskor.co.za](http://www.foskor.co.za).

## 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 IR Framework. This integrated report was approved by the Board on 23 June 2017.

## 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 [ashraf@foskor.co.za](mailto:ashraf@foskor.co.za)

# HOW WE PERFORMED



## KEY ACHIEVEMENTS

### LOST TIME INJURY

well below industry standards  
– Mining 0.27  
– Acid 0.22

Certified  
**TOP EMPLOYER**  
for the 7th time in a row

Retention of  
**ISO CERTIFICATIONS**

Continued reduction in  
**FRESH WATER CONSUMPTION**  
per ton of production

Improved Phosphoric Acid Production  
**EFFICIENCY**  
from 78.75% to 84.6%

Improved **P205** and  
**GRANULATION PRODUCTION VOLUME**  
by 47% and 64% respectively

## CHALLENGES

**ROCK PRODUCTION**  
below target by

**10%**

**PHOSPHORIC ACID SELLING PRICE**  
reduced by

**27%**

**GRANULATION SELLING PRICE**  
reduced by

**12%**



for the year ended 31 March		2017	% change	2016	2015
<b>Financial</b>	Revenue (Rm)	5 614	(5)	5 918	5 297
	EBIT (Rm)	(1 224)	(313)	(296)	(419)
	EBITDA (Rm)	(857)	(1 697)	54	(113)
	Cash generated from/(utilised by) operations (Rm)	336	759	(51)	(118)
	Free cash flow (Rm)	(268)	63	(715)	(360)
<b>Production</b>	Phosphate rock (k tons)	1 687	(10)	1 876	1 983
	Phosphoric acid (k tons)	450	47	307	393
	Granulation (k tons)	324	64	198	297
<b>People</b>	Number of employees	1 984	(1)	2 003	1 913
	Employee turnover (%)	9	50	6	6
	Women representation in senior management (%)	12	(14)	14	14
	Total training spend (Rm)	11	38	8	10
<b>Safety</b>	Fatalities	1		–	–
	Loss Time Injury Rate – Mining	0,27	59	0.17	0.36
	Loss Time Injury Rate – Acid	0,22	(8)	0.24	0.34
<b>Environment</b>	Fresh water consumption ('000m <sup>3</sup> )	12 592	4	12 126	15 108
<b>Communities</b>	CSI spend (Rm)	5	(27)	7	7

# WHO WE ARE

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

We are based in South Africa and employ a total of 1 984 people spread across the Phalaborwa Mining Division, the Richards Bay Acid Division and the head office in Midrand.

## VISION

To be a globally recognised and efficient beneficiary of phosphates in a responsible manner for the benefit of all our stakeholders

## MISSION

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

## VALUES

We openly declare that any business dealings with Foskor will be:

- Conducted with Foskor's competitive advantage always in mind;
- Conducted responsibly and according to the highest standards; and
- Show recognition fairly and consistently

### 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) and DAP (di-ammonium phosphates). We also produce sulphuric acid, which is used in the production of phosphoric acid, and sell it in limited quantities. Foskor also has magnetite, a by-product of phosphate rock beneficiation which was produced in the past and stored in the form of a stock pile. Currently, there is no magnetite produced in the process.

### OUR MARKETS

We are the leading domestic producer and supplier of phosphate-based granular fertilisers. Beyond serving the local market, we supply phosphoric acid and fertilisers to international markets, particularly India, the world's largest market for phosphoric acid. While the bulk of our phosphate rock concentrate is used in our phosphoric acid manufacturing plant, we export and sell limited amounts to other fertiliser producers worldwide. We also sell magnetite and sulphuric acid domestically and abroad.

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.

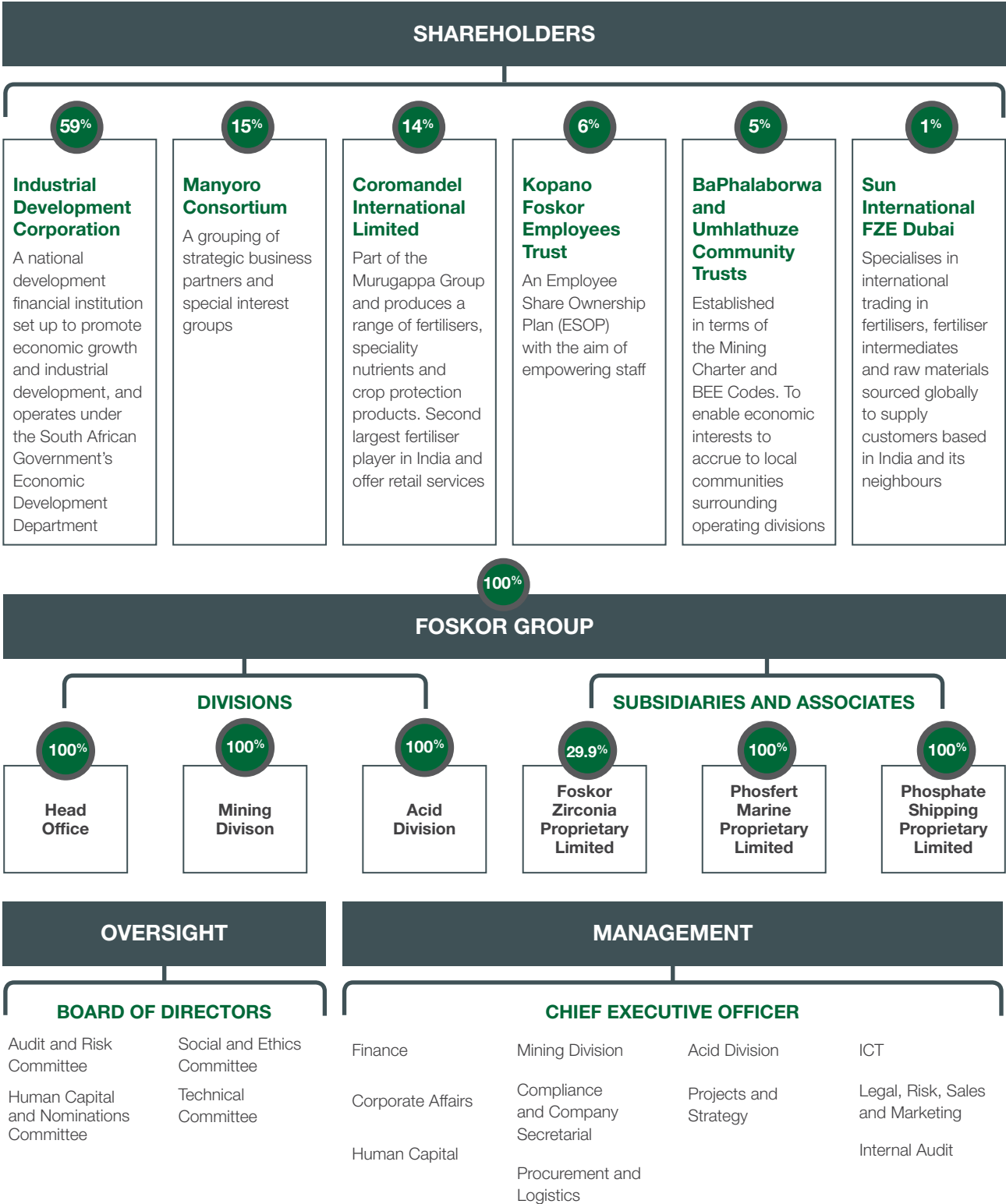


Showing **recognition** means we believe in shared reward





# HOW WE ARE STRUCTURED



There have been no changes to the structure during the year. Our governance and management structures are shown above. More details regarding our Board, Board sub-committees and governance structures can be found in the Corporate Governance section of this report on page 46 to 47.

# WHO LEADS US

## BOARD OF DIRECTORS



### NON-EXECUTIVE DIRECTOR AND CHAIRMAN

#### Mvuleni Geoffrey Qhena (51)

*BCompt (Hons), CA(SA), SEP, Adv Tax Certificate*  
Appointed: 19 June 2006  
**Board committees:** HC, S&E

### EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

#### Ufikile Khumalo (51)

*BScEng, MScEng, AMP (INSEAD), MAP (WBS), EDP (Harvard)*  
Appointed: 1 April 2016



### NON-EXECUTIVE DIRECTORS

#### Josephine Gaveni (45)

*BAdmin (Hons), MSc (HR Management)*  
Appointed: 7 February 2013  
**Board committees:** HC, S&E

#### Gerrit van Wyk (57)

*BCom (Hons), MCom, MBL, AMP (INSEAD)*  
Appointed: 17 August 2004  
**Board committees:** HC, S&E, A&R

#### Arunachalam Vellayan (64)

*BCom, Ind Admin, MBS*  
Appointed: 22 June 2005  
**Board committees:** HC, S&E

#### Lesego Sennelo (39)

*Bcom (Hons), CA (SA), Hdip Auditing*  
Appointed: 18 June 2015  
**Board committees:** A&R

**A&R:** Audit and Risk Committee

**HC:** Human Capital and Nominations Committee

**S&E:** Social and Ethics Committee

**TC:** Technical Committee



**NON-EXECUTIVE DIRECTORS**

**Vusi Mazibuko (60)**

*Bcom (Hons), AMP (Harvard)*  
Appointed: 18 June 2015  
**Board committees:** TC

**Vikramjit Sahney (55)**

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

**Venkatachalam Ravichandran (61)**

*B.E. (Hons), AICWA, PGDM, ACS*  
Appointed: 18 June 2015  
**Board committees:** TC



**INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Nkosemntu Nika (59)**

*BCompt (Hons)/CTA, CA(SA), AMP (INSEAD)*  
Appointed: 3 February 2012  
**Board committees:** A&R

**John Barton (69)**

*FCMA, CGMA, AMP (Harvard)*  
Appointed: 3 February 2012  
**Board committees:** TC

**Dr David Phaho (49)**

*BSc (Hons), MSc, PhD, Certificate: Finance and Accounting, MAP, SEDP*  
Appointed: 12 July 2005  
**Board committees:** TC

**Nondumiso Medupe (46)**

*BCom (Hons), CA(SA)*  
Appointed: 23 April 2014  
**Board committees:** A&R

**Billy Mawasha (39)**

*BSc (Eng), ADP, MDP (Gibs), GCC*  
Appointed: 1 June 2016  
**Board committees:** TC

# WHO LEADS US

## EXECUTIVE COMMITTEE



**Ufikile Khumalo (51)**

**EXECUTIVE DIRECTOR AND  
CHIEF EXECUTIVE OFFICER**

*BScEng, MScEng, AMP (INSEAD),  
MAP (WBS), EDP (Harvard)*

**Ashraf Dindar (47)**

**CHIEF FINANCIAL OFFICER**

*BCom, B Acc, CA(SA), GEDP  
(GIBS)*

**Khumbulani Cele (45)**

**VICE PRESIDENT: LOGISTICS  
AND PROCUREMENT**

*BCom (Hons), IEP (INSEAD)*



**A&R:** Audit and Risk Committee

**HC:** Human Capital and Nominations Committee

**S&E:** Social and Ethics Committee

**TC:** Technical Committee



**James Morotoba (47)**  
**SENIOR VICE PRESIDENT:  
 MINING OPERATIONS,  
 CORPORATE AFFAIRS AND  
 HUMAN CAPITAL**  
*BSc Eng (Min), MMC, MDP,  
 AMP, MBA*



**Similo Sibisi (52)**  
**VICE PRESIDENT: LEGAL,  
 RISK, AND MARKETING**  
*BA, LLB, AMP (INSEAD)*

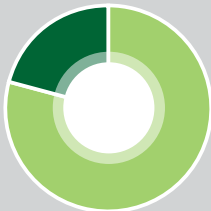


**Dinesh Singh (48)**  
**VICE PRESIDENT: ACID**  
*BE Chemical, MBA,  
 MA Economics*

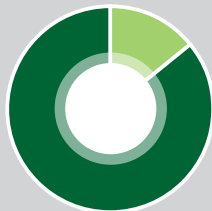


**Amagugu Khanyile (41)**  
**COMPANY SECRETARY**  
*BProc*

**BOARD DIVERSITY (%)**



● Male 79  
 ● Female 21



● White 14  
 ● Black 86

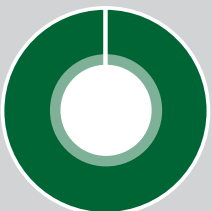


● International 21  
 ● South African 79

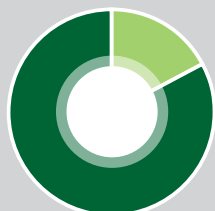
**EXECUTIVE DIVERSITY (%)**



● Female —  
 ● Male 100



● White —  
 ● Black 100



● International 17  
 ● South African 83

# HOW WE CREATE VALUE

**We create and sustain value through mining phosphate ore, converting it into rock that forms an input to 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 in 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.

In 2017/2018 we will consider commencing the tolling agreement; which was suspended in 2013/2014; depending on business requirements. The agreement accounted for 20 – 25% of our crushing and milling capacity. The agreement is suspended pending the improvement of our operations and the commodity markets.

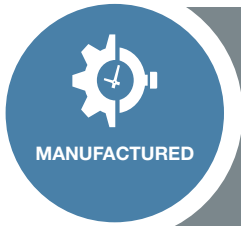
Our business model incorporates a wider view of our value-creating activities and incorporates the six capitals in inputs and resources, processes, outputs and measurable outcomes.



## CAPITAL CAPABILITIES

### CAPITALS

### WHAT IT MEANS IN TERMS OF OUR BUSINESS



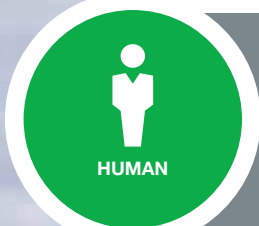
Our manufactured capital is the investment of capital expenditure at our operations, and the property, plant and equipment that are used in the generation of value. The equipment and plant that we use is monitored for its impact on the environment. The outputs of production are as a result of investments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



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.



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.



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.



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



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.



# BUSINESS MODEL

## OUR VALUE CREATION PROCESS

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

### OUR VALUES



**RESOLVE**

We are determined to continually improve in everything we do.



**RESPONSIBILITY**

We believe in being responsible to ourselves, our stakeholders, our communities and our environment.



**RESPECT**

We believe that we will excel as a team by respecting diversities.

### VISION AND MISSION

#### INPUTS

**MANUFACTURED CAPITAL**

- Investing R4bn in capital expenditure. Major investment in extending the life of the mine and asset replacement programme at both divisions.

**FINANCIAL CAPITAL**

- Investing R6bn of shareholder and debt capital.

**NATURAL CAPITAL**

- We mined 28.6mt of phosphate ore and have 1.4bn tons of mineral reserves. Magnetite by-product.

**HUMAN CAPITAL**

- 1 370 of our permanent staff are qualified and appropriately skilled.

**SOCIAL AND RELATIONSHIP CAPITAL**

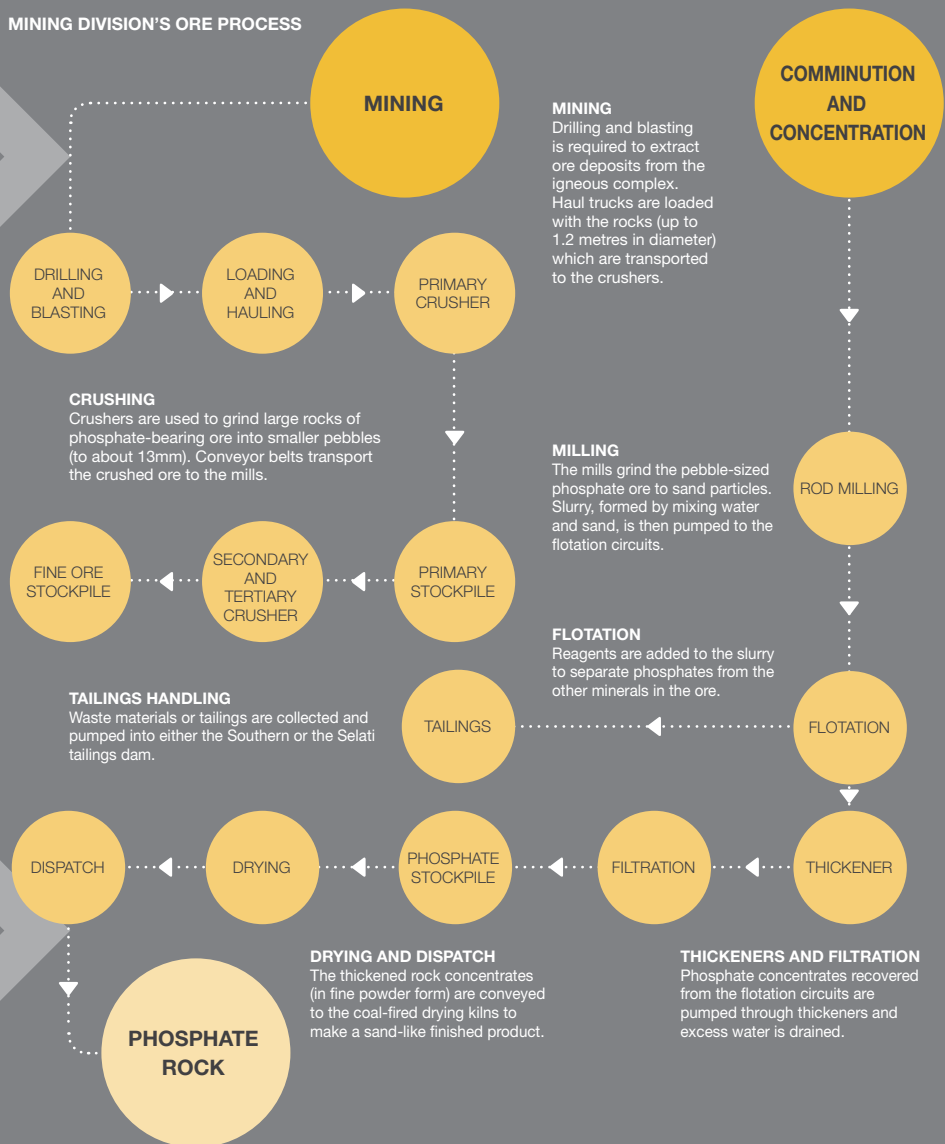
- Maintaining our operating licences and achieving our transformation and social responsibility goals.

**INTELLECTUAL CAPITAL**

- Achieving our strategic objectives through the application of our scarce skills and social responsibility goals.

#### MINE AND BENEFICIATE

**MINING DIVISION'S ORE PROCESS**



### SOURCED FROM OVERSEAS SUPPLIERS







OUR MARKETS

STRATEGY AND RISK MANAGEMENT

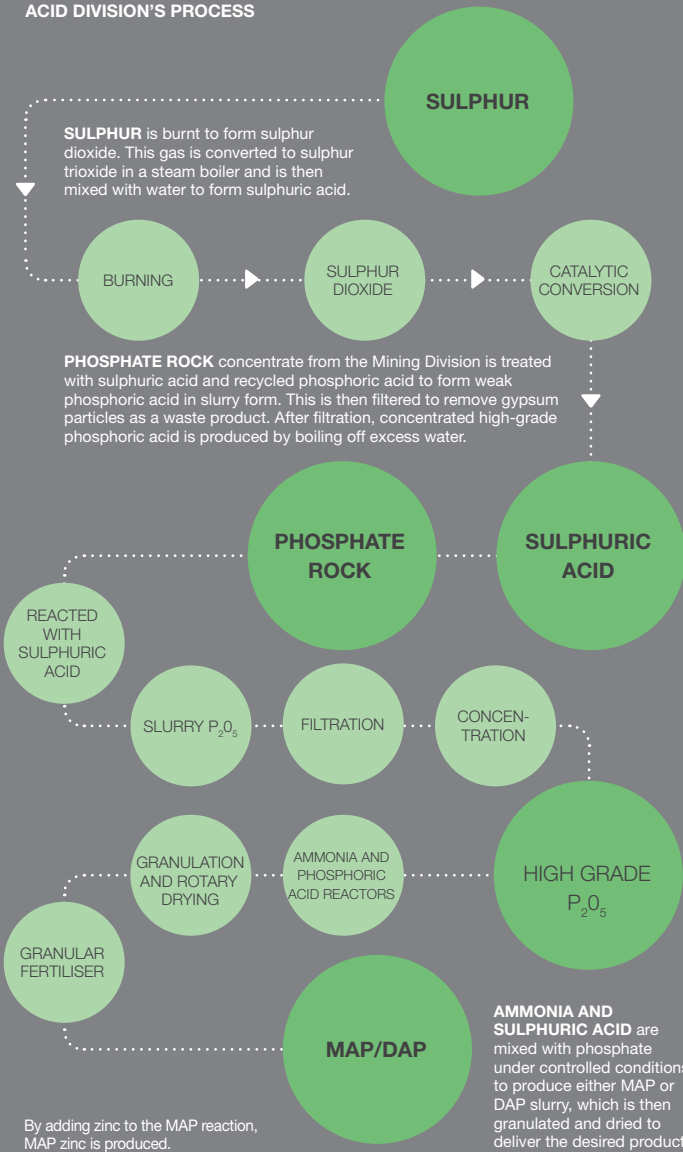


RECOGNITION

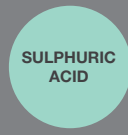
We believe in shared reward.

REACT AND CONCENTRATE

ACID DIVISION'S PROCESS



OUTPUT



OUTCOMES

MANUFACTURED CAPITAL

- Rock production 1.687mt (10% below target)
- Acid production 450kt (10% below target)
- Granulation production 324kt (14% below target)
- Acid production efficiency (2% below target)

FINANCIAL CAPITAL

- Cost of borrowings R163m (47% lower than 2016)
- Cash generated from operations R336m (759% higher than 2016)
- Free cash flows R268m negative (63% higher than 2016)
- R93m opex savings to budget
- EBIT loss R1.22bn (313% higher than 2016)
- Debt facilities reduced from R1.6bn to R1.4bn

NATURAL CAPITAL

- Mined 28.62m tons of ore (2016: 29.2m tons)
- Energy consumption increased by 4%
- Fresh water consumption increased by 3%
- Focus on CO<sub>2</sub> green house gas emissions

HUMAN CAPITAL

- Staff turnover remained at 9%
- LTIFR for Mining 0.27 and Acid 0.22
- One fatality
- Good relationship with trade unions maintained

SOCIAL AND RELATIONSHIP CAPITAL

- Maintained our licence to operate
- Mining Charter and BEE compliance
- Value added to stakeholders R977m

INTELLECTUAL CAPITAL

- Continued focus on skills development and retention

GOVERNANCE

TRANSPORT

▶ **RAIL TRANSPORT**  
Rock to Richards Bay and Maputo

▶ **ROAD TRANSPORT**  
Granular fertiliser and phosphoric acid

▶ **SHIPPING**  
Rock, P<sub>2</sub>O<sub>5</sub> and granular exports

# 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.

**Key stakeholders and our strategic responses in engaging them**

STAKEHOLDER	How we communicate with them	What matters to them	What concerns them	How we respond to their concerns	
 <p><b>Employees and trade unions</b> Total number of employees 1 984 of which 1 645 belong to one of five trade unions</p>	Staff alerts from the CEO’s desk General notices from the Communications desk Intranet Women in Mining/ Manufacturing Forums Monthly staff briefings Departmental meetings Daily business area meetings Daily newsletters Notice boards Performance reviews Internal communications campaigns and events Company “Focus” magazine Notice via email One on one conversations/ meetings	Fair remuneration and benefits Training and mentoring Safety Employee wellness programmes Community issues including HIV/AIDS, housing and job creation Communication strategy	Transformation Recruitment of scarce skills Opportunities for advancement Succession planning Training and development Job security	Employee assistance programmes Substantive amount spent on HIV/AIDS and wellness programmes and women development initiatives Safety and Environmental Awareness Days Maintaining ISO 9001, ISO 14001, OHSAS 18001, SANS 451:2008 and SANS 16001 certifications Bursaries and study assistance Group incentive scheme Training and E-Learning programmes Skills transfer programme Talent management strategy Internships, learnerships and on the job coaching Policies and procedures Career pathing Employee share ownership plan	 41
 <p><b>Board of Directors</b> 14 Directors (Five independent and one executive Director)</p>	Board meetings Board sub-committee meetings Memos Annual reports Staff alerts from the CEO’s desk Board strategy sessions	Profit Sustainable growth Driving transformation Job creation	Cyclical nature of business Escalating costs Competition Narrowing margins Commodity prices	Discharging duties through committee meetings Requiring regular feedback on executive management’s execution and delivery on key performance indicators Risk management Internal controls Policies and procedures	 40
 <p><b>Shareholders</b> The IDC, BEE shareholders, two India-based shareholders</p>	Shareholders’ meetings Letters Annual reports	Dividends Sustainable profits	Cyclical nature of business Narrowing margins	Making profits Generating positive cash flow	 41

## OUR KEY STAKEHOLDERS (CONTINUED)

STAKEHOLDER	How we communicate with them	What matters to them	What concerns them	How we respond to their concerns	
 <p><b>Customers</b> Fifty-four percent of revenue from local customers and forty-six percent from foreign customers</p>	<p>Meetings Site visits Business associations Conferences and seminars</p>	<p>Value Customer service Quality products Competitive prices Timely deliveries Reliability of supplies</p>	<p>Availability of stock Logistics Sustainability of customer relationships</p>	<p>Stockpiling rock Alternative rail logistics routes Improving operational efficiency and output Improve customer relations Maintain competitive pricing</p>	 42
 <p><b>Contractors, partnerships and sharing agreements</b> Includes key third parties</p>	<p>Meetings Written communications Contact on operational issues Reports Contract negotiations</p>	<p>Equitable income distribution Key safety, health, environment and quality strategies</p>	<p>Work stoppages Industrial action Continued partnerships</p>	<p>Contractor safety, health and environmental management plans Safety agreements</p>	 42
 <p><b>Suppliers and service providers</b> Approximately 2 700 suppliers on our supplier database and 84 percent of our procurement spend is with BEE suppliers</p>	<p>Meetings Site visits Tenders and supply contracts Company website Business associations Performance reviews and audits Conferences and seminars</p>	<p>Input costs Payment terms Duration of contracts Vendor information and training</p>	<p>Enterprise development Preferential procurement terms BEE ratings</p>	<p>Foskor has more than 2 700 vendors in its supplier database. The following services are offered to them:</p> <ul style="list-style-type: none"> <li>■ Vendor training</li> <li>■ Favourable supplier payment terms</li> <li>■ R3.6 billion spent on BEE suppliers</li> <li>■ Focus on providing opportunities for local SMMEs</li> </ul>	 42
 <p><b>Communities and community leaders</b> Communities around Phalaborwa and Richards Bay</p>	<p>Public and personal meetings CSI initiatives through the operational budget and the Community Trust Quarterly meetings with local authorities Community open days Integrated development plan and economic development forums Social and Labour Plans to direct the spending on Local Economic Development Grievance and conflict resolution processes Ad hoc communications such as letters and meetings Community trust meetings</p>	<p>Sustainable socio-economic development Transformation Developing a talent pool of locals through learnerships Corporate social investment initiatives Pollution, safety and health matters Consultation on proposed new projects and significant changes to existing operations Employment of local labourers</p>	<p>Land claims and cultural heritage Inability to source scarce skills Enterprise development and local procurement</p>	<p>R5 million spent on CSI initiatives, including Social labour plans and local economic development Community trusts Monthly sessions with stakeholders Community events, namely, F21 marathon Community upliftment initiatives Upgrading roads</p>	 43
 <p><b>Government and regulatory bodies</b> Departments of Mineral Resources; Environmental Affairs; and Water and Sanitation National Nuclear Regulator Competition Commission</p>	<p>Meetings Written communications Presentations Audits Business associations Attending workshops</p>	<p>Statutory and legal compliance Transparent and full disclosures of Group's structures and activities Safety Local Economic Development Transformation</p>	<p>Safety Legal compliance to all relevant pieces of regulation</p>	<p>Statutory compliance enforced through the Legal and Compliance Department Regular meetings and presentations to departments and government bodies The estimated costs for scheduled and unscheduled mine closure is estimated at R565 million and R642 million respectively.</p>	 43

## OUR KEY STAKEHOLDERS

STAKEHOLDER	How we communicate with them	What matters to them	What concerns them	How we respond to their concerns	
 <p><b>Media</b> <i>Mainly media in Limpopo and KZN</i></p>	<p>Networking and briefing sessions</p> <p>Press releases</p> <p>Telephonic and other interviews</p> <p>CSI/LED project handover invitations</p> <p>Event invitations</p>	<p>Company news</p> <p>New developments</p> <p>Safety incidents</p> <p>Job advertisements</p> <p>Tenders</p>	<p>Work stoppages</p> <p>Stability of operations</p> <p>Environmental or any other impact due to accidents</p>	<p>Regular face-to-face contact, briefings and networking</p> <p>Written communications to answer queries based on facts and integrity</p>	 43
 <p><b>Financial institutions and other lenders</b> <i>Transactional bankers and providers of debt capital and trade facilities</i></p>	<p>Meetings</p> <p>Letters</p> <p>Emails</p>	<p>Liquidity position</p> <p>Risk management and exposure</p> <p>Gearing ratio</p> <p>Interest cover</p>	<p>Negative cash flows</p> <p>Other debt obligations</p> <p>Ability to service debt</p>	<p>Prudent liquidity risk management, maintaining sufficient cash and marketable securities, managing cash flows and raising adequate borrowing facilities</p>	 41
 <p><b>Insurers</b> <i>Machinery breakdown and business interruption credit insurance providers</i></p>	<p>Meetings</p> <p>Site visits</p> <p>Reports</p>	<p>Adequate risk management</p> <p>Internal controls</p>	<p>Ageing equipment and technology</p>	<p>Rigorous maintenance and regular inspections limit insurance claims</p>	 41
 <p><b>Special interest groups and peer groups</b></p>	<p>Business body memberships</p> <p>Meetings</p> <p>Industry initiatives</p> <p>Conferences and seminars</p>	<p>Safety and health</p> <p>Environmental matters</p> <p>Regulatory changes</p> <p>Economic drivers</p>	<p>Environmental management</p> <p>Safety</p> <p>Nationalisation</p>	<p>Member of the following forums and associations:</p> <ul style="list-style-type: none"> <li>■ International Fertiliser Association</li> <li>■ Fertiliser Society of Southern Africa</li> <li>■ KZN Growth Coalition</li> <li>■ Zululand Chamber of Commerce and Industry</li> <li>■ Richards Bay Clean Air Association</li> <li>■ Umhlathuze Pipeline Forum</li> <li>■ Umhlathuze Emergency Planning Forum</li> <li>■ Olifants River Water Catchment Forum</li> <li>■ Transnet's Environmental Forum Meeting in accordance with the Environmental Management Plan for Port Operations</li> <li>■ Kruger National Park Environmental Management Forum</li> </ul>	 43

# VALUE ADDED STATEMENT

for the year ended 31 March 2017

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.

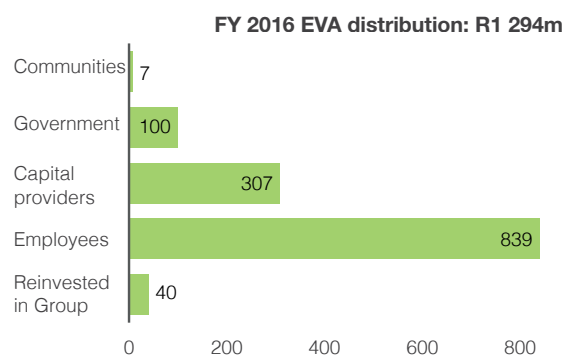
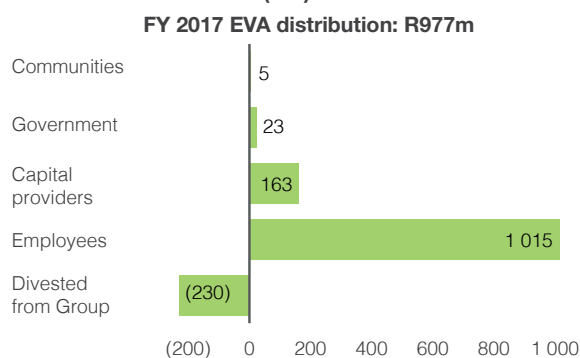
	Notes	2017		2016	
		Rm	%	Rm	%
Revenue		5 614		5 918	
Paid to suppliers for products, materials and services		(4 714)		(4 748)	
<b>Value added from trading operations</b>		<b>900</b>	<b>92</b>	1 170	91
Income from Investments <sup>a</sup>			<b>0</b>		0
Finance income		<b>22</b>	<b>2</b>	18	1
Other income		<b>55</b>	<b>6</b>	106	8
<b>Total value created</b>		<b>977</b>	<b>100</b>	1 294	100
<b>Wealth distribution:</b>					
Employees	1	1 015	104	839	65
Capital providers		163	17	307	24
Dividends to Foskor Shareholders		–		–	
Finance Cost		163		307	
Government	2	23	2	100	8
Communities (corporate social investment)		5	1	7	1
<b>Reinvested in the Group to maintain and develop operations</b>		<b>(230)</b>	<b>(24)</b>	40	3
Depreciation and amortisation		368		350	
Retained profit		(173)		(166)	
Deferred taxation		(425)		(144)	
		<b>977</b>	<b>100</b>	1 294	100
<b>VALUE ADDED RATIOS</b>					
Number of employees <sup>b</sup>		1 780		1 859	
Revenue created per employee (R'000) <sup>c</sup>		3 154		3 183	
Value created per employee (R'000) <sup>c</sup>		519		696	
<b>NOTES</b>					
<b>1. Employees</b>					
Salaries, wages, overtime payments, commissions, bonuses and allowances, employer contributions		1 015		839	
		1 015		839	
<b>2. Government</b>					
Tax – normal, royalties, dividend withholding		7		85	
Rates and Taxes paid to Local Authorities		7		7	
Skills Development Levy		9		8	
		23		100	

<sup>a</sup> Dividend income

<sup>b</sup> Number of employees at the end of the year

<sup>c</sup> Based on the number of employees at the end of the year

## WEALTH DISTRIBUTION (Rm)





AMMONIA STORAGE TANK 2

# OUR STRATEGIC REVIEW

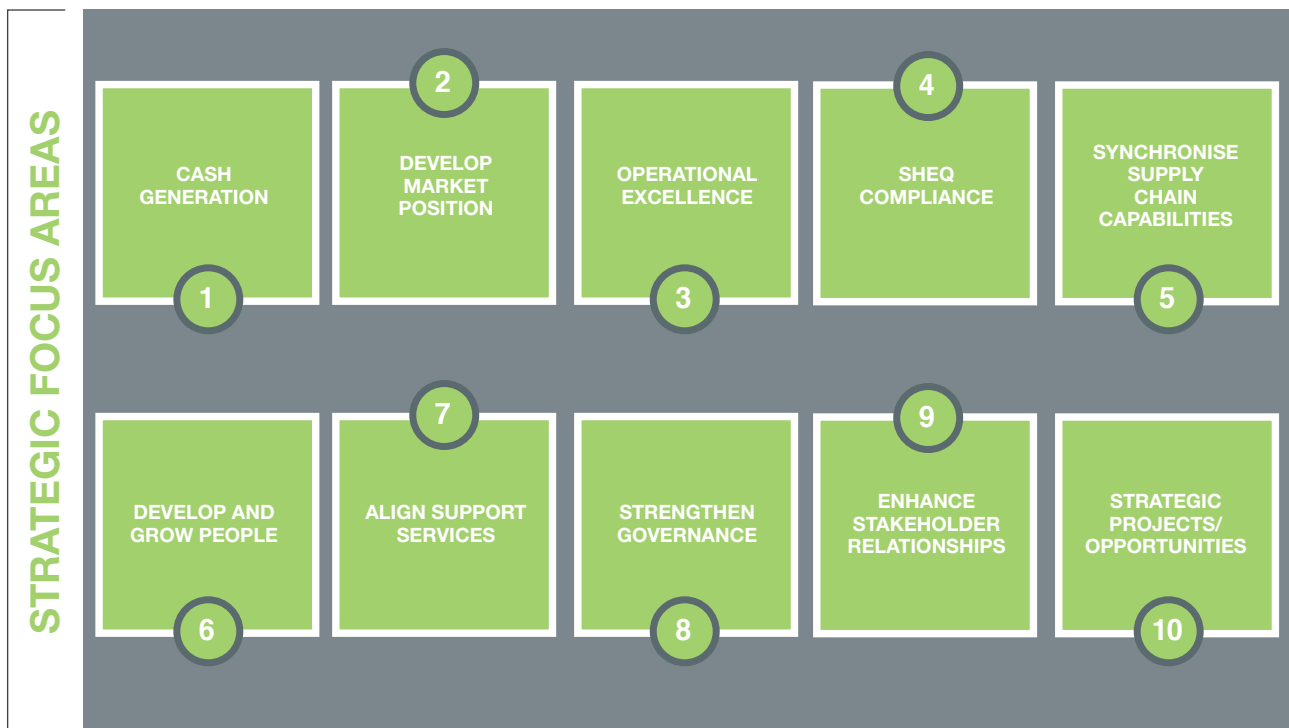
**In 2017, the commodity prices were under pressure in the international market and reached the lowest level in the past decade.**

It is expected that the downward pressure on prices will continue during the 2018 financial year.

In 2017, our strategy was to achieve operational excellence and financial sustainability through maintenance programmes in the Acid Division, asset replacement programmes, reprioritisation of strategic projects. The required funding for the asset replacement and operational continuity was approved by major shareholder in the prior year in order to ensure the long-term sustainability of the core phosphates business.

Asset replacement programmes commenced in 2016 and some of the critical initiatives identified in achieving operational excellence were successfully implemented during the year which resulted in improvement of plant efficiency in the acid plant and mining operations as well as reduction in production cost in both the divisions. However, the benefits were realised towards end of the year

## TO ACHIEVE OPERATIONAL STABILITY AND FINANCIAL SUSTAINABILITY





which resulted in the performance above expectations for only last few months of the year. As a result, overall average performance for the year remained at below expected level.

Due to expected negative trend in the product prices over next few years, a decision was taken to focus on risk based maintenance and re-prioritisation of Asset replacement programmes to save capital cost. The exercise led to suspension of some of the capital expenditures. However, focus still remain to optimise production and achieve financial sustainability through risk based maintenance, cost saving initiatives and continuous improvement

We are going to continue with enhancing plant availability, refining production control, better plant utilisation, improving efficiency, reducing cost of operation through various initiatives at both Acid and Mining divisions and achieving product mix to maximise profitability.

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 capacity. The majority of efforts of management in the coming period will focus on the turnaround through risk based maintenance to have sustainable production and growth.

### OUR STRATEGY AT OPERATIONAL LEVEL

The Acid Division will continue improving efficiency and availability of the plant. It will be achieved mainly through risk based maintenance. Major focus will be on innovation, leadership, performance driven culture, deputation of suitable resources, talent attraction, development of skills, implementing standard industry practices in operation and maintenance.

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 which has been commenced will continue.

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 the operational excellence objective, and a values-driven performance culture will be instilled in the Company going forward. We plan to add value to our customers by investigating beneficiation opportunities, strengthening our Market development team; and exploring new niche markets.

Cash generation is vital to the continued sustainability of the operations and this has been, and will continue to be, a focus area going forward, not only for sustaining operations but also with the objective of reducing the amount of debt on the balance sheet.

We will ensure that all the support services will be aligned to our strategy and focus on accomplishing our transformation goals. Enhancing governance, compliance and risk management will be an integral part of strategy. Community development, implementation of 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 improve operational performance and achieve operational excellence in order to get our mine and acid plant to efficiently produce at the required 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 be progressed in the coming years.

### CAPITAL RESOURCES REQUIRED TO EXECUTE STRATEGY

We had secured sufficient funding from our shareholders to enable us to complete the identified CapEx projects for the next three years, however, due to the negative market conditions few capital expenditures have been suspended.

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

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



**Mvuleni Geoffrey Qhena**  
Chairman

# CHAIRMAN'S STATEMENT

The 2017 financial year has been characterized by surprises on the global political front whilst global growth has stabilized and is expected to improve in the years ahead. Although growth in China is declining, it is still growing at fairly acceptable levels. Globally, commodity prices have shown some recovery during the year, despite these uncertainties throughout the world. India and some parts of emerging Asia have experienced robust growth, whilst Russia and Brazil and many African countries continue to struggle and are heading towards recession.

South Africa is among the African countries that has experienced a significant slowdown in growth. This together with the increased unemployment has seen the country being downgraded to sub-investment grade, by two of the three rating agencies.

Foskor's performance has been characterized by a significant decline in international prices of its products. The average Phosphoric Acid prices have seen a 27% reduction, whilst Granular fertilizer prices have reduced by 12% compared to the average prices in the 2016 financial year. This has had a significant impact on the performance of the company, thus resulting in further losses for the year, contributed by the impairment on the value of the business, despite the significant improvement in production performance.

## OPERATIONAL PERFORMANCE

The operational challenges of the past two years have been largely overcome with significant improvement in production output and efficiency. Phosphoric acid volumes were up by 47%, whilst Granular fertilizer volumes increased by 64% compared to the previous year. Production Efficiency at the Acid plant improved from 79% in 2016 to 85% in 2017, an indication that the special attention made to improve performance in the plant has started to bear fruit.

The mining operations in Phalaborwa were negatively impacted by the untimely and unfortunate death of an employee due to an accident on-site. Although the DMR investigations revealed no fault on Foskor, the mine was nevertheless stopped for 5 days in the aftermath of this tragic event.

Furthermore, the failure of the brass bushes on the Primary South Crusher and the complicated process of repairing these, resulted in a prolonged outage of the crusher with a decline of 167 000 tons of production due to this problem. PMC's pit subsidence has caused a failure on Foskor's South Pit Haul road, which resulted in the closure of the road. As a result of the closure of the haul road, Foskor has lost the flexibility to move material between different parts of its operations.

## FINANCIAL PERFORMANCE

The reduced international market prices together with the operational challenges resulted mentioned above, resulted in the Company having poor financial performance. The majority shareholder continues to support Foskor and in addition to the facilities previously made available for the upgrade and improvement to plant and equipment, together with additional working capital facility to assist the company during these difficult trading conditions.

As a result of the downturn in performance, an impairment of assets of R520 million had to be incorporated into the financial results as the impact of the future cash flows resulted in a lower valuation of the company compared to the value of its assets.

## FUTURE PROSPECTS

Phosphoric Acid prices are forecast to remain depressed in the medium term, thus requiring a significant change in the way companies in this industry operate in order to remain sustainable. Foskor has embraced this and the company has developed the necessary strategies and action plans to successfully operate in this environment. The company will continue to focus on efficiency and production improvements together with cost savings initiatives to improve financial performance going forward.

Opportunities continue to present itself in the African continent, where the level of use of phosphate as fertiliser is still very low. The location of Foskor, together with potential new opportunities in the phosphates industry makes it possible for the Company to take advantage of this situation, whilst maximising the supply and demand in South Africa.

The Company will continue to explore various uses and opportunities of its by-products to ensure that the Company take advantage of the value addition and unlock value on what has previously been seen as waste.

## ACKNOWLEDGEMENT

I would like to thank the CEO, Foskor management team and staff who continue to show commitment in the Company, despite the challenging operating environment. Thank you to the board members for their continued support during this very challenging period and the shareholders for continuing to have faith in the company. Foskor is a very strategic company as the only integrated Phosphate Company in South Africa and therefore it is incumbent upon all of us to ensure that it is sustainable into the future. This will be achieved through corporation amongst all the stakeholders.

**Mvuleni Geoffrey Qhena**  
Chairman

23 June 2017



**Ufikile Khumalo**  
Chief Executive Officer

# CEO'S REVIEW

*The phosphate market conditions have deteriorated significantly over the last year making operations extremely challenging for Foskor. The strategy, in response to the challenges faced, entailed maximising production and efficiencies in operations, improved maintenance and cost containment. Most of the internal factors showed positive improvements in the business, indicating the effectiveness of efforts made in this regard, however, most of the external market conditions were negative compared to the previous year, thus contributing to very disappointing financial performance. Both production volumes and efficiencies at the Acid Division showed significant improvement from the prior year. With pricing expected to continue to remain at low levels, the focus will be to make further improvements in both production and efficiency levels, whilst also ensuring that the business improves its cost-competitiveness without sacrificing on pro-active maintenance. We are also evaluating beneficiation opportunities to further diversify the operations and to create value for our customers while improving our operating margins through new opportunities in the downstream value chain.*

Whilst magnetite prices continued to decline, proactive actions by management in terms of timing of magnetite sales yielded maximised volumes of magnetite sales.

With the improvements in production and efficiencies at the phosphoric acid and granular fertilizer plants, the focus has to be on further improvements to ensure that the phosphates business can sustain itself in this low-price environment.

## PERFORMANCE HIGHLIGHTS

As a result of the decline in commodity prices, revenue reduced by 5% to R5.6 billion (2016: R5.9 billion). The lower revenue was, however, positively impacted by higher sales volumes because of the improved production. The Rand/US Dollar average exchange rate increased from R13.58 in 2016 to R14.25 for the 2017 financial year. This further helped to mitigate some of the impact of declining market prices.

The EBIT loss increased to R1.2 billion during the year compared to the loss of

R296 million in 2016 mainly due to the significant drop in commodity prices. Also as the lower commodity prices are expected to continue into the medium-term, the future cash flows from the business were negatively impacted and an impairment of R520 million had to be recognised in relation to the carrying value of property, plant and equipment. Despite this poor financial performance, the improved cash flow and working capital management together with further cash injections from the majority shareholder, resulted in improved cash on hand at year-end.

With regards to operational performance, the Mining Division produced 1.687 million tons (2016: 1.876 million tons) of phosphate rock which is 189 000 tons lower than the previous year. Production was negatively impacted by failure of brass bushes of the Primary South Crusher, slower site establishment and engagement of the mining contractor after the outsourcing of the Foskor North Pit, closure of the Foskor South Pit haul road due to safety concerns, after further pit slope failure of

the Palabora Copper (PC) open pit just to the east of the Foskor operations and three DMR Section 54 closures. Overall production efficiencies (product recovery) was marginally lower at 71.90% compared to 2016 at 72.22%, mainly driven by the lower volumes.

At the Acid Division, the phosphoric acid plant produced 449 697 tons (2016: 307 476 tons) and the granulation plant produced 324 020 tons (2016: 198 251 tons). Plant efficiency improved from 78.75% in 2016 to 84.6% in 2017. These improvements are attributable to implementation of the asset replacement programme as well as focussing on effective plant maintenance.

## STRATEGIC INITIATIVES

The strategy for 2017 was to achieve operational excellence and financial sustainability through maintenance programmes in the Acid Division, asset replacement programmes and reprioritisation of strategic projects.

The operational improvements were achieved compared to the previous year, whilst the assets replacement programmes and reprioritisation of projects also progressed well. As a result of external factors, the financial performance was negatively affected. Pricing of phosphoric acid declined by 27% whilst granular fertilizer prices dropped by 12% compared to 2016.

In the medium- to long-term, the primary focus will continue to improve operational performance and achieving operational excellence, whilst further improving cost-effectiveness. Whilst this is being achieved, we aim to continue to diversify our product range into high-value and further beneficiated products.

### FOCUS ON EFFICIENCIES AND THROUGHPUT

The focus at the acid plant continues to be on production improvements in a cost-effective manner and without compromising on maintenance. In order to capture market share in the local market, we have put more effort in increasing the production capacity of granular fertiliser. This has been seen by a 64% increase in production volumes. We further expect to increase the production by another 14% over the 2017 production numbers of 324 020 to 370 000 tons of granular fertilizer.

Similarly, due to production improvements, there was a 47% increase in phosphoric acid production to 449 697 tons. A further 10% increase in production volumes to 500 000 tons is expected in the 2018 financial year. The level of plant efficiency also improved from 78.75% to 84.6%.

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

- improved mining and production efficiencies;
- replacement of the aging mining fleet; and
- replacement and upgrade of the aging secondary crusher plants.

### PROCUREMENT AND LOGISTICS

We have once again benefitted from our strategic procurement initiatives for securing sulphur and ammonia for the 2016/2017 financial year. One of our advantages has been the long-term supply agreement with Qatar Fertilizer Corporation (Qafco) to ensure that all our raw material requirements are met.

With our export rock facilities (Richards Bay and Maputo) facilities in place, we have managed to export over 520 334 tons of export rock (2016: 795 283 tons). These facilities are secured for 2017/2018 and will provide the base for export swing volumes.

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 2017, the Richards Bay Division has achieved an average of 35.15% (2016: 25%) while Phalaborwa Division achieved an average of 24.55% (2016: 18%) spend on black ownership. Foskor Group has achieved an average of 27.22% (2016: 21%) spend on black ownership. 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.

The Richards Bay Division on black woman-owned suppliers achieved an average of 13.74% (2016: 10%) and the Phalaborwa Division has achieved an average of 8.86% (2016: 7%) and the overall Foskor Group achieved an average of 10.09% (2016: 8%). This area of focus is critical to achieve in the medium- to long-term going forward, as it directly talks to the Mining charter.

In Phalaborwa Foskor has spent at least 62% (2016: 59%) with suppliers in the province where the Company operates, and in Richards Bay Foskor has spent at least 64% (2016: 64%) with 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 20.95% (2016: 20%) on SMMEs for the Group. Supplier/Enterprise development programmes are in place to assist SMMEs with capacity building.

The securing of the Rock Export facility in Maputo has assisted us greatly in exceeding our rock export targets. However, we remain concerned that there still appears to be discriminatory freight pricing between destinations to Richards Bay and Maputo and will continue with our efforts in negotiating these rates down to improve margins in the next financial year.

### BENEFICIATION

We have commenced the preparatory work on the magnetite beneficiation plant together with our joint venture partners. Beneficiated magnetite will bring improvement in margins and will also provide the opportunity for diversification in addition to the phosphates business. The target is to have the beneficiation plant ready to produce beneficiated magnetite within a period of 18 months.

### PRUDENT MANAGEMENT OF FINANCES

With the decline of commodity prices, we focused 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. Without compromising on maintenance at the divisions, we managed to achieve cost reductions.

We have improved cash flow and working capital management and have also secured additional funding facilities. This has resulted in positive generation of cash during the year and improved cash-on-hand at year-end.

### 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 Division recorded an unfortunate fatality on 17 May 2016 where a contractor employee of Mafanoto Lerato Enterprises, Mr ME Ratlou, was fatally injured in a slip and fall incident. The enquiry done by the DMR found no negligence on the part of the company or contractor. An awareness campaign was, however, launched to make employees more aware of the risk of slip and fall when climbing stairs. The DMR conducted 27 SHEQ audits of which three resulted in Section 54 site-specific stoppages. Our strategy remains to reduce injuries and incidents through building sound relationships, and working with the DMR.

Six lost-time injuries were recorded during the year (2016: 4). One incident resulted in an amputation and partial disability. Other minor injuries were slightly up from 27 in 2016 to 31 in 2017. Other leading safety indicators, i.e. vehicle-related incidents were down by 17%. 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. A hearing conservation program initiated in 2016 is 90% complete and should reduce the risk of noise-induced hearing loss significantly.

No major environmental incidents were reported in year. The division retained the ISO 9001 Quality and ISO 14001 Environmental certifications. During the year, various environmental projects were initiated and completed in order to further reduce our

impact on the environment and comply with legislation. The project to close off/seal the failed Selati Decant outlet pipe on the Selati tailings dam was successfully completed in 2017 and has now eliminated the risk of any tailings spillages.

The Mining Division's issued water use license is valid until 2026. Capital has been approved for the new 2018 financial year (circa R50 million) to further reduce the impact on underground water resources by preventing process water seeping into the sub-surface water table.

The Mining Division is issued with an Air Emission Licence that expires in 2021. R6.7 million is allocated in 2018 to reduce dust emissions further. With regards to the issued National Nuclear Regulator licence, there were no major findings or directives issued during 2017.

The Mining Division remains committed to reducing its carbon footprint and has initiated and implemented various initiatives to support this. A task team has been set up to investigate alternate energy sources and energy saving initiatives. Capital has been allocated for 2018 to convert one office block by using green energy as primary power source.

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 0.22 as compared to 0.24 last year. We are confident that the safety programmes and the systems we have in place, will further reduce our health and safety risks and reduce our LTIFR.

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 Cihetswayo District Municipality. We are fully compliant with the current permit.

The annual DEKRA audit was performed at the Acid Division and we received the Five Star Shield award and were also recommended for certification in terms ISO 9001, ISO 14001, and OHSAS 18001. 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 two Section 30 Reportable Incidents in terms of the National Environmental Management Act, 107 of 1998,

- Overflow of the Storm Water Dam – 17th July 2016
- Overflow of the Storm Water Dam – 25th January 2017

These incidents were reported to the regulatory authorities and the Department of Environmental Affairs.

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

- An employee stepped onto a grating that gave way, resulting in his leg being burned by hot condensate from the knee to the foot;
- Employee went to inspect the F4 pump when he bumped his left lower leg against a scaffolding standard pipe resulting in an injury to his foot;
- A contractor employee was pushing a steam pipe of the truck when it rolled over, pushing the contractor employee to the ground, thus resulting in a fracture to his arm.

We used the PAS 2050 standard to establish a carbon footprint and the monthly calculations were then fed into the overall company-wide carbon footprint analysis. We have an on-site turbine generator for electricity generation which is driven by excess steam and this operation significantly reduces our carbon footprint.

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). Foskor and other industries in the Richards Bay area are under Level 4 (15%) water restrictions, instituted by the Department of Water and Sanitation. During the year, we re-assessed 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.

**HUMAN CAPITAL**

As a result of the continued decline in commodity prices, we had to relook at the strategy to ensure that we are able to sustain the company into the future. The business had to be restructured, with the resultant reduction of 100 permanent employees through retrenchment. Retrenchment was a last resort after having considered all options available and provided the best way to ensure the sustainability.

While the Group still faces the challenge with the employment of physically challenged individuals, we have managed to achieve an employment equity target of 90% against the target of 89%. As at the end of the financial year, we had 25 physically challenged individuals against a target of 38 employees. Our labour turnover for the period of 2016/2017 is 9% (2016: 6.2%) and is more than the target of 5%. The increase is mainly due to a restructuring (section 189) process which was concluded without major issues at both divisions and at the Head Office.

Employee health and wellness remains a priority in the divisions, thus the annual wellness days that are conducted successfully. The industrial relations climate at both divisions can be described as calm and satisfactory. The trade union and the entire workforce are aware of the challenges and are determined to make every effort to support the Company.

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. For the Mining Division and Acid Division, we achieved 75% and 59%, respectively, for the skills priorities on Workplace Skills Plan and Annual Training Report. The successful meeting of the targets at both Divisions were hampered by austerity measures introduced at the divisions.

**CORPORATE SOCIAL INVESTMENT**

Even in these tough economic conditions, 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

We have maintained our B-BBEE status at level 3 and we have plans in place to improve it to at least level 2 as part of our key performance initiatives. The Employment Equity forums meet monthly as scheduled and the suggested proposals are taken up with management for implementation. The B-BBEE turnaround plan strategy has been approved for implementation in an attempt to improve the current level.

The Company continues to put interventions in place to ensure that we recruit more women in our operations and we currently have 18% of women employed in the Group. 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 a learner pipeline that feeds into the Foskor main employment which empowers local community members with the relevant workplace skills and all lower level vacancies are filled through this pipeline. 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

During the medium-term forecast, large-scale companies will be increasing their capacity for phosphoric acid production, thus maintaining pressure on the low prices prevailing in the market. In the long-term, there will be continued demand for phosphates and the industry is expected to grow on a continued basis to cover these demand requirements and more.

The anticipated increase in available product is likely to put downward pressure on prices.

Granulation MAP prices are also forecast to remain subdued in the medium- to long-term due to increased competition in the market.

Sulphur prices are unlikely to experience any upward pricing pressures in 2017.

However, the overriding theme for the next five years is that supply growth will exceed the demand growth for Sulphur, thus contributing to lower pricing levels. This will further increase the pressure on phosphoric acid prices.

The management team has worked extremely hard to navigate the Company through all negative market externalities and is committed to continuing this focused effort to work with all our employees and other stakeholders to make the Phosphates business sustainable into the future.

## ACKNOWLEDGEMENTS

I am grateful to our executive team and staff for their continued commitment in these difficult times. I extend my gratitude to the Chairperson and the Board of Directors for their leadership and support. I also extend my appreciation to all our staff for their contribution during this difficult year.

We shall emerge victorious.

**U Khumalo**

*Chief Executive Officer*

23 June 2017





# DETERMINING OUR MATERIAL ITEMS

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

## 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” to section on pages 6 to 7, and a review of our operational performance from pages 68 to 90. 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.

## PROCESS OF DEFINING MATERIAL ISSUES

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 40 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 40 to 43 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 page 40.

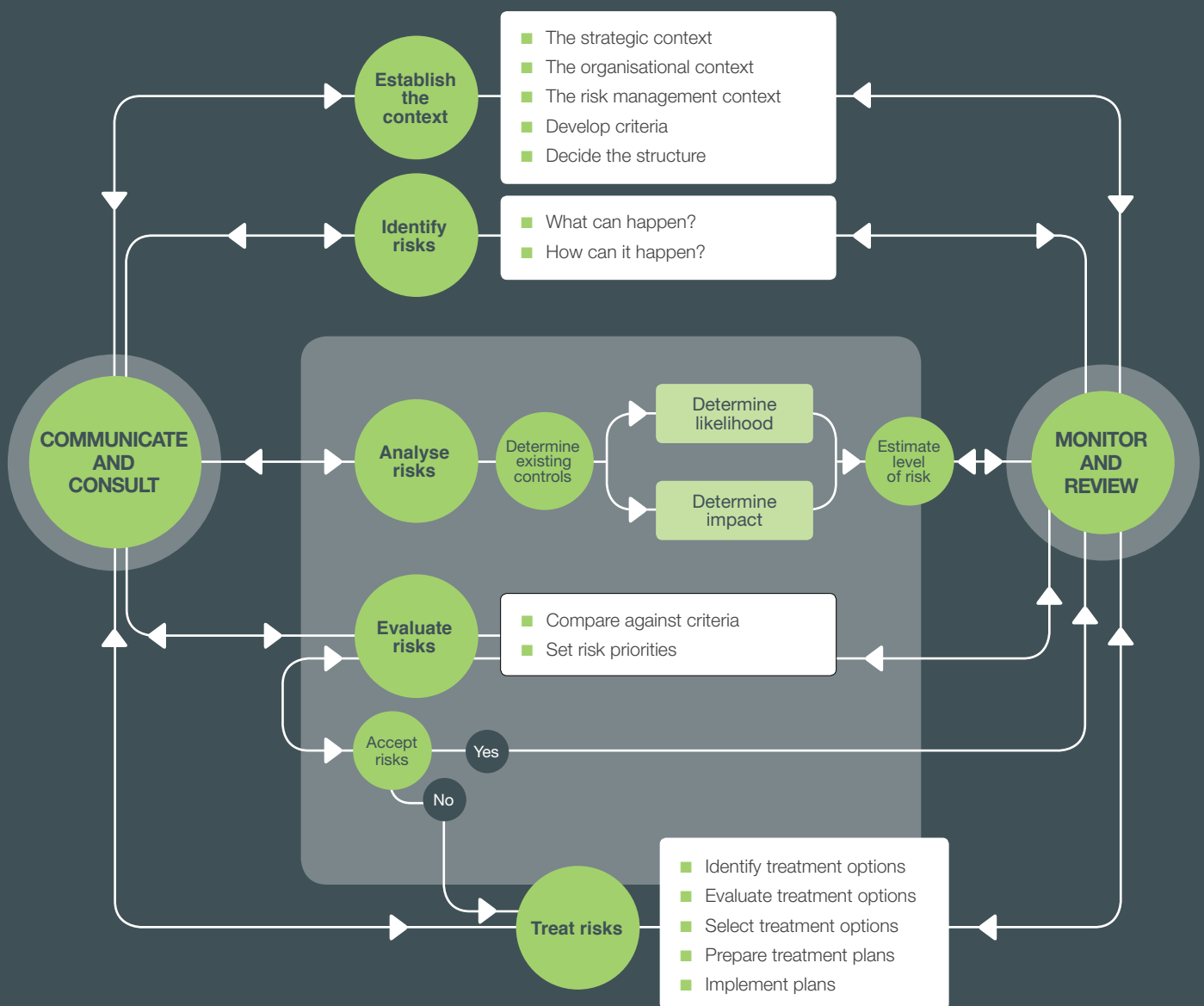
The Board will then validate the material issues by assessing whether the integrated report provides a reasonable and balanced view of our performance. The material issues are material within Foskor (Pty) Limited, and not the subsidiaries or associate investments. After the report is published, we will 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.

# 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 management strategy aims to provide an early warning system to avoid or mitigate any potential business losses.

## OUR RISK MANAGEMENT PROCESS



**OUR RISK MANAGEMENT PROCESS (CONTINUED)**

Our risk management process is based on our Enterprise-Wide Risk Management (ERM) 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 ERM framework is aligned with ISO 31000, Committee of Sponsoring Organisations (COSO), King IV and generally accepted good practice. All Group business units, divisions, subsidiaries and processes are subject to our ERM policies.

We have developed strategic, operational, process and project risk profiles. We assess and update each profile and its possible related actions on a quarterly basis. Divisional and operational, process and project risks are reported up to Group level to ensure they are managed in line with the Group's strategic objectives.

The Risk Appetite and Tolerance Framework approved by the Board of Directors provide the basis for determining the levels of risk appetite and tolerance thresholds in the mitigation and monitoring of the High Significance Strategic risks. An annual strategic risk assessment has been conducted with members of the Executive Management team for the 2017/2018 financial year. Any new High Significance Strategic risks identified are reviewed and approved by the Board. Key Risk Indicators for the High Significance Strategic risks have been developed and aligned to the risk appetite and tolerance levels. The High Significance Strategic Risks Appetite and Tolerance dashboard will be executed in the 2017/2018 financial year to ensure appropriate risk monitoring and mitigation plans are implemented by Executive Management.

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 ERM framework.

We have made substantial progress in achieving the objectives outlined above and will continue to refine our ERM processes, systems and reporting to ensure risk management can achieve and sustain its desired value as a business enabler.

The revised ERM Policy and ERM Framework were approved by the Board of Directors during September 2015. ERM best practice, standards and recommendations made by Internal Audit that suit the business environment have been incorporated in Foskor's ERM policy and ERM Framework.

The policy and framework will help enable Foskor to achieve the desired risk culture and risk maturity level.

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

We have made substantial progress in achieving the objectives outlined above and will continue to refine and embed our ERM processes, systems and reporting to ensure

risk management can achieve and sustain its desired value as a business enabler. Business Continuity Management (BCM) plans and strategies will be continuously reviewed to ensure the alignment of the organisation's response plans to the rapidly evolving risk landscape. The organisation's capability for an effective response to safeguard the interests of our stakeholders, reputation, brand and value-creating

**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.

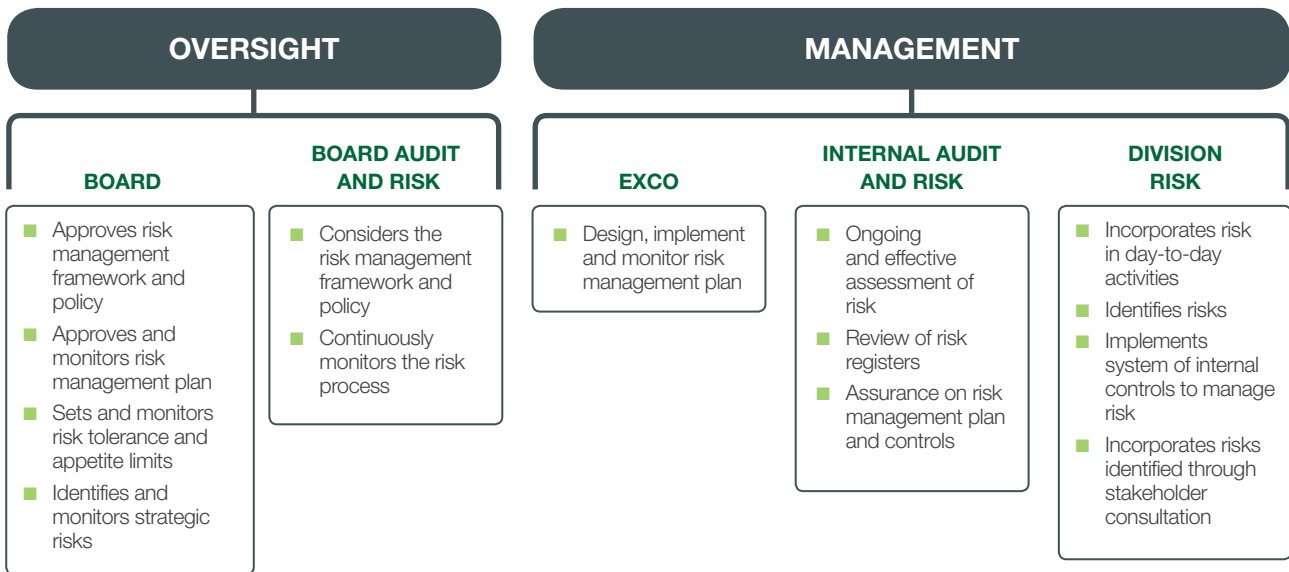
**Improving allocation of capital**

Reliable risk information allows management to assess overall capital needs, enhancing capital allocation.

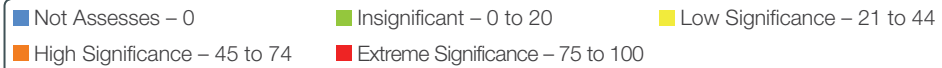
**Ensuring compliance with laws and regulations**

Regular regulatory forecasting, impact assessments and reviews of applicable laws and regulatory changes reduce compliance risks.

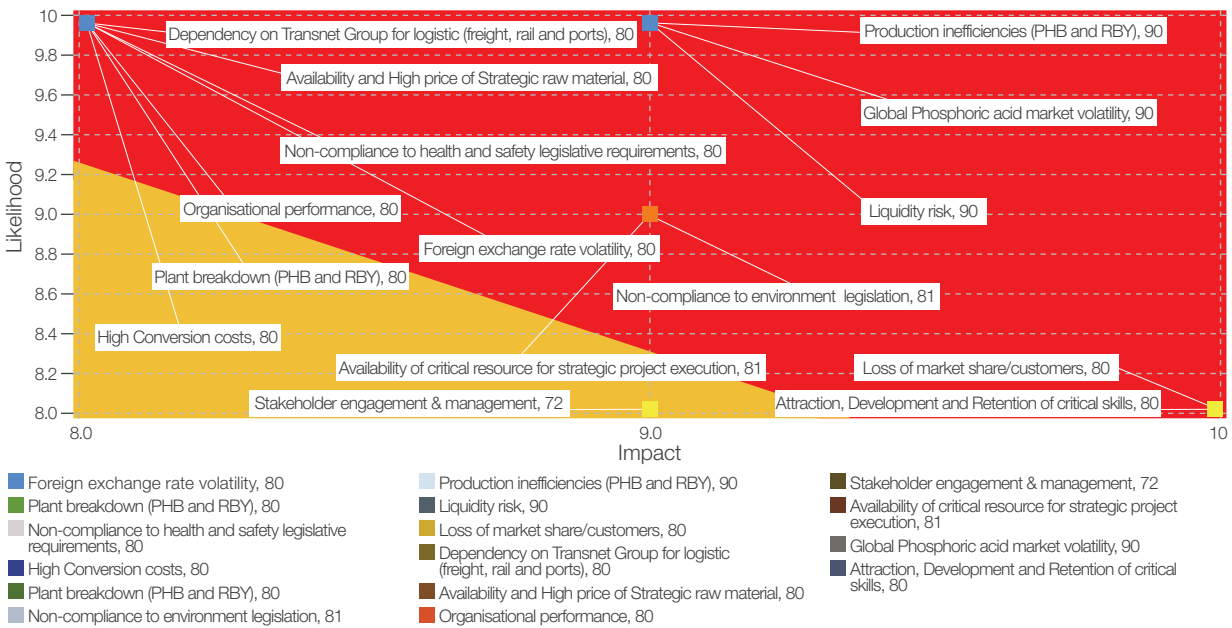
RISK GOVERNANCE PROCESS



RISK HEAT MAP



Strategic Top 15 Risk heat map inherent risk



activities will thus be enhanced. The CURA roll out programme for the Risk Champions has begun and will be embedded during the new financial year. Group Risk monitoring and reporting activities will also be further strengthened during the new financial year utilising the Next Gen CURA system. Key Risk indicators and system reports are to be developed for the operating divisions to facilitate effective monitoring and reporting practices.

Risk Management's focus is to enable the achievement of our strategic objectives through:

- 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;

- further development and implementation of Strategic Key Risk Indicators (KRI'S) to enable effective monitoring by management;
- monitoring and reporting on critical risks mitigation plans and effective control monitoring; and the
- effective utilisation of the CURA ERM system and risk management tools by the dedicated risk champions.

OUR KEY RISKS AND OPPORTUNITIES

The key opportunities identified for our business are:

- an upturn in the commodity cycle will have a positive impact on our performance as the selling prices of our products will increase;

- cost containment and improvement of production efficiencies will reduce our cost per ton thereby improving our profits and cash flow;
- The implementation of innovative risk based maintenance strategies to ensure increased plant availability, equipment reliability and enhanced asset and maintenance cost management;

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 above.

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

## OUR RISK MANAGEMENT PROCESS (CONTINUED)

RISK DESCRIPTION	Context	Mitigating strategies	Material issue link	Strategic priority	Outcome managed
<p><b>1</b></p> <p><b>Global phosphoric acid volatility</b></p>	<p>Foskor is a price taker in the global phosphoric acid market. The commodity selling prices are set by the market. The sensitivities to movements in these prices are significant for our business and can cause major fluctuations in performance.</p>	<ul style="list-style-type: none"> <li>Minimise dependency on phosphoric acid market, products and customers</li> <li>Grow local market presence and granular fertiliser sales</li> <li>Further downstream beneficiation</li> <li>Magnetite sales and beneficiation projects</li> </ul>	<p>Sustainability of phosphates business</p>	<p>Customer value and cash generation</p>	<ul style="list-style-type: none"> <li>EBITDA upliftment</li> <li>Development of new markets</li> <li>Development of new products</li> </ul>
<p><b>2</b></p> <p><b>Production Inefficiencies</b></p>	<p>Production inefficiencies are caused by a number of factors including plant down time and inefficient use of resources to produce the finished product.</p>	<ul style="list-style-type: none"> <li>Implementation of the proactive maintenance strategy</li> <li>Improving production efficiency ratios (production output and use of input raw materials)</li> <li>Meeting production targets</li> <li>Investment in capital replacement programme at Acid Division to replace ageing machinery</li> </ul>	<p>Improved operational performance</p>	<p>Operational excellence</p>	<ul style="list-style-type: none"> <li>Production performance</li> <li>Production efficiency</li> <li>Movement of raw materials</li> <li>Minimise plant downtime</li> </ul>
<p><b>3</b></p> <p><b>Liquidity risk</b></p>	<p>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.</p>	<ul style="list-style-type: none"> <li>Sourcing additional funding</li> <li>EBITDA upliftment – restructuring to improve profits and cash</li> <li>Cash flow management – cash generation</li> </ul>	<p>Funding and liquidity</p>	<p>Cash generation</p>	<ul style="list-style-type: none"> <li>EBITDA upliftment</li> <li>Sourcing funding</li> <li>Cash flow and liquidity</li> <li>Cost control</li> </ul>
<p><b>4</b></p> <p><b>Availability of Critical Resources for Strategic Project Execution</b></p>	<p>Successful execution and implementation of key strategic projects in order to ensure the sustained growth and existence of the business.</p>	<ul style="list-style-type: none"> <li>Majority shareholder support for viable projects with reputable venture partner.</li> <li>Major CapEx project funding by IDC</li> <li>Specialist skills and required technology can be outsourced</li> </ul>	<p>Sustainability of phosphates business</p>	<p>Operational excellence and people</p>	<ul style="list-style-type: none"> <li>Sourcing funding for projects</li> <li>Retention of specialised skills in the operations</li> <li>Improved business sustainability</li> </ul>
<p><b>5</b></p> <p><b>Volatile industrial relations climate</b></p>	<p>The local mining industry is prone to industrial action and organised labour protests. 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.</p>	<ul style="list-style-type: none"> <li>Improving engagement with labour unions and their members</li> <li>Regular assessment of remuneration and employee benefits</li> <li>Improved employee wellbeing</li> </ul>	<p>Employee wellbeing</p>	<p>People</p>	<ul style="list-style-type: none"> <li>Staff turnover</li> <li>Safety and health performance</li> <li>Industrial relations</li> </ul>

RISK DESCRIPTION	Context	Mitigating strategies	Material issue link	Strategic priority	Outcome managed
<p><b>6</b></p> <p><b>Environmental legislation compliance</b></p>	<p>Both our Mining and Acid productions have the potential to negatively impact the environment. The financial and reputational risk associated with legislative non-compliance is high. The introduction of carbon tax legislation to encourages the reduction of greenhouse gas emissions makes high energy consumption a risk to cost efficiency.</p>	<ul style="list-style-type: none"> <li>Reducing energy consumption and greenhouse gas emissions</li> <li>Reducing fresh water consumption</li> <li>Complying with environmental operating licences (air quality, gypsum disposal, mining rehabilitation)</li> </ul>	<p>Social licence to operate</p>	<p>Operational excellence and people</p>	<ul style="list-style-type: none"> <li>Environmental compliance</li> <li>Maintaining licence to operate</li> <li>Operating responsibility to the environment, community and staff</li> </ul>
<p><b>7</b></p> <p><b>Health &amp; Safety legislation non-compliance</b></p>	<p>Due to the nature of our business our staff is exposed to a variety of hazardous materials and operational hazards. The health and safety of our employees is a key concern. We are also required to comply with stringent health and safety legislation for our Mining and Acid production facilities.</p>	<ul style="list-style-type: none"> <li>Improving health and safety target ratios and performance</li> <li>Reducing the occurrence of occupational diseases</li> <li>Zero fatalities</li> <li>Retaining ISO certifications</li> </ul>	<p>Employee wellbeing</p>	<p>People</p>	<ul style="list-style-type: none"> <li>Occupational health and safety targets</li> <li>Compliance to laws and regulations</li> <li>Maintaining licence to operate</li> </ul>
<p><b>8</b></p> <p><b>Organisational Performance</b></p>	<p>The measurement of the companies actual performance against targeted strategic objectives. We will be reviewing our human capital practices to improve organisational performance to achieve the desired targets after declining performance over the recent years.</p>	<ul style="list-style-type: none"> <li>Implement CRS-based (online ) module on performance and career management.</li> <li>Robust training programmes for management supervisors and technical staff</li> <li>Review and improve maintenance practices</li> </ul>	<p>Improved operational performance</p>	<p>Operational excellence and people</p>	<ul style="list-style-type: none"> <li>Production performance and EBITDA upliftment</li> <li>Production efficiency</li> <li>Minimise plant downtime</li> <li>Employee upliftment</li> </ul>
<p><b>9</b></p> <p><b>Plant breakdown</b></p>	<p>Availability and reliability of mining and manufacturing equipment is key to successful operation of the production facilities.</p>	<ul style="list-style-type: none"> <li>Implementation of the proactive maintenance strategy</li> <li>Minimising unplanned plant stoppages</li> <li>Meeting production targets</li> <li>Asset replacement programme</li> </ul>	<p>Improved operational performance</p>	<p>Operational excellence</p>	<ul style="list-style-type: none"> <li>Production performance</li> <li>Minimise plant downtime</li> </ul>
<p><b>10</b></p> <p><b>High input costs</b></p>	<p>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.</p>	<ul style="list-style-type: none"> <li>EBITDA upliftment – operational cost reduction</li> <li>Improvement of cost per ton of production costs</li> <li>Energy saving devices installed in the plant</li> <li>Diesel hedging strategy in place</li> <li>Review and negotiate service providers contract agreements</li> </ul>	<p>Cost control</p>	<p>Operational excellence</p>	<ul style="list-style-type: none"> <li>Operational cost savings</li> <li>EBITDA upliftment</li> </ul>

## 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.

## 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 KPI's throughout the period and revise them where necessary.

1

\* KPI achievement for the year ended 31 March 2017

\*\*Target for financial year ending March 2018

\*\*\*Target for 2018 financial year and beyond

SUSTAINABILITY OF THE BUSINESS			
Key performance indicator	Performance against KPI*	Future KPI**	Long-term KPI***
Increase percentage of local sales to reduce dependence on global markets and pricing	Local sales 2017: 53% Local sales 2016: 52%	Local sales for 2018: 51%	Local sales: 60%
Magnetite sales as product diversification to offset fluctuation in phosphate-related selling prices ■ Magnetite sales volumes: 1.6m tons	■ Magnetite sale volumes: 4.8m tons	■ Magnetite sales volumes: 1.6m tons	■ Magnetite sales volumes: to be defined based on future prices.
Magnetite beneficiation Joint Venture	Agreement reached with Joint Venture Partners	Beneficiation plant to be constructed	Start producing concentrated magnetite
Rare Earth Oxide (REO) Extraction Project	Initiated a study and obtain approval for proceeding with project	Complete pre-feasibility study	Project commences
Rock Supply to Bosveld	Review of the Bosveld business case has been completed	Agree contractual terms	Supply of rock to Bosveld



2

\* KPI achievement for the year ended 31 March 2016

\*\*Target for financial year ending March 2017

\*\*\*Target for 2018 financial year and beyond

FUNDING AND LIQUIDITY			
Key performance indicator	Performance against KPI*	Future KPI**	Long-term KPI***
Acquire additional short-term funding facilities	Short-term funds utilised during the year and reduced at year-end by R80m	Additional funding facilities	Additional funding facilities
Diesel Hedging Strategy	Implemented and achieved savings on diesel costs. Additional cost savings targeted	Additional cost savings targeted	Additional cost savings targeted
Cash flow management targets <ul style="list-style-type: none"> <li>■ Generated from operations: R408m</li> <li>■ Free cash flow: R640m negative</li> </ul>	Cash flow management targets <ul style="list-style-type: none"> <li>■ Cash generated from operations: R248m</li> <li>■ Free cash flow: R268m negative</li> </ul>	Cash flow management targets <ul style="list-style-type: none"> <li>■ Generated from operations: R224m negative</li> <li>■ Free cash flow: R1.16bn negative</li> </ul>	Cash flow management targets <ul style="list-style-type: none"> <li>■ Generated from operations: R2.3bn</li> <li>■ Free cash flow: R744m</li> </ul>
Net debt by March 2017: R1.5bn	Net debt at March 2017: R449m	Net debt at March 2018: R1.6bn	Net debt: R880m

3

EMPLOYEE WELLBEING			
Key performance indicator	Performance against KPI*	Future KPI**	Long-term KPI***
Safety indicators: <ul style="list-style-type: none"> <li>■ Fatalities: 0</li> <li>■ LTIFR: &lt;1</li> </ul>	<ul style="list-style-type: none"> <li>■ Fatalities: 1 (Mining)</li> <li>■ LTIFR: 0.27 (Mining)</li> <li>■ LTIFR: 0.22 (Acid)</li> </ul>	<ul style="list-style-type: none"> <li>■ Fatalities: 0</li> <li>■ LTIFR: &lt;1</li> </ul>	<ul style="list-style-type: none"> <li>■ Fatalities: 0</li> <li>■ LTIFR: &lt;1</li> </ul>
Retain: <ul style="list-style-type: none"> <li>■ OHSAS 18001</li> <li>■ SANS 16001</li> </ul>	Retained: <ul style="list-style-type: none"> <li>■ OHSAS 18001</li> <li>■ SANS 16001</li> </ul>	Retain: <ul style="list-style-type: none"> <li>■ OHSAS 18001</li> <li>■ SANS 16001</li> </ul>	Retain: <ul style="list-style-type: none"> <li>■ OHSAS 18001</li> <li>■ SANS 16001</li> </ul>
Staff turnover: 5%	Staff turnover: 9%	Staff turnover: less than 5% of headcount	Staff turnover: less than 5% of headcount
Zero strikes/industrial action	Zero strikes/industrial action	Zero strikes/industrial action	Zero strikes/industrial action

4

\* KPI achievement for the year ended 30 March 2017

\*\*Target for financial year ending March 2018

\*\*\*Target for 2018 financial year and beyond

IMPROVED OPERATIONAL PERFORMANCE			
Key performance indicator	Performance against KPI*	Future KPI**	Long-term KPI***
Capital expenditure programme budget: R1.05bn for 2017 FY	Capital expenditure programme to date: R512m	Capital expenditure programme: R934m	Capital expenditure programme: R412m
Phosphoric acid production efficiency: 86%	Efficiency: 85%	Efficiency: 89%	Efficiency: 90%
Plant breakdown indicators: <ul style="list-style-type: none"> <li>■ Number of unplanned downtime hours (Acid Division): 0</li> <li>■ Duration of planned shutdowns: 40 days (2 shutdowns)</li> </ul>	Unplanned downtime hours: 4 918 hours <ul style="list-style-type: none"> <li>■ Duration of planned shutdown: 60 days</li> <li>■ Number of shutdowns: 2</li> </ul>	Unplanned downtime hours: 0 <ul style="list-style-type: none"> <li>■ Duration of planned shutdown: 70days</li> <li>■ Number of shutdowns: 2</li> </ul>	Unplanned downtime hours: 0 <ul style="list-style-type: none"> <li>■ Duration of planned shutdown: 30 days</li> <li>■ Number of shutdowns: 1</li> </ul>
Rock logistics moved: <ul style="list-style-type: none"> <li>■ 11 rock trains to Richards Bay a week (incl.exports)</li> <li>■ Railed to Richards Bay: 1.94m tons (incl.exports)</li> <li>■ Exported through Maputo: 325k tons</li> </ul>	Trains to Richards Bay per week: 7.2 <ul style="list-style-type: none"> <li>■ Railed to Richards Bay: 1.76m tons</li> <li>■ Exported rock tons: 234k tons</li> </ul>	11 rock trains to all locations per week <ul style="list-style-type: none"> <li>■ Railed to Richards Bay: 1.8m tons</li> <li>■ Export rock thorough Maputo (250k tons)</li> </ul>	11 rock trains to all locations per week
Planned production output: <ul style="list-style-type: none"> <li>■ Rock: 1.88m tons</li> <li>■ Phosphoric acid: 500k tons</li> <li>■ Granular fertiliser: 370k tons</li> </ul>	Production: <ul style="list-style-type: none"> <li>■ Rock: 1.69m tons</li> <li>■ Phosphoric acid: 450 tons</li> <li>■ Granular fertiliser: 324k tons</li> </ul>	Production: <ul style="list-style-type: none"> <li>■ Rock: 2.03m tons</li> <li>■ Phosphoric acid: 490k tons</li> <li>■ Granular fertiliser: 370k tons</li> </ul>	Production: <ul style="list-style-type: none"> <li>■ Rock: 2.3m tons</li> <li>■ Phosphoric acid: 510k tons</li> <li>■ Granular fertiliser: 400k tons</li> </ul>

5

COST CONTROL			
Key performance indicator	Performance against KPI*	Future KPI**	Long-term KPI***
Cost savings from: <ul style="list-style-type: none"> <li>■ Approved opex 2017 budget</li> <li>■ Logistic costs budget</li> </ul>	Cost savings achieved: <ul style="list-style-type: none"> <li>■ Group opex savings 2.65% of 2017 budget</li> <li>■ Actual distribution costs 10% below budget</li> </ul>	Cost savings from: <ul style="list-style-type: none"> <li>■ Approved 2018 opex budget</li> <li>■ Logistic costs budget</li> </ul>	Cost savings from: <ul style="list-style-type: none"> <li>■ Approved opex budget</li> <li>■ Logistic costs budget</li> </ul>
Commodity input costs within budget	Commodity input costs: <ul style="list-style-type: none"> <li>■ Sulphur cost per ton 5% below budget</li> <li>■ Ammonia cost per ton 26% below budget</li> </ul>	Commodity input costs within budget	Commodity input costs within budget
Distribution costs within budget: <ul style="list-style-type: none"> <li>■ Maputo</li> <li>■ Richards Bay</li> </ul>	Distribution costs to: <ul style="list-style-type: none"> <li>■ Richards Bay 2% below budget</li> <li>■ Maputo 5% below budget</li> </ul>	Distribution costs within budget: <ul style="list-style-type: none"> <li>■ Maputo</li> <li>■ Richards Bay</li> </ul>	Distribution costs within budget: <ul style="list-style-type: none"> <li>■ Maputo</li> <li>■ Richards Bay</li> </ul>
Production cost per ton within budget: <ul style="list-style-type: none"> <li>■ Rock</li> <li>■ Phosphoric acid</li> </ul>	Production cost per ton: <ul style="list-style-type: none"> <li>■ Rock cost per ton 12% above budget</li> <li>■ Phosphoric acid cost per ton 15% above budget</li> </ul>	Production cost per ton within budget: <ul style="list-style-type: none"> <li>■ Rock</li> <li>■ Phosphoric acid</li> </ul>	Production cost per ton within budget: <ul style="list-style-type: none"> <li>■ Rock</li> <li>■ Phosphoric acid</li> </ul>

6

\* KPI achievement for the year ended 30 March 2017  
 \*\*Target for financial year ending March 2018  
 \*\*\*Target for 2018 financial year and beyond

SOCIAL LICENCE TO OPERATE			
Key performance indicator	Performance against KPI*	Future KPI**	Long-term KPI***
Retain: <ul style="list-style-type: none"> <li>■ ISO 14001</li> <li>■ ISO 9001</li> </ul>	Retained: <ul style="list-style-type: none"> <li>■ ISO 14001</li> <li>■ ISO 9001</li> </ul>	Retain: <ul style="list-style-type: none"> <li>■ ISO 14001</li> <li>■ ISO 9001</li> </ul>	Retain: <ul style="list-style-type: none"> <li>■ ISO 14001</li> <li>■ ISO 9001</li> </ul>
<ul style="list-style-type: none"> <li>■ Targeted compliance: Zero incidence of non-compliance and fines</li> </ul>	<ul style="list-style-type: none"> <li>■ Zero incidence of non-compliance and fines</li> </ul>	<ul style="list-style-type: none"> <li>■ Targeted compliance: Zero incidence of non-compliance and fines</li> </ul>	<ul style="list-style-type: none"> <li>■ Targeted compliance: Zero incidence of non-compliance and fines</li> </ul>
Maintain/renew licences to operate and legal compliance <ul style="list-style-type: none"> <li>■ Water</li> <li>■ Air</li> <li>■ Mining</li> </ul>	Maintained licences to operate and legal compliance <ul style="list-style-type: none"> <li>■ Water usage</li> <li>■ Air quality</li> <li>■ Mining</li> </ul>	Maintain/renew licences to operate <ul style="list-style-type: none"> <li>■ Water</li> <li>■ Air</li> <li>■ Mining</li> </ul>	Maintain/renew licences to operate <ul style="list-style-type: none"> <li>■ Water</li> <li>■ Air</li> <li>■ Mining</li> </ul>
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 3 target	B-BBEE Level 3	B-BBEE Level 2 target	B-BBEE Level 2 target
Stakeholder engagement	Stakeholder engagements, CSI, LED, Community Projects	Stakeholder engagement to be improved and feedback monitored	Not applicable

# GOVERNANCE AND REMUNERATION

*“We apply the principles of good corporate governance.”*

## 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.

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.

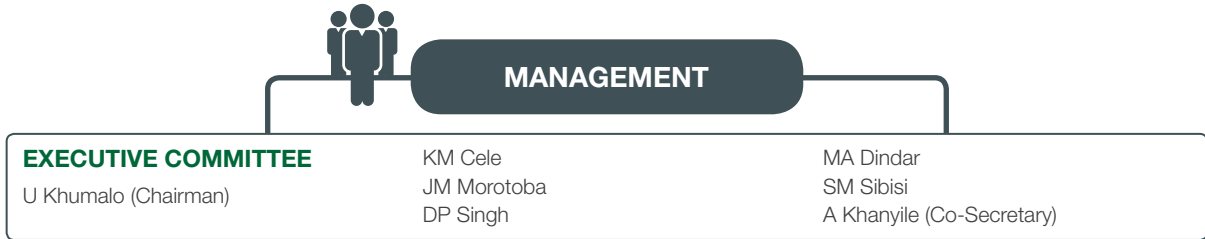
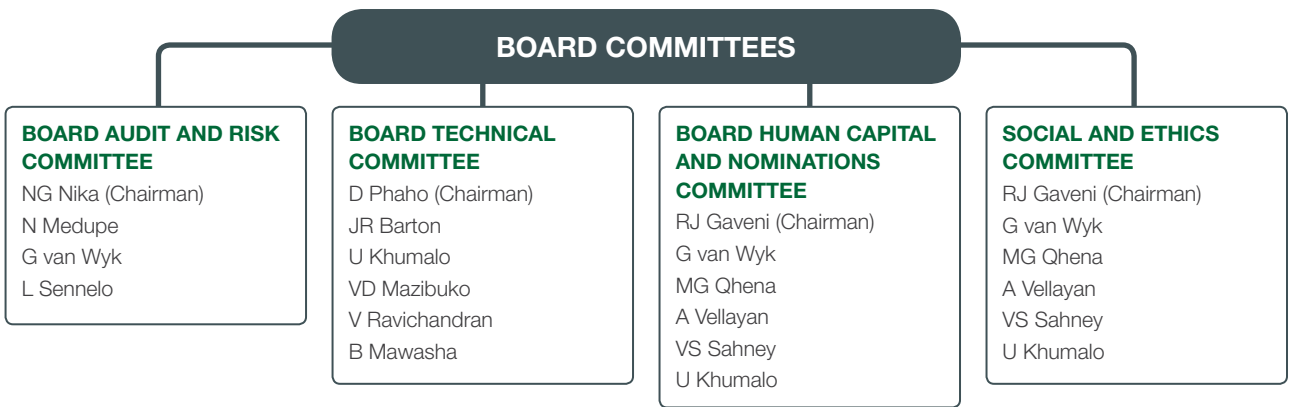
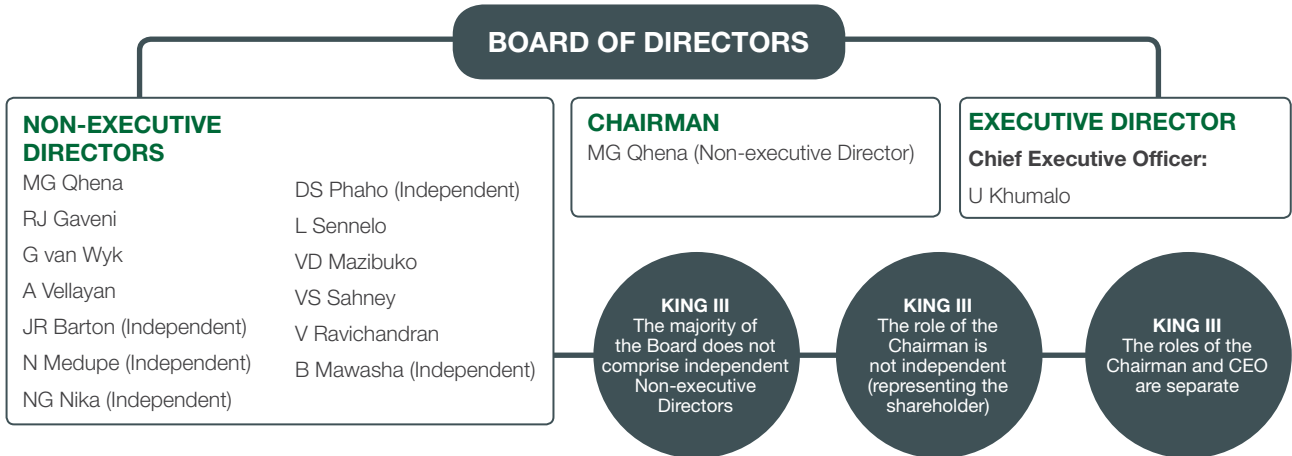
The Board selects and appoints the Company Secretary and recognises the pivotal role that this person plays in entrenching good corporate governance. All directors have unlimited access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are adequately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

An externally conducted independent Board effectiveness evaluation was concluded in 2014 and actions are being developed in response to the outcomes of the evaluation.



**THE BOARD AND ITS GOVERNANCE STRUCTURES**



**LAWS/REGULATIONS/CODES**

- Some Key Laws/Regulations/Codes:**
- Basic Conditions of Employment Act, 1997
  - Broad Based Black Economic Empowerment Act, 2003
  - Companies Act, 2008
  - King Report on Corporate Governance (King III)
  - Compensation for Occupational Injuries and Diseases Act, 1993
  - Competition Act, 1998
  - Employment Equity Act, 1998
  - Explosives Act, 2003
  - Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1947
  - Hazardous Substances Act, 1973
  - Labour Relations Act, 1995
  - Legal Metrology Act, 2014
  - Mine Health and Safety Act, 1996
  - Occupational Health and Safety Act, 1993
  - Mineral and Petroleum Resources Development Act, 2002
  - National Environmental Management Act, 1998
  - National Environmental Management Act: Air Quality Act, 2004
  - National Environmental Management: Biodiversity Act, 2004
  - National Environmental Management: Integrated Coastal Management Act, 2008
  - National Environmental Management Act: Waste Act, 2008
  - National Nuclear Regulator Act, 1999
  - National Railway Safety Regulator Act, 2002
  - National Water Act, 1998

**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.

<b>ATTENDANCE REGISTER</b>												
<b>Board member</b>	<b>Scheduled Board meetings</b>		<b>Special Board meetings</b>		<b>Audit and risk</b>		<b>Human capital and nominations</b>		<b>Social and ethics</b>		<b>Technical</b>	
MG Qhena	C	6/6	C	3/3			M	8/8	M	3/3		
U Khumalo		6/6		3/3	I	5/6	M	8/8	M	3/3	M	4/5
RJ Gaveni		6/6		3/3			C	8/8	C	3/3		
G van Wyk		5/6		3/3	M	6/6	M	7/8	M	2/3		
A Vellayan		0/6		0/3			M	0/8	M	0/3		
JR Barton		6/6		2/3							M	5/5
N Medupe		2/6		2/3	M	6/6						
NG Nika		6/6		2/3	C	6/6						
DS Phaho		5/6		3/3							C	5/5
VS Sahney		6/6		3/3			M	6/8	M	1/3		
VD Mazibuko		6/6		2/3							M	5/5
V Ravichandran		4/6		2/3			AD	4/8	AD	2/3	M	2/5
L Sennelo		4/6		1/3	M	4/6						
B Mawasha <sup>1</sup>		2/6		2/3							M	4/5

C: Chairman M: Member I: Invitee A: Acting Chairman AD: Alternate Director  
 1. Appointed June 2016

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

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:

<b>AUDIT AND RISK COMMITTEE</b>		
<b>Members</b>	<b>Area of responsibility</b>	<b>Key focus for the year</b>
NG Nika (Chairman) N Medupe G van Wyk L Sennelo	The Board Audit and Risk Committee assists the Board in carrying out its responsibilities to stakeholders in respect of the Company's accounting, auditing, internal control and reporting practices.  The committee is authorised by the Board to examine any internal audit report and financial information it wishes to, and can instruct the management of Foskor, the internal auditors or the external auditors to conduct any investigation it considers necessary. Both the internal and external auditors have unrestricted access to the committee	<ul style="list-style-type: none"> <li>■ Approved and monitored the external audit plan</li> <li>■ Assessed the independence of the external auditor</li> <li>■ Obtained an unqualified audit opinion on the financial statements and recommended their approval to the Board</li> <li>■ Recommended the approval of the integrated annual report to the Board</li> <li>■ Approved and monitored the internal audit plan</li> <li>■ Obtained assurance over effectiveness of internal controls</li> <li>■ Oversight over the successful closure of the ERP Implementation project</li> <li>■ Monitored ICT governance implementation</li> <li>■ Monitoring of the implementation of the risk management plan</li> <li>■ Monitoring the implementation of compliance risk management process</li> </ul>

HUMAN CAPITAL AND NOMINATIONS COMMITTEE		
Members	Area of responsibility	Key focus for the year
RJ Gaveni (Chairman) G van Wyk MG Qhena VS Sahney A Vellayan U Khumalo	<p>The Human Capital and Nominations Committee consider, for recommendation to the Board, the general remuneration policy of Foskor and proposed adjustments to the policy. The committee is also responsible for the approval of the remuneration packages and incentives of executives as delegated to the committee by the Board, and for determining the remuneration package and incentives for the CEO. The committee also considers the composition of the staff complement, staff transformation/diversity and succession planning.</p> <p>The committee reviews the human capital policies and any other matters related to human capital management referred to it by the Board.</p>	<ul style="list-style-type: none"> <li>Reviewed the performance objectives for the period and recommended their approval to the Board</li> <li>Reviewed the achievements of performance objectives, annual salary increases and incentives payable</li> <li>Approved the mandate for annual increases and the three-year agreement for the bargaining-unit employees</li> <li>Reviewed the executive contracts up for renewal</li> </ul>

SOCIAL AND ETHICS COMMITTEE		
Members	Area of responsibility	Key focus for the year
RJ Gaveni (Chairman) G van Wyk MG Qhena VS Sahney A Vellayan U Khumalo	<p>The Social and Ethics Committee has oversight over the Company's strategy and achievement of its targets for employment equity and broad-based black economic empowerment. The committee also ensures that Foskor aspires to be a good corporate citizen, including the Company's promotion of equality, prevention of unfair discrimination and reduction of corruption.</p> <p>The committee is also responsible for the environment, health and public safety, including the impact of the Company's activities and of its products and services, consumer relationships, including the Company's advertising, public relations, and compliance with consumer protection laws labour and employment, including the Company's employment relationships, and its contribution to the educational development of its employees.</p>	<ul style="list-style-type: none"> <li>Monitor Employment Equity and B-BBEE Acts Compliance</li> <li>Approved code of ethics booklet</li> <li>Monitored the Company's employment relationships and the educational development of its employees</li> </ul>

TECHNICAL COMMITTEE		
Members	Area of responsibility	Key focus for the year
DS Phaho (Chairman) JR Barton VD Mazibuko V Ravichandran U Khumalo B Mawasha	<p>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.</p>	<ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>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</li> <li>Guidance in terms of stakeholder engagement on technical liaison with neighbouring businesses, suppliers and customers</li> <li>Evaluation of operational strategy relating to equipment replacement options and funding options</li> </ul>

**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 and conduct 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, 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 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.

### 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 2009 (King III). 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 ensure 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.



There are currently no major court cases or matters of material regulatory censure against Foskor.

**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 – 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 – 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 – 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 – Compliance Risk Monitoring	Involves the determination of the status of the regulatory control environment.
Phase 5 – 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 III)**

The Board is satisfied with its efforts to apply all material aspects of King III 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
<b>Chapter 2: Board of Directors</b>	The Board should elect a Chairman who is an independent Non-executive Director.	X	The appointment of the lead independent Director is still being considered by the Board.
	The Board should comprise a balance of power, with a majority of Non-executive Directors. The majority of Non-executive Directors should be independent.	X	Five of the 14 Directors are independent, the Board considered the mix to be acceptable.
		X	Every Board should have a minimum of two Executive Directors one of whom should be the CEO and the other the director responsible for finance.
		X	At least one-third of the non-executive Directors should rotate every year.
<b>Chapter 8: Stakeholder relationships</b>	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	X	No requests were received during the period under review.

*“We aim to offer fair and competitive remuneration.”*

## 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 both nationally and globally.

These goals are achieved by:

- establishing remuneration package ranges that reflect the value of the 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.

Three months fully paid maternity leave and one-month unpaid benefits are provided to permanent female employees who have been with the company for more than one year.

Insurance is provided by an insurance company and covers death, permanent and temporary disability and the death of the 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 and the South African Revenue Service. The defined benefit fund was closed in 1995, with a total liability as at 31 December 2016 of R28.6 million. Personnel employed after 1995 are members of the defined contribution fund. The Company contributes to the fund on behalf of the 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 defensible.

## GOVERNANCE AND REMUNERATION

Remuneration comprises the following elements:

	GUARANTEED REMUNERATION			PERFORMANCE-BASED INCENTIVES		OTHER
	Notional cost of employment	Benefits	Allowances	Short-term incentives	Long-term incentives	
<b>BARGAINING CATEGORY EMPLOYEES</b>	Cost-to-company package	Retirement benefits medical aid death and disability insurance	Housing 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. 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.		
<b>MANAGEMENT CATEGORY EMPLOYEES</b>	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. 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. 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. The targets are mainly: earnings, cash, production, safety, cost and transformation	The criteria for long-term incentives include the achievement of particular ROCE targets, product diversification measures, human capital criteria include employee wellbeing, talent management and culture	
<b>NON-EXECUTIVE DIRECTORS</b>	Attendance fees per meeting			Not applicable	Not applicable	
	Approved by the shareholders annually. Executive Directors are not paid Directors' fees.			Not applicable	Not applicable	

Remuneration comprises the following elements:

REMUNERATION ELEMENTS	MANAGEMENT CATEGORY EMPLOYEES				BARGAINING CATEGORY EMPLOYEES
	Executive management	General management	Senior management	Middle management	
GUARANTEED REMUNERATION	Notional cost of employment				Annual cost-to-company package
	Guaranteed allowances				Housing Transport
	Benefits				<ul style="list-style-type: none"> <li>■ Employer retirement fund contributions</li> <li>■ Employer medical aid contributions</li> <li>■ Employer contributions to Group life and disability insurance</li> </ul>
	Circumstantial remuneration				<ul style="list-style-type: none"> <li>■ Job-specific</li> <li>■ Skills scarcity</li> <li>■ Legal appointments</li> </ul>
VARIABLE REMUNERATION	Short-term incentives				Performance-based <ul style="list-style-type: none"> <li>■ Company</li> <li>■ Divisional</li> <li>■ Individual</li> </ul>
	Long-term incentives				Performance-based <ul style="list-style-type: none"> <li>■ Company</li> <li>■ Individual</li> </ul>

**GUARANTEED REMUNERATION**

Employees in management 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**

**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**

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 short-term incentive 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**

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 long-term incentives 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) has vested over a period of three years from 1 April 2012 to 1 April 2014. The subsequent allocation units has 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.

**REMUNERATION AND STRATEGIC OBJECTIVES ACHIEVEMENT**

The remuneration of the staff is linked to the achievement of strategic objectives and key performance indicators. The short-term incentive performance is based on targets that are achievable in one year, including agreed milestones for the longer-term strategic projects. The long-term incentive 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 short-term incentives are applicable for all levels of staff. Top and senior management are eligible for the long-term incentive scheme.

The Employee Share Ownership Plan (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. The ESOP is administered through a Trust that holds six percent 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 employees 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, refer to page 24.

SHORT-TERM INCENTIVE CRITERIA		Strategic priority
<b>Financial objectives</b>	<ul style="list-style-type: none"> <li>■ Earning before interest and tax</li> <li>■ Free cash flow</li> </ul>	<ul style="list-style-type: none"> <li>■ Improve EBIT</li> <li>■ Improve cash generation</li> </ul>
<b>Corporate objectives</b>	<ul style="list-style-type: none"> <li>■ Production targets</li> <li>■ Cost per ton</li> <li>■ Logistics (product railed)</li> <li>■ Strategic projects</li> <li>■ Safety</li> <li>■ Employee wellbeing</li> <li>■ Transformation</li> </ul>	<ul style="list-style-type: none"> <li>■ Operational excellence</li> <li>■ Beneficiation projects</li> <li>■ Zero harm</li> <li>■ Good industrial relations</li> </ul>
<b>Divisional objectives</b>	<ul style="list-style-type: none"> <li>■ Divisional costs</li> <li>■ Customer service</li> <li>■ Divisional projects</li> <li>■ Internal processes</li> </ul>	<ul style="list-style-type: none"> <li>■ Operational excellence</li> <li>■ Customer value</li> </ul>
LONG-TERM INCENTIVE CRITERIA		Strategic priority
<b>Corporate objectives</b>	<ul style="list-style-type: none"> <li>■ Return on capital employed</li> <li>■ Strategic long-term projects</li> <li>■ Human capital projects</li> </ul>	<ul style="list-style-type: none"> <li>■ Improve EBIT</li> <li>■ Beneficiation and capacity improvement</li> <li>■ People engagement</li> </ul>

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.



**Ashraf Dindar**  
Chief Financial Officer

# FINANCIAL PERFORMANCE

## CFO'S REPORT



**REVENUE**

▼ **5%**

(2016: R5.9 billion)



**LOSS FOR THE YEAR**

▲ **59%**

(2016: loss of R568 million)



**COST OF SALES**

▼ **1%**

(2016: R4.74 billion)



**CASH GENERATED BY OPERATIONS**

▲ **180%**

(2016: R315 million utilised)

### FINANCIAL OVERVIEW

The current financial year was impacted by the drop in commodity prices which resulted in the Group's revenue reducing and negatively impacting on earnings. Furthermore, the strengthening of the Rand against other major currencies also negatively impacted both revenue and earnings for the year.

Continued focus on operational improvements during the year resulted in significant improvements in the production volumes and efficiency indicators.

Whilst the internal business factors showed significant improvements, these were not sufficient to deal with the negative external factors that the operations encountered during the year. As a result, revenue declined by 5% from the previous year, whilst earnings before interest and tax (EBIT) declined by R928 million. The drop in commodity prices contributed R1.1 billion to the loss for the year of R902 million. Despite improved production volumes, cost saving initiatives proved beneficial as evidenced by the 1% decline in cost of sales.

Despite this, the Group did an excellent job in managing its cash flows. This is evidenced by the generation of R248 million of cash from operations during the year compared to a utilisation of cash of R310 million in the 2016 financial year. This was a commendable achievement under the adverse trading conditions that were experienced by the Group.

### 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 R14.25 (monthly averages) to the USD; this is 5% weaker than the average of R13.58 recorded in 2016. The Rand strengthened towards the end of the financial year and closed at R12.93 (2016: R14.81).

## Commodity prices

### Selling prices

The highly volatile trading conditions that were demonstrated by commodities markets during 2016 continued into the current year. This negatively impacted our export magnetite, phosphate rock, phosphoric acid and granular revenues. Average magnetite export prices experienced a decline of 19% per ton from US\$27 per ton in 2016 to US\$22 per ton, while the average phosphate rock export price decreased from US\$123 per ton to US\$116 per ton in the current year. Average granulation prices fell by US\$80 per ton from US\$469 per ton to US\$389 per ton, while the average phosphoric acid export price decreased by 27% from US\$751 per ton to US\$552 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 decreased from US\$148 per ton in 2016 to US\$101 in the current year and average ammonia prices decreased from US\$465 per ton to US\$323 per ton. The positive impact of the price reduction was, however, offset by the weaker Rand/USD exchange rate and lower selling prices.

## 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. With the revamp of the Pan Filter 1 which was completed and commissioned in September 2016, the filters have performed very well resulting in production efficiency improving from 79% to 85%.

## FINANCIAL PERFORMANCE

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

	2017	2016	% Change
Revenue	5 614	5 918	(5)
Cost of sales	(4 714)	(4 748)	1
Gross profit	900	1 170	(23)
Distribution costs	(1 324)	(1 134)	(17)
Administrative expenses and other income	(257)	(120)	(114)
Earnings before extraordinary items	(681)	(84)	(706)
Impairment of assets	(520)	(200)	(160)
Loss on disposal of investments/assets	(23)	(12)	(94)
Earnings before interest and tax (EBIT)	(1 224)	(296)	(313)
Net finance (expense)/income	(141)	(290)	51
Share of (loss)/profit from an associate	(2)	4	(141)
Net foreign exchange profit/(loss)	40	(130)	131
Loss before tax	(1 327)	(712)	(86)
Income tax credit	425	144	195
<b>Loss for the year</b>	<b>(902)</b>	<b>(568)</b>	<b>(59)</b>
<b>EBITDA</b>	<b>(857)</b>	<b>54</b>	<b>(1 697)</b>

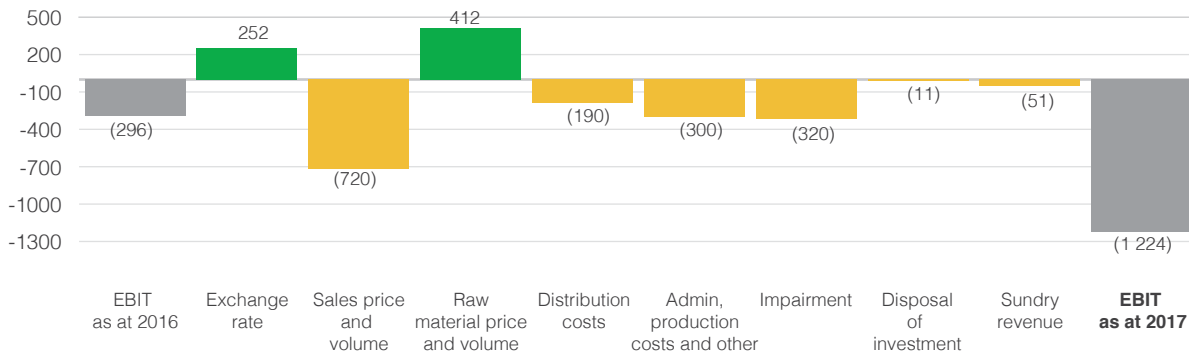
### Revenue

Group revenue reduced by 5% to R5.6 billion (2016: R5.9 billion). The decrease is as a result of decline in magnetite prices, phosphate rock export prices as well as phosphoric and granular sales prices. This was partly offset by positive exchange rate fluctuations as well as higher volumes available from the Phosphoric acid and granular production available for sale.

Phosphoric Acid accounted for 38% (2016: 36%) of revenue, Granular accounted for 33% (2016: 30%) of total revenue, while rock contributed 17% (2016: 25%) towards total revenue. Magnetite's contribution towards total revenue increased from 7% in 2016 to 10% in 2017.



**CHANGE IN OPERATING PROFIT – YEAR-ON-YEAR  
(R million)**



**Impairment**

The group recognised an impairment loss of R520 million relating to property, plant and equipment as the future cash flows from these assets is lower than the carrying value of the assets.

**Finance costs**

Net finance costs decreased from R290 million to R141 million in the current year as a result of reduction in the average debt levels compared to the previous financial year.

**Foreign exchange loss**

The net gains resulting from foreign exchange increased from a loss of R130 million to gains of R40 million in the current year. This profit resulted mainly from higher import purchases which were valued initially at a weaker Rand/US Dollar exchange rates. These were later settled at a stronger exchange rate.

**Loss for the year**

The net loss for the year decreased from R568 million to R902 million mainly due lower finance costs, foreign exchange profits and deferred income tax credits which were partly offset by lower revenue as compared to the previous year.

**FINANCIAL POSITION**

**Summary statement of financial position\***

	2017	2016	% Change
Assets	8 431	8 603	(2)
Equity	4 789	4 863	(2)
Liabilities	3 642	3 741	(3)

**Equity**

Class B preferential shares increased by 830 shares during the year to the total of 3 007 (2016: 2177) at the end of the year. Equity injections is a result of the R1 billion equity facility awarded to Foskor by the Industrial Development Corporation (IDC) targeted at funding capital expenditure for the business. 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%. Each class B share is valued at R1 million.

**Funding**

	2017	2016	% Change
Long-term loans	(630)	(700)	10
Short-term loans	(484)	(564)	14
Bank	665	249	167
<b>Net debt (R'm)</b>	<b>(449)</b>	<b>(1 015)</b>	<b>56</b>

The IDC approved a R4 billion funding facility, which 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 2017, the R700 million working capital loan and R830 million of equity had been utilised. IDC loans are subordinated to the Group's debt providers and creditors.

The Group entered into a debtors' factoring agreement with ABSA in 2016 whereby Foskor debtors 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. As at the end of March, R78 million of this facility was utilised.

Foskor has short-term facilities of R328 million (2016: R400 million) available from commercial banks. The short-term facilities were fully utilised as at the end of March 2017.

## Working capital

	2017	2016	% Change
Inventory	1 577	2 017	(22)
Trade and other receivables	687	961	(29)
Trade and other payables	(1 222)	(1 310)	7
<b>Working capital requirement</b>	<b>1 041</b>	<b>1 668</b>	<b>(38)</b>

Working capital reduced by 38% from R1.7 billion in 2016 to R1 billion in the current year. This is largely due to a R440 million decrease in inventory as well as R274 million reduction in trade and other receivables. The decrease in inventory is due to selling phosphate rock from the stockpile during the year. Our working capital requirements were financed through cash on hand and short-term funding facilities.

## CASH FLOW

### Cash flow statement extracts\*

	2017	2016	% Change
Cash generated from operations	336	(51)	759
Cash generated by operating activities	248	(310)	180
Cash used in investing activities	(515)	(405)	(27)

The R336 million increase in cash generated from operations compared to the previous year is mainly due to reduction in Inventory. Phosphate Rock reduced by R255 million from R658 million in 2017 to R 404 million in 2016. Export sales commitments of rock were sold out of Inventory due to lower production at the Mine. As part of working capital management, we also reduced the Raw Materials from R 520 million to R228 million by reducing stock levels kept at the Acid Division on Rock, Sulphur and Ammonia. Cash generated from operating activities increased from R310 million negative to R248 million due to inventory reduction in the current year. Cash used in investing activities increased by R110 million to R515 million mainly due to investment in capital expenditure incurred in the current year.

### Outlook

The improvements made previously on the internal factors impacting on performance has continued into the first quarter of the new financial year. Production at both the mine and acid plant in this period has been at the highest levels compared to the previous four years, whilst the cost per ton of production continues to come down. Efficiency improvements continue to be made and we are getting closer to the optimal plant running capacity.

The Rand continues to strengthen against the US Dollar which has a negative impact on earnings. However, the implementation of the new currency hedging strategy that assists in mitigating the impact of currency movements has already shown positive benefits.

The commodity prices in this period have increased slightly and this was positive, however, further price reductions following the significant reductions in prior years have been announced for the next six months. These price reductions put further strain on the earnings of the company. New niche markets are being explored where price premiums can be obtained.

The performance in these three months point to a significantly better outlook for the 2017 financial year than that of 2016. We are experiencing positive indications that the challenges of the past few years have been overcome and that the future looks better.

The focus areas for the business going into 2018 are to make further improvements in the operational performance whilst achieving certain targeted costs savings. As commodity prices are still expected to remain low, the business will look to take advantage of some diversification and downstream beneficiation opportunities. The new hedging strategy and improved product mix decision making will also help to improve performance. Overall, we expect another tough trading year but we aim to be financially sustainable at these low market conditions.

*\*For a full set of consolidated financial statements please refer to [www.foskor.co.za](http://www.foskor.co.za)*

## SUMMARY 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 MG Qhena and Chief Executive Officer, Mr U Khumalo. 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 audited summarised consolidated annual financial statements of the Group have been extracted from the Group's audited annual financial statements which 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 2017. 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 2017.

### **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 2017.

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 2017 consolidated annual financial statements and these summarised consolidated annual financial statements have been audited by the Group's joint external auditors, KPMG Inc. and Ngubane & Co Inc. The individual auditors assigned to perform the audit are Ms S Loonat and Mr E Sibanda.

### **AUDIT REPORT OPINION**

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

**ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

		GROUP	
		2017	2016
		R'000	R'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		5 132 422	5 140 859
Intangible assets		22 303	35 428
Investment in joint venture		25	25
Investment in associate		4 589	6 095
Financial investments		200 658	189 725
Deferred tax assets		142 003	–
		5 502 000	5 372 132
<b>Current assets</b>			
Inventories	1	1 576 576	2 016 550
Trade and other receivables		686 686	961 318
Derivative financial instruments		1 801	3 970
Cash and cash equivalents	2	664 214	249 206
		2 929 277	3 231 044
<b>Total assets</b>		<b>8 431 277</b>	<b>8 603 176</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners</b>			
Ordinary shares		3 015 962	2 185 962
Share premium		132 013	132 013
Retained earnings		1 337 324	2 240 769
Share-based payment reserve		303 914	303 914
<b>Total equity</b>		<b>4 789 213</b>	<b>4 862 658</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Finance lease liability		8 852	10 675
Environmental rehabilitation liability		1 086 076	683 774
Employee share-based payment liability		25 772	26 574
Long-term interest-bearing loans		630 000	700 000
Retirement benefit obligations		129 776	127 100
Deferred tax liabilities		–	283 890
		1 880 476	1 832 013
<b>Current liabilities</b>			
Trade and other payables		1 221 789	1 309 973
Short-term interest-bearing loans		484 052	564 240
Current tax liability		419	751
Finance lease liability		1 823	1 823
Derivative financial instruments		7 304	5 706
Provisions		46 201	26 012
		1 761 588	1 908 505
<b>Total liabilities</b>		<b>3 642 064</b>	<b>3 740 518</b>
<b>Total equity and liabilities</b>		<b>8 431 277</b>	<b>8 603 176</b>

## ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	GROUP	
	2017 R'000	2016 R'000
Revenue	5 614 459	5 918 060
Cost of sales	(4 714 458)	(4 748 015)
<b>Gross profit</b>	<b>900 001</b>	1 170 045
Distribution costs	(1 323 971)	(1 134 343)
Administrative expenses	(313 150)	(226 975)
Share-based payment expense	802	833
Impairment of assets	(520 467)	(200 000)
Other income	55 027	105 917
Loss on disposal of property, plant and equipment	(22 730)	(11 701)
<b>Operating loss before interest and tax</b>	<b>(1 224 488)</b>	(296 224)
Finance income	22 041	17 782
Finance costs	(163 171)	(307 355)
Share of (loss)/profit from investment in associate, net of tax	(1 519)	3 714
Net foreign exchange profit/(loss)	40 250	(130 152)
<b>Loss before taxation</b>	<b>(1 326 887)</b>	(712 235)
Income tax credit	425 203	144 021
<b>Loss for the year</b>	<b>(901 684)</b>	(568 214)
<b>Other comprehensive income:</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurements of post-employment benefit obligation, net of tax	(1 776)	(364)
Share of other comprehensive income/(loss) of associate, net of tax	15	(44)
<b>Other comprehensive loss for the year, net of tax</b>	<b>(1 761)</b>	(408)
<b>Total comprehensive loss for the year</b>	<b>(903 445)</b>	(568 622)

## ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

GROUP	Share capital R'000	Share premium R'000	Retained earnings R'000	Share-based payment reserve R'000	Total R'000
<b>Balance at 31 March 2015</b>	9 158	132 013	2 809 391	303 914	3 254 476
Class B shares	2 176 804	–	–	–	2 176 804
Loss for the year	–	–	(568 214)	–	(568 214)
<b>Other comprehensive income</b>					
Post-employment benefit obligation remeasurements	–	–	(506)	–	(506)
Deferred tax	–	–	142	–	142
Share of other comprehensive loss of associate	–	–	(44)	–	(44)
<b>Total comprehensive loss for the period</b>	–	–	(568 622)	–	(568 622)
<b>Balance at 31 March 2016</b>	2 185 962	132 013	2 240 769	303 914	4 862 658
Class B shares	<b>830 000</b>	–	–	–	<b>830 000</b>
Loss for the year	–	–	(901 684)	–	(901 684)
<b>Other comprehensive income</b>					
Post-employment benefit obligation	–	–	(2 467)	–	(2 467)
Deferred tax	–	–	691	–	691
Share of other comprehensive loss of associate	–	–	15	–	15
<b>Total comprehensive loss for the period</b>	–	–	(903 445)	–	(903 445)
<b>Balance at 31 March 2017</b>	<b>3 015 962</b>	<b>132 013</b>	<b>1 337 324</b>	<b>303 914</b>	<b>4 789 213</b>

## ABRIDGED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2017

	GROUP	
	2017 R'000	2016 R'000
<b>Cash flows from operating activities</b>		
Cash generated from/(utilised by) operations	<b>336 396</b>	(51 042)
Interest received	<b>13 082</b>	7 954
Interest paid	<b>(141 890)</b>	(134 126)
Realised foreign exchange profit/(loss)	<b>40 250</b>	(134 379)
Income taxes (paid)/received	<b>(332)</b>	1 278
<b>Cash generated from/(utilised by) operations</b>	<b>247 506</b>	(310 315)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(504 286)</b>	(433 341)
Purchase of intangible assets	<b>(7 778)</b>	(613)
Proceeds from sale of property, plant and equipment	<b>3 552</b>	36 150
Purchase of financial investment held in the environmental rehabilitation trust	<b>(6 975)</b>	(6 975)
<b>Cash used in investing activities</b>	<b>(515 487)</b>	(404 779)
<b>Cash flows from financing activities</b>		
Issue of Class B shares	<b>830 000</b>	2 176 804
Redemption of preference shares	<b>5 000</b>	–
Repayment of finance lease liability	<b>(1 823)</b>	(1 833)
Repayment of long-term interest-bearing loan	–	(931 004)
Repayment of short-term interest-bearing loan	<b>(150 188)</b>	(498 725)
<b>Cash generated by financing activities</b>	<b>682 989</b>	745 242
<b>Increase in cash and cash equivalents</b>	<b>415 008</b>	30 148
Cash and cash equivalents, beginning of year	<b>249 206</b>	219 058
<b>Cash and cash equivalents, end of year</b>	<b>664 214</b>	249 206

## SELECTED EXPLANATORY NOTES TO THE ABRIDGED GROUP ANNUAL FINANCIAL STATEMENTS

	GROUP	
	2017 R'000	2016 R'000
<b>1. INVENTORIES</b>		
Spares and consumables stores	441 378	354 841
Phosphate rock	403 608	658 395
Raw materials	227 542	519 706
Finished goods	504 048	483 608
<b>Total inventories</b>	<b>1 576 576</b>	<b>2 016 550</b>

The value of inventory write down to net realisable value in the current year is R18.4 million (2016: R2.9 million).

	GROUP	
	2017 R'000	2016 R'000
<b>2. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	664 214	249 206
Cash and cash equivalents	664 214	249 206

	GROUP	
	2017 R'000	2016 R'000
<b>3. COMMITMENTS</b>		
<b>Capital commitments</b>		
Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:		
Property, plant and equipment	292 139	262 037
<b>Total capital commitments</b>	<b>292 139</b>	<b>262 037</b>
<b>Operating lease commitments</b>		
The future minimum lease payments payable under non-cancellable leases are as follows:		
Payable not later than one year	1 803	1 803
Payable later than one year and not later than five years	3 608	451
<b>Total lease commitments</b>	<b>5 411</b>	<b>2 254</b>

# OPERATIONAL PERFORMANCE

## MINING DIVISION

### KEY ACHIEVEMENTS

#### IMPROVED SAFETY RECORD

- 17% reduction in vehicle related incidents
- 13% reduction in equipment damages due to related incidents
- LTIFR of 0.27 still well below industry standard

#### ENVIRONMENTAL MANAGEMENT

- No environmental incidents occurred

#### IMPROVED PRODUCTION EFFICIENCIES

- Production efficiencies maintained at 71.90% (2016: 72.22%) – target 67.85% (2016 : 65.11%)
- No labour strikes or community unrest, hence no production losses

#### SUCCESSFUL IMPLEMENTATION OF KEY STRATEGIC INITIATIVES AND PROJECTS

- Orders placed for the replacement of 7 haul trucks
- Successful outsourcing of the mining of the Foskor North Pit
- Continuation of the North Pit pushback project as per plan (to extend life of North pit mine to 30 years)

#### RETAINED SHEQ INTEGRATED MANAGEMENT SYSTEMS

- All ISO certifications (14001, 9001 and oSHAS 18001 and SANS 16001) retained

#### INFRASTRUCTURE AND DEVELOPMENT PROJECTS

- Commenced with the construction of the new Selati tailings dam decant system (extend life of dam by 25 years)



CHALLENGES

DECLINE IN SAFETY

- One fatality recorded (slip and fall) (2016: 0) Target: Zero
- Increase in LTI's to 6 (2016 – 4) Target: Zero

MAJOR EQUIPMENT FAILURES

- In July 2016 the brass bushes of the primary South crusher failed twice. The root cause was identified after the second failure and pointed to the profile of the crusher liners. The crusher has been operating since September 2016 without problems after the liners were changed.
- In December 2016 a primary loader was damaged when an operator negligently drove over a boulder that resulted in a subsequent fire. The loader was out for 4 months.
- The overland conveyor from the south pit was cut when a rock got stuck in a chute

DECREASED PRODUCTION

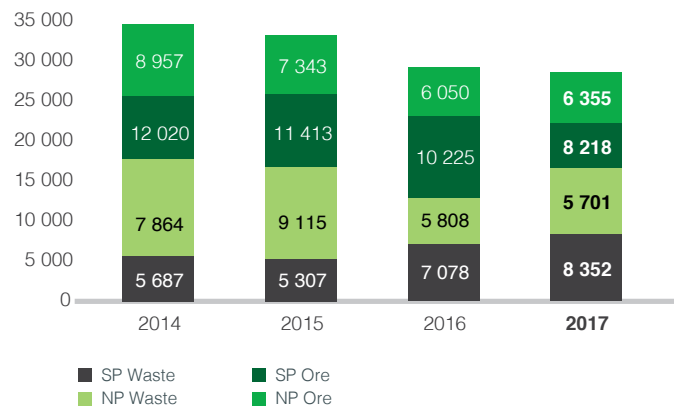
- Production output decreased by 189 000 tons to 1 687 kt. (2016: 1876 kt). Production was negatively affected (167 000 tons) by the primary south crusher failure.
- Lower run of mine supply due to slow site establishment and engagement of North Pit Contractor and cut-off the overland conveyor belt (93 392 tons)
- Foskor South Pit Haul road closure – due to PMC pit subsidence (91 418 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.

Despite lower iron ore prices the Mining Division continues to export magnetite. 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.

PERFORMANCE PER MINE (k tons mined)



MINING PERFORMANCE

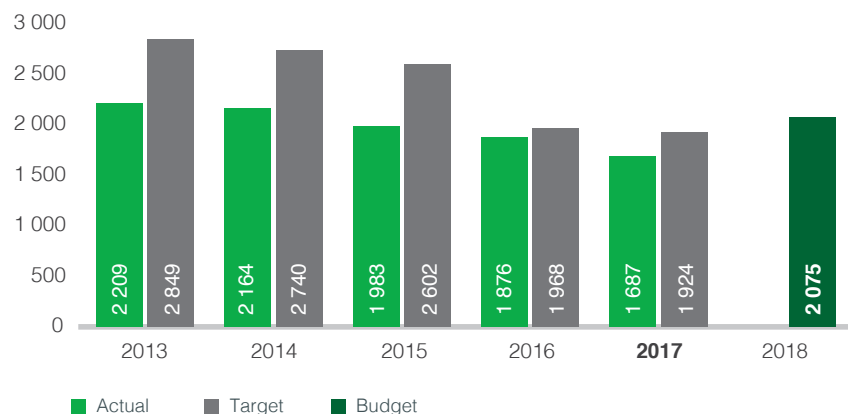
Performance per mine

The Mining Division mined a total of 28.62 million tons of material in 2017 (2016: 29.16 million tons), inclusive of the North Pit Pushback Project (NPPB), resulting in 14.05 million tons of waste (2016:12.89) and 14.57million tons of ore (2016: 16.27) inclusive of marginal ores (2016:16.72). The processing facility treated 13.11 million tons of ore, 11% lower than 2016. Run-of-mine (ROM) feed grades were marginally higher at 6.69% P2O5. (2016: 6.59%). Mine development work (NPPB project) is ongoing to ensure consistent feed grades in the region of 7% P2O5 content going forward. 5.34 million tons were mined from the North Pit Push Back (2016: 3.6 million tons).

Production performance

The overall processing efficiency was marginally lower at 71.90% (2016: 72.22%). Total production for 2017 was 10.07% lower than 2016 at 1.687 million tons (2016: 1.876 million tons). Lower production was a result of the failure of brass bushes of the Primary South Crusher, slower site establishment and engagement of the mining contractor after the outsourcing of the Foskor North Pit, closure of the Foskor South Pit haul road due to safety

Rock production



concerns subsequent to further pit slope failure of the Palabora Copper (PC) open pit just to the east of the Foskor operations and three (3) DMR Section 54 closures.

### Product distribution

The division dispatched 2.033 million tons of rock concentrate to the Foskor Acid Division, export and local customers (2016: 2.052 million tons). This is a decrease of 1.0 % compared to the 2016 dispatches. This is, however, 9.0% lower than the 2017 target of 2.236 million tons. The decline

from target was as a result of lower exports of phosphate concentrate due to lower commodity prices. Total product railed to the Acid Division was 1.517 million tons (2016: 1.1 million tons) compared to the 2017 target of 1.556 million tons. Phosphate railed to Maputo harbour for export was 195 697 tons (2016: 538 119 tons) compared to a target of 300 000 tons. Product railed to Richards Bay for export was 261 756 tons (2016: 336 726 tons) compared to a target of 300 000 tons. Phosphate railed to other local customers

was 58 395 tons (2016: 72 599 tons) compared to a target of 80 000 tons.

The magnetite dispatches from the Division increased by 42% to 1 293 277 tons of magnetite (2016: 909 604 tons) compared to a target of 1 million tons.

### Addressing production challenges

To improve on our performance, we are actively addressing the production challenges we faced during the year.

#### Reliability of the crushing circuits due to age of the infrastructure

The two-year equipment replacement programme initiated in 2015 is ongoing. The process to replace the first of the secondary crushers has commenced with expected completion in quarter two of 2018.

#### 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 approved to replace the aging mining fleet. Delivery of seven (7) haul trucks is expected July 2017.

To address the shortfall in hauling capacity a 3 year contract was awarded to two mining contractors that commenced work in December 2015 and September 2016. Full capacity has been reached hence the improvement in production in quarters 3 and 4.

#### Efficiency improvements

A task team has been established to investigate opportunities to improve flotation recovery at the Extension 8 Processing plant. Initiatives have been identified and implementation will commence in quarter 2 of 2017.

## Mine and mineral content quality

Run-of-Mine (ROM) feed grades remained constant at 6.69 % P<sub>2</sub>O<sub>5</sub> (2016: 6.59%). It is expected that feed grades will remain at this level.

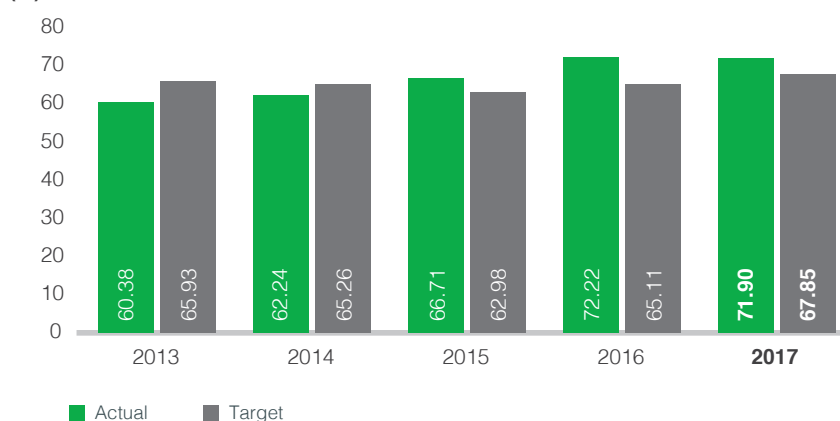
Total weighed phosphate rock recovery for the year was 71.90%, compared to 72.22% in 2016. This is expected to remain the same in the 2018 financial year. Further improvement initiatives have been identified that will be implemented over the next two years that should improve efficiencies further.

The combined stripping ratio (the amount of waste material required to be handled in order to extract ore) for the two mines was 0.86 (2016: 0.79). Overall stripping ratio is expected to increase to 0.92 in the new FY. Stripping ratio in the North Pit Push Back (NPPB) development area was 1.29 (2016: 2.0).

The North Pit Push Back project (unlocking new reserves and extend life of mine from eight years to 30 years) is ongoing and full integration with the current North Pit mine should be completed within the next two years. 5.34 million tons were mined from this area in 2017 (2016: 3.64 million tons).

Overall stripping ratios are expected to increase over the next two years before it could stabilise and then reduce to levels of 0.8. The increase in stripping ratios is as a result of further mine development (NPPB) to ensure mining cut off grades (5% P<sub>2</sub>O<sub>5</sub>) are maintained in the future and extension of mine life.

### TOTAL P<sub>2</sub>O<sub>5</sub> RECOVERY (%)



Per stream performance

Production\* performance per stream

Stream	Product grade % P <sub>2</sub> O <sub>5</sub>	2015 (tons)	2016 (tons)	2017 (tons)	Targeted (tons)	% of target met
F-Bank concentrate		925 006	914 557	775 501	899 013	92.26
DSF concentrate		529 720	523 385	505 430	503 235	100.44
Extension 8 concentrate		506 279	420 081	394 460	500 024	78.89
PMC/PC concentrate		–	–	–	–	–
Total Palfos B production		1 961 005	1 858 023	1 675 391	1 902 272	88.07
Palfos R		21 529	18 465	11 260	21 974	51.24
Total production	37.47	1 982 534	1 876 488	1 686 651	1 924 246	87.65

\* Calculated weighted production per stream

Production of final product reduced by 10.07% to 1.687 million tons (2016: 1.876 million tons) and compared to the FY 2016 target of 1.925 million tons.

The 2016 July crusher failure, mining contractor engagement problems, haul road closure, and three Section 54 stoppages did have a negative impact on production in quarter one and quarter two

The 3rd and 4th quarter production showed good recovery and were 9 % above the target of 947 417 tons. The 3rd and 4th quarter production was 58 % higher than the 1st and 2nd quarter.

Occupational health and safety

One fatality was recorded in the Mining Division during the FY 2016. Mr ME Ratlou was fatally injured on 17 May 2016 in a slip and fall incident.

The Department of Mineral Resources (DMR) conducted 27 safety audits of which resulted in THREE Section 54 stoppages. Our positive relationship with DMR 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 meet quarterly to review and discuss SHE matters.

The number of Minor injuries recorded was 31 (2016: 27). The All Injury Frequency Rate (AIFR) was 1.47 (2016:1.28). Trackless Mobile Machinery (vehicle related) incidents have reduced by 17% to 34 (2016: 41). Six (6) Lost Time Injuries (LTI's) occurred compared to the 4 of 2016. The LTIFR was 0.27 (2016: 0.17) calculated based on the 200 000 man hour method of calculation.

The division retained the ISO 18001 Safety Management and SANS 16001 AIDS management certification during the annual ISO certification audits.

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

SHREQ (safety, health, radiation, environment and quality) training is a key pillar in educating stakeholders. The Mine Qualifications Authority health and safety training is mandatory for all employees and covers induction training, basic health and safety awareness, fire-fighting, first-aid, compulsory codes of practice training, and health and safety representative training.

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. An annual health awareness campaign is held in collaboration with medical insurance providers.

As a founding member of the Limpopo Occupational, Health and Safety Tripartite Forum for opencast mines, the division works with the DMR inspectorate, organised labour and peer organisations to reduce occupational health and safety hazards at our operations.

The divisional safety goal remains zero harm to all stakeholders. A refocused safety campaign was launched in March 2016 with focus on the Divisional Life Saving Behaviour initiatives, improved safety visibility and signing of the Foskor safety pledge.

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 material and in doing so prevent incidents harmful to the environment.

The Mining Division has retained both its ISO 9001 Quality and ISO 14001 Environmental certification and was awarded. Our environmental management system is externally audited on an annual basis. The Mining Division operates with an up to date and approved Environmental Management Program that is reviewed annually for compliance.

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

COMMITTEE	Purpose	Sponsor	Meeting intervals
<b>Inter-Company Water and Waste Management Forum</b>	Discusses water and waste management with the Department of Water and Sanitation, other major companies and the National Kruger Park	Department of Water and Sanitation	Quarterly
<b>Phalaborwa Environmental Committee</b>	Discusses air, water and waste management with the Department of Environmental Affairs, other major companies and the National Kruger Park	Department of Environmental Affairs	Six-monthly
<b>Alien Plant Committee</b>	Discusses the management of alien plants in the area	Foskor Palabora Copper	Quarterly
<b>Environmental Community Forum</b>	Discusses basic environmental issues with the community	Foskor 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. Fresh water intake per ton of feed has reduced by 25.6 % in the last 7 years.

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. Capital Projects to the value of R57 million has already been approved and work commenced to recover more water from the tailings dams. A further R6 million has been allocated for other water recovery projects in the new financial year to ensure continuous reuse of onsite water and further reduction in seepage losses and

reduced fresh water intake.

**Effluent and tailings dams**

Water levels in all tailings dams are within safe operating margins and the freeboards on the dams are more than adequate to satisfy mandatory codes. Outer walls are in a good condition and the dam status, as measured by industry standards, remained satisfactory throughout the year.

The failure of the Selati Tailings Dam decant pipe in February 2013 has been mitigated by successful permanent sealing of the damaged decant outlet pipe completed in March 2016. The project to replace the current temporary pumping system with a permanent penstock/decant system to the value of circa R57 million has commenced and will be completed in 2018.

Rehabilitation of the final lift of Southern dam was completed. A total of 30.9 hectares

were rehabilitated in the 2017 financial year combined for the two tailings dams against a target of 22 hectares.

**Air quality**

We operate under an Air Emission Licence issued by the Department of Environmental Affairs with expiry in 2021. The conditions of the licence are strictly adhered to and 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 R7 million has been allocated to improve air quality in the new 2017/2018 financial year.

**Reportable incidents**

There were no reportable environmental incidents or spills during the year.

Sustainability performance data

Performance Data – Human, Natural and Social capital							
	2017 Actual	2017 Target	2016	2015	2014	2013	Level of Assurance
<b>People</b>							
Employee numbers	1 381		1 338	1 311	1 357	1 427	
Recruitment	44		72	61	44	140	
Unionised labour	93.43%		81.0%	88.1%	88.1%	89.1%	
Employee turnover	6.7%		6.3%	5.5%	11.4%	7.6%	
<b>Skills development</b>							
Training and development (R)	2 197 744	2 925 075	2 807 017	7 532 399	8 659 835	6 201 574	
Learnerships (number)	175	180	147	68	83	69	
Learnerships (R)	5 090 640	5 400 000	2 110 000	4 189 888	5 114 128	4 251 504	
Bursaries (R)	920 000	1 275 000	1 162 864	1 405 832	1 442 729	939 311	
Bursaries	9	16	15	4	5	6	
<b>Safety</b>							
Fatalities	1	0	–	–	1	–	High
Lost time injuries	6	0	4	10	8	1	High
Lost Time Injury Frequency Rate (LTIFR)	0.27	<0.4	0.17	0.37	0.25	0.03	High
Occupational diseases (Hearing loss)	2	–	3	10	13	–	High
Man hours without any lost time injury (millions)	0.44	–	0.6	0.2	0.6	6	High
Number of Section 54 notices issued by the DMR	3	–	0	4	5	–	High
<b>Greenhouse gases energy consumption (kg of CO<sub>2</sub>e)</b>							
Coal (Scope 1) <sup>1</sup>	52 104		68 929	71 920	56 075	56 075	Moderate
Diesel (Scope 1) <sup>1</sup>	55 557		40 546	45 894	46 881	46 881	Moderate
Petrol (Scope 1) <sup>1</sup>	269		230	337	322	322	Moderate
Water (Scope 1) <sup>2</sup>	11 726		11 326	12 036	2 348	NR	Moderate
Electricity (Scope 2) <sup>2</sup>	359 877		375 107	440 057	414 055	414 055	Moderate
<b>Total greenhouse gas (CO<sub>2</sub> equivalent)</b>							
<b>Water</b>	<b>479 533</b>		<b>496 138</b>	<b>570 244</b>	<b>463 663</b>	<b>461 314</b>	
Potable water (Municipal) m <sup>3</sup>	296 219		326 241	262 867	208 588	685 000	High
Industrial water (Lepelle) m <sup>3</sup>	6 440 240		6 308 640	6 788 198	8 889 168	9 271 000	High
Total fresh water consumption	6 736 459		6 634 881	7 051 065	9 097 756	9 956 000	
<b>Waste management (tons)</b>							
General refuse and waste – registered land fill disposal	661		336	380	378	408	Moderate
Uncontaminated steel – scrap sales disposal	1 562		1 560	1 439	1 197	2 232	Moderate
Radiation-contaminated steel – stockpiled onsite disposal	710		660	746	746	936	Moderate
Harzadous material – registered Enviroserve landfill disposal	65		72	62	150	132	Moderate
<b>Air quality stations (mg/m<sup>3</sup>/day)</b>							
Background	120	300	115	168	144	100	High
Residential receptor	147	600	160	317	277	300	High
Industrial receptor	613	1 200	464	1 137	871	1 000	High
Source monitoring	1 243	2 400	1 788	2 350	2 300	2 300	High
<b>Mine rehabilitation</b>							
Closure costs – scheduled (R millions)	565		526	478	458	408	High
Closure costs – unscheduled (R millions)	642		616	596	559	533	High
Mineral reserves (million tons)	1 376		1 388	1 405	1 435	1 372	High
Mining area (km <sup>2</sup> )	23		23	23	23		High
<b>Legal compliance</b>							
Fines, penalties and settlements (number)	–		–	–	–	–	Moderate
Fines, penalties and settlements (Rands)	–		–	–	–	–	Moderate
<b>Procurement spend (%)</b>							
Local	62	–	59	61	63	63	High
National	36	–	37	38	37	37	High
International	2	–	4	1	–	–	High
<b>Procurement spend against mining targets (%)</b>							
Local procurement of capital goods	57	40	70	30	35	25	Moderate
Local procurement of services	72	70	66	67	41	31	Moderate
Local procurement of consumables	31	50	62	27	44	47	Moderate
B-BBEE rating level	3	4	5	5	4	3	High

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

<sup>1</sup>Scope 1 = Direct energy consumption

<sup>2</sup>Scope 2 = Indirect energy consumption

NR: Not reported

## MINE RESOURCES AND ORE RESERVES

**The Foskor mines are situated within the Phalaborwa Igneous complex comprising 14 distinct rock types, each with a specific mineral composition. Foskor operates two open pit mines extracting apatite, the phosphate bearing mineral.**

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 and magnetite.

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 5.0% phosphate to be economically viable (cut-off grade). Material with between 4% and 5.0% P<sub>2</sub>O<sub>5</sub> is classified as marginal.

Foskor has vast phosphate resources and at current mining rates (circa 34 million tons per year) this will ensure life of mine in excess of 100 years.

Resource estimates for the South and North Pyroxenite deposits based on our current geological and resource models show mineral reserves (proved) as at 31 March 2017:

- 214.4 million tons in the North Pyroxenite deposit (2016: 219 million tons).
- 1 162.1 million tons in the South Pyroxenite deposit (2016: 1 169 million tons).

The decline in Reserve Classification is in line with mining tons for 2016/2017.

Phosphate-rich tailings have been deposited in the Palabora Copper (PC) 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.

PC 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 and reserves

Geological area	Reserves category	2017		2016	
		Reserves (million tons)	% P2O5	Reserves (million tons)	% P2O5
North Pyroxenite Pit	Proven	214.4	7.13	219.2	7.12
	Probable	20.1	6.91	20.1	6.91
South Pyroxenite Pit	Proven	1 162.1	6.78	1 169.5	6.78
	Probable	137.8	6.47	137.8	6.47

**Mineral resources**

Geological area	Resources category	Resources (million tons)	% P2O5	Resources (million tons)	% P2O5
North Pyroxenite Pit	Measured	794.9	7.13	799.7	7.13
	Indicated	690.9	6.94	690.9	6.94
	Inferred	742.1	6.52	742.1	6.52
South Pyroxenite Pit	Measured	2 589.0	6.46	2 596.4	6.46
	Indicated	1 317.1	6.15	1 317.1	6.15
	Inferred	1 713.6	6.11	1 713.6	6.11
PC 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

**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 2016, progress has been made to finalise the last Foskor application. The outstanding approval 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 was held with the DMR during 2016 to try and finalise the matter.

**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. Foskor has appointed consultants to assist in aligning the current closure cost provisions with new requirements as per NEMA Act. 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 a full rehabilitation cost study is undertaken every three years. Closure cost is provided for in two ways i.e. a rehabilitation trust fund that is grown to provide for scheduled closure and bank guarantees that will supplement the trust fund in the unlikely event of unscheduled closure. 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 as gazetted.

# ACID DIVISION

## KEY ACHIEVEMENTS

### IMPROVED SAFETY RECORD

- Zero fatalities (2016: 0) – target zero
- Lost-time injuries reduced to 3 (2016: 4)

### IMPROVED EFFICIENCY

- Rock conversion efficiency at Acid Division has improved from 78.75% in 2016 to 84.67% in 2017

### MAINTAINED QUALITY MANAGEMENT

- DEKRA 5 Shield SHE status maintained
- All ISO certifications (14001, 9001, OSHAS 18001 and SANS 16001) retained

### ASSET REPLACEMENT PROGRAMME PROGRESSING WELL

- Pan Filter 1 revamp was completed
- C1 Phosphoric Acid Tank rebuild in progress
- Replacement of Belt Filter 1 & 2 mother belts completed

## CHALLENGES

### MAJOR EQUIPMENT FAILURES

- Level 4 Water Restrictions due to drought conditions
- Failure of Heat Exchanger in both the new and old concentration sections
- Failure of Final Absorption Tower in Sulphuric acid A plant
- B-Plant Drying Tower failure



**Overview**

The Acid Division has three Sulphuric acid plants, two streams of phosphoric acid plants and a granulation plant to make Granular products. Major raw material 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 89% of their target (1 411 534 tons against the target of 1 582 355 tons) for the period ended March 2017. The production was lower in the previous year (2016: 1 062 380 tons) because the phosphoric acid production requirements were significantly lower.

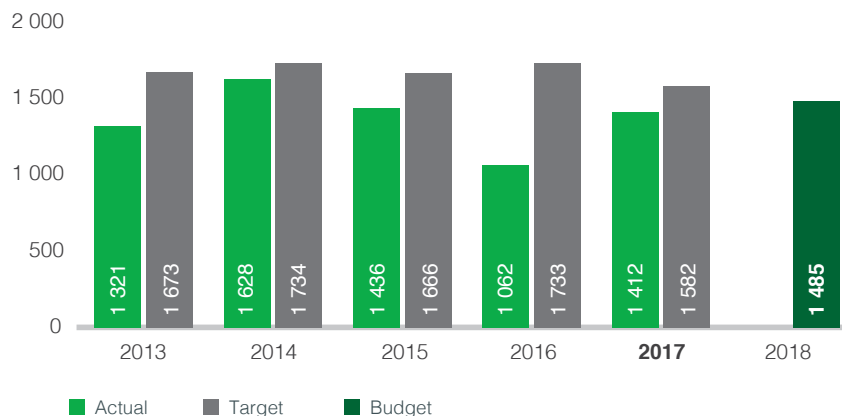
The sulphuric acid plant's capacity has not been challenged, limited to the low sulphuric acid and steam requirements of the phosphoric acid plant. The plant's utilisation and performance under current phosphoric demand are met; however, the key risks at the sulphuric acid plant include the original converters and their common stack. The plant ran after start-up with high stack visibility requiring frequent stoppage to clean the troughs. As a result, the targeted power generation was restricted. The B-plant developed a crack on the shell. The repairs were carried out during the shut, however further inspections are required to determine the life of the tower and whether further repairs or replacement is required.

**Phosphoric acid**

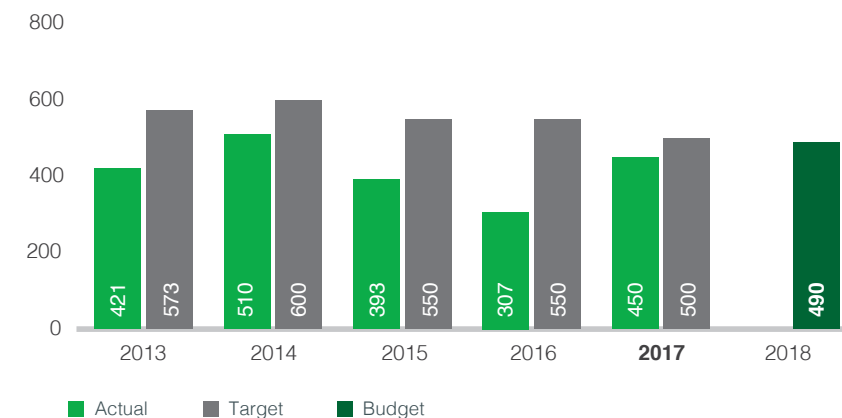
The phosphoric acid plant produced 449 697 tons against a target of 500 000 tons – this represents 90% of the target. In 2015/2016, the plant produced 307 476 tons of phosphoric acid.

During the financial year 2015/2016 issues pertaining to reaction and filtration section were addressed. It was found that frequent equipment failure at concentration plant was acting as a bottleneck to achieve higher production level hence approval of R53 million was taken and action plan prepared to debottleneck. With completion of activities pertaining to concentration plant during financial year 2016/17 a significant improvement in production was achieved.

**SULPHURIC ACID PRODUCTION (k tons)**



**PHOPHORIC ACID PRODUCTION (k tons)**



The major contributors to lower production against targets are highlighted below.

- Old R&F Pan Filter #1 – The revamp of Pan filter #1 in the old Reaction & Filtration was delayed due to spare parts delivery delays. The revamp could only be completed in August 2016 and commissioning in September 2016 against the initial plan of commissioning at end of June 2016. After commissioning, the filter performed very well leading to both efficiency and production improvement.
- Old Concentration – The B1 heat exchanger unit failed while the spare unit was still on order. This failure caused restrictions in concentrated acid production, coupled with frequent failures of valves and in-pumps in the section. When the spare unit was delivered, and installed, there were visible improvements in production rate of the old concentration.
- New Concentration – There were frequent failures experienced due to

evaporator leaks, leaks of export and emptying lines as well as tube failures in the Heat exchangers. Line 3 Heat exchanger failure contributed the most to production loss. A new unit was sourced and installed in February 2017.

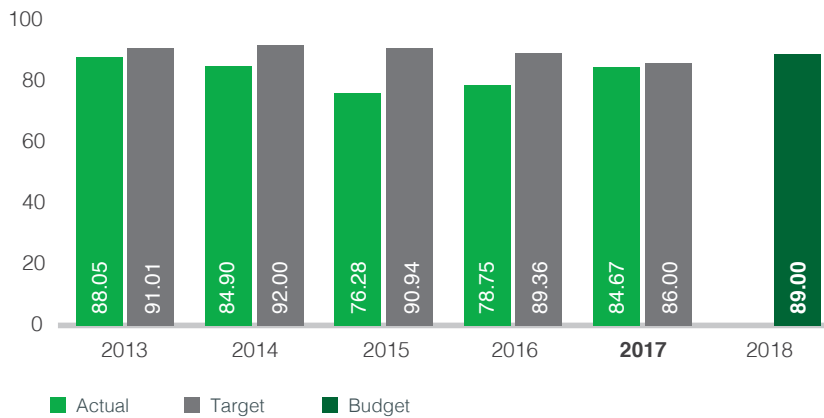
- Water restrictions – Due to the drought experienced in the country, especially the Richards Bay area, resulted in the Department of Water and Sanitation with local authority implemented water restrictions to all industries. A level 4 water restriction which is 25% reduction in water supply resulted in reduced production rates. The restriction is still in place and will continue to limit the plant production rates. However, the budget of 490 000 tons P2O5 set for 2017/2018 financial year will be achieved at the current water restriction levels.

**PRODUCTION EFFICIENCY**

The production efficiency rate for the year was 84.67% against the budget of 86%. This was an improvement from the last financial year efficiency of 78.75%.

## ACID DIVISION (CONTINUED)

### P<sub>2</sub>O<sub>5</sub> EFFICIENCY (%)

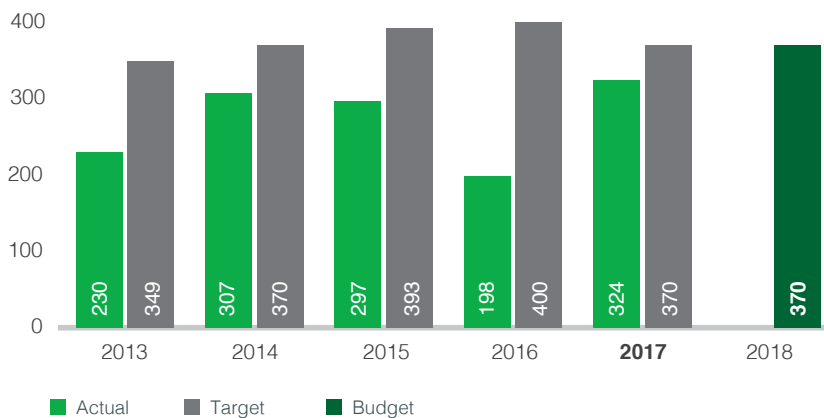


By the end of the financial year, we had seen an improvement in efficiency and for the month of March 2017, the efficiency achieved was 90.69%. The main causes for efficiency losses from the previous financial year were identified and addressed. Some of the challenges faced in 2016/17 were dust in the rock, calibration of weigh feeders and failure and leakage of the storage tanks. The tankage programme is in place to address storage tank failures. With continued focus on tanks, water management and operational procedures, the plant is confident to achieve efficiency of 89% average for the 2017/2018 financial year.

### 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 324 020 tons of granulated fertilizer product against the budget of 370 000 tons. The limited supply of Phosphoric Acid to Granulation and strategic marketing decision not to produce granular product based on product mix calculations in the year under review counted for about 10% loss of production and the remainder was split between internal issues including shuts and equipment failures.

### GRANULATION PRODUCTION (k tons)



During the financial year 2017/18 the production of Phosphoric Acid is anticipated to improve to 490 000 tons thus expectations are that there will be enough acid available to achieve granulation production target of 370 000 tons.

### Asset replacement

Aging of the Acid Division's plant and machinery, that were installed in 1976, result in most of it to either be refurbished or replaced. The completion of these projects will increase plant availability thereby leading to improved production capacity and efficiency. The cash flow forecast for capital projects is planned at R226 million per annum for the next five years.

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. This resulted in reduced production throughput as the plant had to stop due to high weak acid stocks. In the financial year 2016/2017 the following were performed: 1) one tank was repaired, 2) refurbishment of three tanks (75%, 25% and 10% completion) and one clarifier (90% completion) at end March 2017. Replacement of a molten sulphur storage tank in the Sulphuric Acid Plant was at 95% completion at end of March 2017. One belt filter was completely refurbished by mid April 2016 and another by end of July 2016.

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

ASSET REPLACEMENT ITEMS	Description	Planned timeline
<p><b>1</b></p> <p><b>Install a fourth concentrator unit in the new phosphoric acid plant</b></p>	<p>The new phosphoric acid plant utilises three concentrator units concurrently. With aged concentration units in the old phosphoric acid plant (1976), a unit similar to new concentrator for backup purposes is required. This will fill the gap in production capacity, stabilise the operation of the sulphuric and phosphoric acid plants by using the available acid storage capacity optimally, and reduce steam losses and plant downtime.</p>	<p>The detailed design and engineering for a new concentrator unit was completed. Tenders for implementation of the project on an EPC/ Turnkey basis were invited. Due to depressed market conditions the project was put on hold in October 2016.</p>
<p><b>2</b></p> <p><b>Replace both pan filters in the old phosphoric acid plant</b></p>	<p>The old phosphoric acid plant utilises two pan filters which have passed their useful lifespan and are due for replacement. A major overhaul of one filter was performed in April to May 2012 locally, while a partial replacement of the other was performed in October to November 2012 with original manufacturer. In the light of the work already undertaken, we intend to complete the pan filter replacement work.</p>	<p>Major refurbishment of Pan Filter #2 was undertaken in July/August 2015. The balance spares for the remainder of the refurbishment was delivered in July 2016. The performance of the filter was, however, stable. The balance of the work will be completed in 2017.</p> <p>Major refurbishment of Pan Filter #1 and auxiliary components were completed in September 2016.</p>
<p><b>3</b></p> <p><b>Install an additional acid clarifier</b></p>	<p>Our existing infrastructure consists of two acid clarifiers: a 1 800m<sup>3</sup> clarifier in our old plant and a 3 500m<sup>3</sup> 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.</p>	<p>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 commenced in November 2016 and is planned for completion by March 2018. Project progress was at 40% at end March 2017.</p>
<p><b>4</b></p> <p><b>Replace the main stack and converters for both sulphuric acid plants</b></p>	<p>Sulphuric acid plants A and B share one common stack. The stack and the catalytic converters at both plants are finishing their useful lifespan and approaching replacement. The replacements will also enable Foskor to meet the planned new environmental legislation for stack emissions from Sulphuric Acid plants.</p>	<p>Seven engineering contractors were identified for undertaking a pre-feasibility study and a feasibility study on determining the integrity of A, B and C Plants, recommending refurbishment required to improve the availability of the plants and addressing compliance to the 2020 air quality requirements. After demonstrating their capabilities and capacities to undertake the work they were invited to tender. Tenders closed at the end of March 2016. Once the studies are complete, which is expected in Feb 2018, an implementation plan will be formulated.</p>
<p><b>5</b></p> <p><b>Build a new reactor for the old phosphoric acid plant</b></p>	<p>The concrete reactor in the old acid plant has been in operation for 39 years and has been repaired twice. The advanced age of the reactor poses a major health, safety and environmental risk, and was recommended for replacement.</p>	<p>In view of the depressed market conditions, the financial impact and potential downtime of the plant in replacing the reactor, the replacement of the reactor was taken into reconsideration. A decision was made to undertake major refurbishment of the reactor over the next five years during the planned annual shutdowns, starting in 2017.</p>
<p><b>6</b></p> <p><b>Replace the majority of acid storage tanks</b></p>	<p>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.</p>	<p>Replacement of a molten sulphur storage tank in the Sulphuric Acid Plant was at 95% completion at end March 2017.</p> <p>Refurbishment of one Clarifier and three tanks were at completion stages of 90%, 75%, 25% and 10% at end of March 2017.</p>
<p><b>7</b></p> <p><b>Replacement of phosphoric acid coolers</b></p>	<p>The existing plate type acid coolers have been facing a challenge of frequent blockage and maintenance. It was explored to replace two coolers with robust spiral design coolers which have cleaning access and handle higher solids in acid.</p>	<p>Two spiral coolers were procured, installed and commissioned successfully in 2014/2015. An investigation regarding the entire Phosphoric Acid cooling system will be undertaken in 2017 to select the appropriate cooling equipment to achieve optimum cooling for installation in 2018/2019.</p>

During the financial year 2017/2018 emphasis will be given to complete the capital project pertaining to production, efficiency, compliance and safety in time.

### 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 92.03%, against our target of >91%.

Our annual LTIFR of 0.22 was in our target range of less than one, but compared to last year's LTIFR of 0.24, signals a positive decrease in the number of injuries.

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

- Employee stepped onto a grating that gave way resulting in his leg being burned by hot condensate from the knee to foot
- Employee went to inspect the F4 pump when he bumped his left lower leg against a scaffolding standard pipe resulting in injury to foot
- Contractor employee was pushing a steam pipe of the truck when it rolled over pushing contractor employee to the ground thus resulting in fracture to his arm

There were no fatalities in this division during the year. The OHSAS 18001 certification has been retained 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, 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 Hygienist 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 sixth 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 – 2016/2017**

Source	Scope	Annual consumption	Monthly average consumption	Conversion factor kg CO <sub>2</sub> e	kg of CO <sub>2</sub> -e	% total
Sasol gas – CH <sub>4</sub> (GJ)	Scope 1	43 069	36 089	50.1	2 157 757	1.42
Diesel (L)	Scope 1	308 686	25 724	2.67	826 322	0.55
Grid electricity (kWh)	Scope 2	137 644 699	11 470 391	1.03	136 268 222	89.67
Water (Kl)	Scope 3	5 855 373	487 948	1.78	10 426 663	6.86
General Waste (Kg)	Scope 3	310 770	25 898	2.94	913 975	0.60
Recycled waste (Kg)	Scope 3	746 077	62 173	1.84	746 077	0.90
<b>Total</b>					<b>151 965 720</b>	<b>100</b>

Scope 1 = Direct emissions

Scope 2 = Indirect emissions as a result of purchased electricity

Scope 3 = Other indirect emissions not included in Scope 2

**Fresh water usage**

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<sup>3</sup>)**

Water type	2012	2013	2014	2015	2016	2017
Potable water	2 008 329	2 972 112	3 196 644	5 528 217	3 953 376	<b>2 494 389</b>
Clarified water	4 126 739	3 490 816	4 160 662	2 528 708	1 538 147	<b>3 360 984</b>
<b>Total</b>	<b>6 138 068</b>	<b>6 462 928</b>	<b>7 357 306</b>	<b>8 056 925</b>	<b>5 491 523</b>	<b>5 855 373</b>

We obtain all our water from the uMhlatuze Municipality in two grades: potable water and clarified water. The Richards Bay region has been experiencing drought since September 2014 due to low water levels at Goedertrouw Dam (Water level at 30.25% as of March 2017) which supplies the Richards Bay area and the surrounding towns. Consequently, the municipality has put in place water restrictions based on allocation. With the 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 has compelled and encouraged us to look at ways to improve water efficiency on site and also explore water saving projects such as rainwater harvesting.

A storm water dam situated on the south-east boundary of the site collects the 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 business, South 32, to recycle their storm water as a replacement for 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**

As stipulated in the Effluent Disposal Agreement between Foskor and Mhlatuze Water, Foskor Richards Bay on a daily basis, analyses an hourly 24-hour composite sample and submit a split sample to Mhlatuze’s Scientific Services Laboratory for analysis.

As a way of enforcing compliance to all stakeholders, Mhlatuze water implemented a non-conformance penalty system which came in to effect in July 2015. Buoyant line effluent compliance especially on pH and TSS is still a concern. Consequently there is a task team managed by the Phosphoric Acid Plant manager to address effluent compliance on site.

**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, sulphur 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. CapEx is budgeted to undertake the upgrade in 2017.

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/Nm<sup>3</sup>) per plant by March 2020. Fluoride and ammonia are also required to be reduced to 5 mg/Nm<sup>3</sup> and 50 mg/Nm<sup>3</sup> 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 were two Section 30 Reportable Incidents in terms of the National Environmental Management Act, 107 of 1998:

- Overflow of the Storm Water Dam – 17 July 2016
- Overflow of the Storm Water Dam – 25 January 2017

These incidents were reported to the regulatory authorities and the Department of Environmental Affairs.

The DEDTEA Waste audit was conducted on the 26 of October 2016, the following non-conformances were raised:

- The storm water management system on site does not have any specific colour coding that will distinguish it from other effluent systems.
- The outside natural environment is still exposed to spillage incidents from the conveyor belts.
- The catchment at the back of the plant (below the conveyor) was not properly constructed to adequately contain dirty water.

### 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.

Foskor entered the IWMSA competition for the first time in 2016 under Category 3 (Large Manufacturer with over 350 staff complement) and won a Gold Certificate, 2-Star. Our Waste Supervisor also received an Individual Merits Certificate out of the three that were given in the KZN Region.

IWMSA is an independent entity that assists individuals and industry to be up to speed with the latest waste legislation and in performing the best waste practice. This organisation therefore hosts waste completions on a two-yearly basis through audits and inspections. Industries are separated into categories depending on the nature of their production and operation in order to compete against each other. Foskor places great pride in their employees for ensuring proper handling of waste, and strives to focus on using waste to alternative material.

### 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 and there were no non-conformances raised.

One major challenge faced was the accumulation of a large volume of slightly radioactively contaminated filter cloths and associated rubber lining items over a number of years (approximately ten years). These materials were filling the available storage space at the Richards Bay Operations Salvage Yard, and have no further use. Hence various waste handling management options were explored whilst involving the NNR. The only viable option was to conduct assessments and apply for disposal at a "Class A" landfill site (Shongweni) which was approved by the NNR after lengthy processes and engagements. All of the filter cloths were disposed-off at the Shongweni landfill site.

Sustainability performance data

Performance Data – Human, Natural and Social Capital							
	2017 Actual	2017 Target	2016	2015	2014	2013	Level of assurance
<b>People</b>							
Employee numbers	603		665	602	640	675	
Recruitment	26		49	29	41	56	
Unionised labour %	76.5		75.3	82.7	80.9	77.5	
Employee turnover %	13.1		5.0	7.4	11.4	7.6	
<b>Skills development</b>							
Training and development (R)	2 783 240	3 339 000	1 612 363	2 262 757	3 857 604	5 639 475	
Learnerships (number)	48	48	63	54	32	58	
Learnerships (R)	645 000	1 440 000	1 457 500	2 485 912	1 193 910	2 429 832	
Bursaries (R)	300 000	950 000	839 422	805 224	1 124 109	790 991	
<b>Safety</b>							
Fatalities	0	0	0	–	–	1	High
Lost time injuries	3	0	3	4	4	8	High
Lost Time Injury Frequency Rate (LTIFR)	0.22	0.5	0.24	0.34	0.36	0.59	High
Total Injury Frequency Rate (TIFFR)	2.45	4.5	4.96	6.65	5.42	6.59	High
Occupational diseases (reported to COID)	0	0	1	0	5	3	High
<b>Greenhouse gases energy consumption (kg of CO<sub>2</sub>-e)</b>							
Diesel (Scope1) <sup>1</sup>	826 322		721 642	1 350 517	1 589 299	139 343	Moderate
Sasol Gas (Scope1) <sup>1</sup>	2 157 757		3 927 289	2 533 506	4 166 967	286 439	Moderate
Water (Scope 1) <sup>2</sup>	10 426 663		9 774 911	14 346 966	13 096 004	NR	Moderate
Electricity (Scope 2) <sup>2</sup>	136 268 222		131 110 198	100 447 581	94 479 759	43 188 385	Moderate
General waste (Scope 3) <sup>3</sup>	913 975		953 374	1 480 999	2 617 747	NR	Moderate
Recycled waste (Scope 3) <sup>3</sup>	1 372 782		854 744	1 528 121	1 848 354	NR	Moderate
<b>Total greenhouse gas (CO<sub>2</sub> equivalent)</b>	<b>151 965 721</b>		<b>147 342 159</b>	<b>121 687 690</b>	<b>117 798 130</b>	<b>43 614 167</b>	
<b>Water</b>							
Potable water (Municipal) m <sup>3</sup>	2 494 389		1 538 147	5 528 217	3 196 644	2 972 112	High
Clarified water (Municipal) m <sup>3</sup>	3 360 984		3 953 376	2 528 708	4 160 662	3 490 816	High
Total fresh water consumption	5 855 373		5 491 523	8 056 925	7 357 306	6 462 928	
<b>Waste management (tons)</b>							
Hazardous material – registered landfill disposal	13 880		11 909	13 716	13 260	16 485	Moderate
General material – registered landfill disposal	311		667	834	949	1 646	Moderate
Recyclable material – registered landfill disposal	680		794	1 614	1 064	1 602	Moderate
<b>Procurement spend (%)</b>							
Local	64		64	66	87	86	High
National	7		8	10	7	3	High
International	29		28	24	6	11	High
<b>B-BBEE rating level</b>	<b>3</b>	<b>4</b>	5	5	4	3	High

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

<sup>1</sup>Scope 1 = Direct emissions

<sup>2</sup>Scope 2 = Indirect emissions

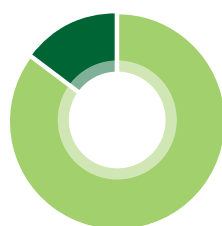
<sup>3</sup>Scope 3 = Other indirect, not included in Scope 2

NR: Not reported

# OUR PEOPLE

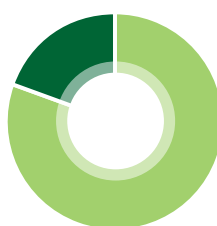
<b>Total employees</b>	<b>2017</b>	% change	2016	2015	2014	2013
Foskor Group (including contractors)	<b>1 984</b>	(1.0)	2 003	1 913	1 997	2 101
<b>Employees per contract type</b>	<b>2017</b>	Location split	2016	2015	2014	2013
Permanent	<b>1 689</b>	85.1	1 778	1 767	1 842	1 945
Contract	<b>295</b>	14.9	225	146	155	156
<b>Employees per gender</b>	<b>2017</b>	Gender % split	2016	2015	2014	2013
Male	<b>1 595</b>	80.4	1 640	1 595	1 675	1 766
Female	<b>389</b>	19.6	363	318	322	335
<b>Employees per level</b>	<b>2017</b>	% change	2016	2015	2014	2013
Top management	<b>12</b>	8.3	11	12	13	13
Senior management	<b>21</b>	(38.1)	29	30	29	29
Middle management	<b>125</b>	(0.8)	126	132	139	164
Skilled	<b>551</b>	(2.9)	567	566	583	607
Semi-skilled	<b>661</b>	(7.1)	708	686	722	747
Unskilled	<b>319</b>	(5.6)	337	341	356	385
Contractors	<b>295</b>	24	225	146	155	156
<b>Foskor Group</b>	<b>1 984</b>	(0.9)	2 003	1 913	1 997	2 101

**CONTRACT TYPE (%)**



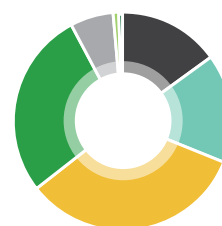
● Permanent **85.1**  
● Contract **14.9**

**GENDER PROFILE (%)**



● Male **80.4**  
● Female **19.6**

**EMPLOYEES PER LEVEL**



● Top management **12**  
● Senior management **21**  
● Middle management **125**  
● Skilled **551**  
● Semi-skilled **661**  
● Unskilled **319**  
● Contractors **295**

## Recruitment

Foskor hired 70 new permanent employees during the year, and our permanent employee complement decreased by 0.05% to 1 689 (2016: 0.62% increase). All skill levels, except top management levels, reduced in numbers.

The size of our senior and top management team reduced to 33 this year, while our overall female representation increased by 7.16% (2016: increased by 14.2%). Contractors increased to 295 (2016: 225), representing 14.9% of our total workforce, although the majority are learnership programmes and graduates in training.

The average age of our entire workforce is around 41.5, which leaves 23.5 years on average working life until retirement. Average annual staff turnover is 9% (2016: 6.2%) of which retirees make up 1.5%. A system whereby some of the retirees are appointed as mentors and coaches for the engineers in our training programme is in place.



## OPERATIONAL PERFORMANCE

<b>Permanent employees recruited</b>	2013	2014	2015	2016	2017
Foskor Group	178	81	90	121	<b>70</b>
<b>Recruitment per division</b>	2013	2014	2015	2016	2017
Phalaborwa and Midrand	140	44	61	72	<b>44</b>
Richards Bay	38	37	29	49	<b>26</b>
<b>Recruitment per gender</b>	2013	2014	2015	2016	2017
Male	133	56	73	95	<b>48</b>
Female	45	25	17	26	<b>22</b>
<b>Recruitment by age</b>	2013	2014	2015	2016	2017
<30	123	31	42	69	<b>34</b>
30 – 40	39	38	35	41	<b>24</b>
40 – 50	14	4	7	8	<b>10</b>
50 – 60	1	7	6	3	<b>2</b>
>61	1	1	–	–	<b>–</b>
<b>% Employee turnover</b>	2013	2014	2015	2016	2017
Foskor Group	5.8	10.2	6.1	6.2	<b>9</b>
<b>% Turnover per division</b>	2013	2014	2015	2016	2017
Phalaborwa and Midrand	5	9.6	5.5	6.3	<b>6.7</b>
Richards Bay	7.6	11.4	7.4	5	<b>13.8</b>
<b>% Turnover per gender</b>	2013	2014	2015	2016	2017
Male	5.5	9.8	6.1	6.2	<b>9.4</b>
Female	7.3	12	6.4	4.2	<b>7.2</b>
<b>% Turnover by age</b>	2013	2014	2015	2016	2017
<30	4.4	6.1	6	3.5	<b>6.1</b>
30 – 40	6.2	9.6	4.4	5.7	<b>6</b>
40 – 50	5.7	9.3	7.2	4.9	<b>6.1</b>
50 – 60	4.1	8.5	3.4	4.2	<b>8.2</b>
>60	29.8	59	35.9	24.5	<b>45.6</b>

### Training and development

Training is one of the key ways we maintain and improve our intellectual capital, and the quality of an organization'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 organization. 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.

### 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.

#### For the year ended 31 March 2017

Occupational levels	Actual head count	Disadvantaged		Advantaged		Race and gender composition							
		Total	%	Total	%	AF	AM	CF	CM	IF	IM	WF	WM
Top management	12	11	91.7	1	8.3	3	7	0	0	0	1	0	1
Senior management	21	16	76.2	5	23.8	0	10	0	2	0	3	1	5
Professional and middle management	125	90	72.0	35	28.0	25	48	0	2	0	9	6	35
Skilled	551	454	82.4	97	17.6	78	321	2	1	7	20	25	97
Semi-skilled	661	642	97.1	19	2.9	82	551	1	0	0	4	4	19
Unskilled	319	317	99.4	2	0.6	62	255	0	0	0	0	0	2
<b>Total</b>	<b>1 689</b>	<b>1 530</b>	<b>90.6</b>	<b>159</b>	<b>9.4</b>	<b>250</b>	<b>1 192</b>	<b>3</b>	<b>5</b>	<b>7</b>	<b>37</b>	<b>36</b>	<b>159</b>

AF = African female AM = African male CF = Coloured female CM = Coloured male IF = Indian female IM = Indian male WF = White female WM = White male

Lots of emphasis is placed on the 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. The Board Human Capital and Nominations Committee is responsible for succession planning and the identification of potential successors for key positions.

## OUR PEOPLE (CONTINUED)

In order to address the shortage of skills, especially critical skills, we provide bursaries, learnerships, internships and other technical training opportunities. Across our two divisions we provided 97 learnerships during the year, few of them were recruited after successfully completing their learnerships. Nine apprentices were trained at the Phalaborwa-based technical training centre, of which two of them were absorbed.

Our bursary programme offers deserving candidates the opportunity to study engineering and geology at a university or a university of technology. Due to austerity measures, no new bursaries were awarded during 2016. However, we still continue funding the old bursars. We currently have 10 bursars at the Mining Division and four at the Acid Division. This brings the total number of bursars for both operations to 14. An amount of R1.2 million (2016: R2 million) was spent on bursaries.

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 14 graduates are currently participating in this programme, four at the Acid Division and ten at the Mining Division. Foskor also has an agreement with the MQA to assist with a development programme for MQA graduates. There are currently three engineers on this programme that was funded by the MQA.

The Adult Education Training programme presented at the Mining Division currently hosts 34 employees. Foskor invested R107 831.25 in the programme in 2016 which offers eligible employees free tuition and learning materials.

Forty nine learners were registered at the Mining Division in the Foundational Learning Competency (FLC) to assist them to meet MQA basic requirements needed enabling them to register for qualification in Mineral Processing (Metallurgy) and Mineral Excavation Skills Programmes.

An amount of R97 588.17 was invested in the programme.

In partnership with Mopani FET College and the LGSETA, the Mining Division is hosting 23 Learners in the fields of Management Assistant, Business Management and Finance Management. 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. Of the twenty three learners from Mopani, 14 of them are studying towards a Diploma and 9 of them are NCV's.

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.

### 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. In this way, all employees of Foskor are able to participate in any matter of mutual interest and other conditions of employment. There are presently six trade unions representing a total of 1 562 employees, which equates to approximately 92.5% of the total permanent staff complement as at 31 March 2017. The National Union of Mineworkers (NUM), which is based at the Mining Division, represents the majority (62.8%) of the total union membership in the Group. The Chemical Energy Paper Printing Wood and Allied Workers Union (CEPPWAWU), which is based at the Acid Division in Richards Bay is the second largest trade union with a share of 23.8% employees as its members. Solidarity at both divisions has a combined membership share of 10.3%. UASA and UCIMESHAWU have a support base of 2.9% and 0.2% respectively.

### Substantive conditions of employment

The previous wage agreements at both divisions were concluded in 2014 and remained operational until 31 March 2017, this gave rise to the need to start negotiations for new agreements. The wage negotiations only started in April due to the restructuring exercise which was finalized at the end of March 2017. However, the substantive conditions of employment agreement were concluded on 16 and 18 May 2017 at the Mining and Acid divisions respectively. These agreements will run for a period of three years starting on 1 April 2017 until March 2020.

### Pay progression criteria

The process of developing a pay progression criterion is at an advanced stage and it is expected that it will be finalised in the second quarter of the 2017/2018 financial year. The 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. The conception came about as a result of the 2012 strike at the Mining division, but its finalization and implementation has been hampered by the adverse financial situation of the Company during the last five years.

### Dispute resolution

During the year under review (2016/2017 financial year), 21 CCMA, NBCCI and labour court cases were reported of which 20 were finalised as reflected below. Altogether 17 of them related to individuals while four were collective in nature. The cases were concluded as follows:

- five favourable arbitration award;
- six favourable settlement agreements;
- nine withdrawal/dismissals; and
- one still outstanding

It is also worth mentioning that of these cases, six relate to allegations of unfair labour practice (ULP), two of alleged unfair discrimination, two mutual interests matters and ten dismissals for misconduct. Foskor's industrial relations section continues to arrange IR training to trade union representatives. Two sessions (one at the Acid division and one at the Mining division) were done by the CCMA during the financial year under review. The training programmes enable trade union representatives to engage effectively when dealing with management. It also has the effect of reducing the number of complaints which are often frivolously lodged with the CCMA.

### Restructuring exercise

The Company continued to experience adverse operational conditions during the foregoing financial year. The adverse environment rendered it inevitable for the company to embark on a restructuring exercise, which commenced in November 2016 and concluded at the end of March 2017. Despite the negativity that is usually associated with such an exercise, the process was relatively characterised by a positive spirit from the negotiating parties, thereby giving rise to a successful conclusion. Of the 100 employees who were eventually terminated, only two were through forced retrenchment. The two employees have subsequently referred disputes to the CCMA and both were still pending at the time of compiling this report.

### General industrial relations climate

A sound employment relations climate continued to prevail during the period under review at both divisions. Unlike in the previous financial year, there were no incidents of industrial actions at both operations. Management and trade union representatives continued to work together in a cordial and harmonious manner. The sound relations between management and trade unions was evident during the section 189 restructuring process, which was relatively successful, given that the unions did not lodge any collective disputes at the end of the process. The salary negotiations, which traditionally give rise to a tense environment, kicked off smoothly and both divisions signed three year wage agreements.

## SOCIAL

**The mining industry continues to make a valuable contribution to the South African economy, most notably in terms of foreign exchange earnings, employment and economic activity. Mining is a key driver of economic growth in South Africa and it has, historically, contributed directly to the establishment of the monumental institutions like the Johannesburg Stock Exchange. The development of infrastructure in most mining towns provides the catalyst for the development of other economic sectors and, in so doing, elevating the status of the South African local economy.**

**Mining further plays a significant role in socio-economic development which attempts to redress the inherent socio-economic imbalances in our communities.**

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 which is now being implemented has seen the procurement of the 30 MVA transformer at a cost of R7.3 million for the infrastructure development in the town of Phalaborwa. There is spending happening on the rehabilitation of streets and pothole repairs and a total of R2.5 million has already been spent to date.

Foskor believes that transformation is an important national imperative for ensuring the growth and sustainability of any business in South Africa. We believe that, by creating an enabling business environment with clear deliverables, historically disadvantaged South Africans (HDSAs) will be empowered to participate meaningfully as employees, shareholders, communities and suppliers. This approach resonates with Foskor's mission statement "We will create value and profit by converting opportunities with determination, responsibility and sustainability".

We aspire to fully comply with the relevant transformation legislations and guidelines to ensure that our stakeholders participate in the economic benefits generated at our

operations, and that our activities leave our host governments and communities with a firm foundation for a sustainable future.

We have different transformation initiatives in the divisions to assist in highlighting the management team about issues that affect our employees and the immediate communities. The consultative forums include Employment Equity forums, monthly organised labour meetings, scheduled community meetings, quarterly transformation sittings and others.

### CAREER DEVELOPMENT AND WOMEN IN MINING

As part of our initiatives to develop women, we have spent in excess of R0.5 million to train women in the current year. 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 12% of the 94 people identified for career progression are women. 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 2016, women occupied 14% of Mining and Acid-related hardcore positions, and made up 17% of our permanent staff. Our employment equity plan is geared to support the increasing of the total number of women we employ.

It was exciting to see 16 different women promoted into different positions with the majority in the core of the operations.

**BROAD-BASED BLACK ECONOMIC EMPOWERMENT**

The current B-BBEE certificate which expires in July 2017 can be accessed from our website [www.foskor.co.za](http://www.foskor.co.za). A summary of the account of our current B-BBEE Level 3 is presented below:

ELEMENT	Maximum score old scorecard	Foskor score	Maximum score new scorecard
Ownership	20	10.89	25
Management control	10	11.00	15
Employment equity	15	8.37	–
Skills development	15	9.65	20
Preferential procurement	20	10.28	–
Enterprise development	15	15.00	40
Socio-economic development	5	5.00	5
	100	78.19	105

**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.

We have completed our first five-year cycle of the Social and Labour Plan in 2014 and subsequently a new five-year plan has been submitted with new transformation targets. The proposed SLP has been approved by the DMR for implementation as supported by all critical stakeholders being the majority union NUM, Ba-Phalaborwa Municipality and the representatives from the communities.

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 will endeavour to be seen making all attempts to ensure that there is compliance under the current difficult and trying economic conditions. There are a number of opportunities for empowerment and a well-informed balanced strategy has to be developed to meet these revised non-negotiable targets.

**SOCIO-ECONOMIC 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 R35 million for the funding of the four Local Economic Development projects in the SLP in the Mining Division for the current five-year cycle and this cost excludes the cost of the 3 dedicated employees which includes a senior manager that are responsible for implementing these projects.

A further annual investment of R3.0 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, and put in place monitoring and control systems to safeguard the integrity of initiatives and ensure they continue to meet the needs of our local communities.

**COMMUNITIES**

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 our stakeholders in government, business and civil society to promote good governance and the responsible use of mineral wealth for the benefit of society in general.

We believe that establishing 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.

Our Company sustainability as a mining and acid manufacturer operation depends on our ability to positively contribute to the wellbeing and prosperity of our host communities. The recent challenging social context in South Africa on unemployment and prevalence of child-headed families due to the impact of HIV/AIDS highlights the need for sustainable community development as both a commercial and a social imperative around our operations in both Phalaborwa and Richards Bay.

Our established Community Trusts are geared to support 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 and are funded through the Foskor dividends when the Company is profitable.

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 but as the Group 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
- Utilize 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

**Priska Combined School Library and Computer Project**

Ba-Phalaborwa Municipality identified a need of resources in the community of Priska, which is situated in the deep rural area of Majeje under the leadership of Hosi Mulungisi Ntsanwisi. The municipality, on behalf of the community in Priska, approached Foskor to assist in converting one classroom into a library at Priska Combined School, which will not service the school only but the whole community. The idea with combined school is to have one school in the community that caters basically for age groups from crèche to grade 12, in principle we have all members of the community in one school and therefore the Priska school becomes a “community” on its own away from home.

The conversion of the classroom was completed and handed over to the municipality in July 2016. Due to serious lack in this community Foskor further committed to equip the library with six computers, LAN connection and one RISO duplicator whereas Ba-Phalaborwa municipality will provide the internet connection as well as a fulltime librarian to assist in this facility.

As part of our value system we believe in being responsible to the communities in our host communities. This project resonates very well with our pillars that drives our Corporate Social Investment which are to support Education, Health, Environment and Social Development



*Abram Ledwaba – Group Manager Corporate Affairs for Foskor with local councillors, School Governing Body and Teachers at Priska Project*



*Foskor CEO, Ufikile Khumalo at opening of Priska Combined School Library and Computer Project*



*Abram Ledwaba – Group Manager Corporate Affairs for Foskor with local Mayor Ba-Phalaborwa Municipality, Honourable Annah Sono, joined by councillors and teachers at Mabine Primary School on Mandela Day*

**Mandela Day – Mabine Primary School**

On the 18th of July 2016 Foskor celebrated Mandela Day with Mabine Primary School. Thirty learners from disadvantaged families received pairs of school shoes in an attempt for them to be at par with their fellow people and instil some confidence in these learners and subsequently inspire hope. The school principal Mr Victor Sehlwana appreciated the good work that is being done by Foskor in the communities. He further added that through this kind of initiatives, children are motivated and see the importance of being at school as they receive useful gifts from “good Samaritans” like Foskor.

We had an opportunity to do the walk about at the school and we have identified that their “long drop” ablution facilities are almost full and they pose a risk to the learners as the structure is very old, the walls are badly cracked and the structure is visually collapsing. We have then resolved to look at building four toilets for the school as a way to mitigate the risk that is faced by learners.

**BACK TO SCHOOL PROJECT**

We have learners that are coming from underprivileged and poverty stricken families that find it difficult to afford school uniforms, stationery and decent meals for learners and we have to meet these learners halfway with their basic needs. Ba-Phalaborwa Municipal Mayor, representing one of our critical stakeholder, realised the need of school uniforms during his visit to the local schools. We have, in conjunction with the schools and ward councillors, Orphan and Vulnerable Children learners were identified, mostly from the child headed families. The Mayor then approached various companies to assist and we deemed it fit to support this worthy cause.

Amongst the companies Foskor was not left out as it is known for its constructive continuous CSI contributions to the community. Foskor approached some of its suppliers and we joined hands with Re-eme Hydraulics and procure school uniform for the most vulnerable learners. Both Foskor and Re-eme have managed to collectively donate one hundred and fifty sets of school uniform.

**Mathaba ka go Ja Shoe Repairs (CSI/ED)**

Mr Ngoma who has been on wheelchair since his childhood did not see his disability as an excuse not to sustain his life like most people living with disability. He had an opportunity to acquire skill training in Shoe Making and Basketry. From the training that he attained he realised that he can make a difference in other people’s lives and ultimately his own life.

Mr Ngoma approached Foskor, requesting for assistance to expand his business. Foskor through the Socio Economic Development Program approved the request and they procured shoe making material as well as a gazebo. Mathaba ka go Ja Shoe Repairs has employed one helper who assists Mr Ngoma at the business who is also acquiring skill in shoe repairs.

It is always important for us to help disabled people to be independent and reduce their dependence on the state grant system and even handouts.

**HEALTH**

**Namakgale B Clinic**

Namakgale B Clinic is a 24hr primary health centre situated in the Namakgale location. Like most of the Health Centres, Namakgale B Clinic offers Primary Health Care Services which for a long time were not fully accomplished due to lack of baby scales which are critical for creating proper child care records. According to the Clinic Manager Mrs Maholobela, the Primary Health Care is very essential as it monitors the wellbeing as well as the baby growth. “It is very difficult to give full report on baby growth if we don’t have equipment” she added.

A letter of request was presented to Foskor and as Foskor’s culture to assist communities; two baby scales were donated to Namakgale B Clinic. Upon receipt of the donation the clinic staff members appreciated the assistance from Foskor.

This clinic serves the majority of our employees and their extended family members in the local community and what is important is that the service is provided to the bigger part of the community of Namakgale.

**Ngwelezane Hospital**

Foskor places a high priority on forming partnership with the department of health in the area of our operations, to assist and support the surrounding communities, in terms of better health facilities. Foskor recently handed over to Ngwelezane hospital the refurbished hospital waiting room. The waiting area consist of four ablution facilities, showers, as well as a renovated kitchen. This area will be mainly used by senior citizens awaiting their hospital medication. This waiting area also hosts senior citizens who are picked up from their homes as early as 4am in the morning to go to neighbouring hospital to consult with specialists. This project resonates well with the company’s strategic priorities. Ngwelezane Hospital is 46 years old and its staff compliment is 1200 which serves more than 7500 patients from King Cetshwayo, UMkhanyakude and Zululand districts each month. Foskor is assisting the very community from which it sources some of our employees, this project will be touching lives of extended families, friends and neighbours of our own employees. Foskor has committed to be a responsible corporate citizen of Umhlathuze District Municipality.

**SKILLS DEVELOPMENT**

**Nelisiwe Project**

Nelisiwe Project is a sewing initiative founded by seven ladies from Lulekani Township. This project started as a small exercise of hemming and patching garments for people around their community as a way of making a living. As time goes on the project gradually expanded to a level of making school uniforms, work suits as well as ladies overalls. As their business expanded, they realized that the project can grow even bigger if they could have their own embroidery machine to brand some of their products.

At one of Foskor’s project handover, members of Nelisiwe Project who were part of the event saw the good work that Foskor is doing for other projects and they also didn’t want to be left out. A request was submitted to Foskor and it was approved from the perspective that these hardworking women have decided to stand on their feet and avoid requesting for handouts and be dependent on the government’s poverty alleviation initiatives. Upon receiving the donation Mama Nelly, the project leader appreciated the contribution that is made by Foskor to the previously disadvantaged communities. She further said they are no longer disadvantaged because they are now empowered with machinery which will change their lives and those of their families.

We strongly believe that if we empower women, we would have empowered a greater part of the community and the benefits will also flow to other beneficiaries like children and extended family members.

“If you want something said, ask a man; if you want something done, ask a woman.” Margaret Thatcher

**SKILLS DEVELOPMENT FOR THE UNEMPLOYMENT IN UMHLATHUZE MUNICIPAL AREA**

Currently the youth in our local communities are economically marginalised due to level of skills and business management abilities. Foskor Corporate Social Investment identified a skills gaps in the rural communities within which it operates. Through this initiative of skills development and social upliftment, the disadvantaged youth, women and Disabled youth will benefit in terms of upgrading their skills which will ultimately contribute positively to the management of their businesses or improve their prospects of securing employment in the local business sector. The identified youth is from our local communities under Umhlathuze District Municipality. Foskor Corporate Social Investment have partnered with Umhlathuze District Municipality and Zululand Chamber of Business Foundation Techno Park, where the identified youth will be offered with opportunities to be trained and complete their portable skills such as bricklaying, plastering, plumbing, welding, computer literacy, cash register training and SMME Development Training.

**AGRICULTURE AND FOOD SECURITY**

Foskor has assisted with the supporting of small scale community farmers in the municipal jurisdiction of Umhlathuze. Foskor recently handed over some projects to each community under Traditional Authority that Foskor regard as the host communities. Each community received a tractor, packhouse, a borehole and sprinklers. These projects are aimed at ensuring that our rural communities can now fend for themselves against the impact of poverty because of unemployment and other social ills. If these projects and equipment are going to be optimally utilized, Foskor will likely to witness the need to assist in soil analysis and introduce the application of our Foskor fertilizer to enhance the farming productivity. Initiatives like these give Foskor an opportunity to live our values and contribute to the betterment of our society and looking forward to implementing more projects in our local communities.

**FOSKOR – MARKET DAYS**

Our local co-operative farmers are given the platform to market their fresh produce vegetables during the last Friday of each month. The market usually takes place at Foskor premises, which this is meant to create a platform or market for our agricultural cooperatives to sell their products. These co-operatives have been supported by Foskor employees in buying their fresh produce over the past year and are now able to sell their fresh produce directly to customers.

**CAREER GUIDANCE TO RURAL SCHOOLS**

Foskor is working together with five traditional Authorities from Kwa-Mkhwanazi, Kwa-Dube, Mambuka, Bhejane and Madlebe in terms of motivating all Maths & Science matric students under their communities. This is an initiative where CSI has partnered with Foskor Learning & Development Department. Foskor see the need to motivate these learners from rural areas as they always make wrong choices in terms of choosing their career paths which is not helpful in turning the situation around. This is an ongoing project as Foskor have already started with schools from Kwa Mkhwanazi Traditional Authority and it will be extended to other Traditional Authorities.

# GLOSSARY

ABBREVIATION	MEANING	ABBREVIATION	MEANING
<b>ABET</b>	Adult Basic Education Training	<b>FZE</b>	Free zone establishment. Refers to a limited liability entities owned by an individual or corporate entity, as in Sun International (FZE) Dubai
<b>AEL</b>	Atmospheric Emissions Licence	<b>GRI</b>	Global Reporting Initiative
<b>AHF</b>	Anhydrous fluoride acid	<b>HDSA</b>	Historically Disadvantaged South Africans
<b>AMS 16001</b>	Aids Management Systems 16001 standard	<b>HIV/AIDS</b>	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
<b>ARC</b>	Agricultural Research Council	<b>HL, CMW, HDPE, K4</b>	Various recyclable waste generated
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment	<b>IAS</b>	International Accounting Standards
<b>BARC</b>	Board Audit and Risk Committee	<b>ICT</b>	Information and Communications Technology
<b>BEE</b>	Black Economic Empowerment	<b>IDC</b>	Industrial Development Corporation of South Africa Ltd
<b>CaPex</b>	Capital expenditure	<b>IDP</b>	Integrated Development Plan
<b>CCMA</b>	Commission for Conciliation, Mediation and Arbitration	<b>IFRS</b>	International Financial Reporting Standard
<b>CEO</b>	Chief Executive Officer	<b>IIR Framework</b>	The IIRC's Integrated Reporting Framework
<b>CEPPWAWU</b>	Chemical, Energy, Paper, Printing, Wood and Allied Workers Union	<b>IIRC</b>	International Integrated Reporting Council
<b>CIL</b>	Coromandel International Ltd	<b>IR</b>	Industrial Relations
<b>CINPF</b>	Chemical Industries National Provident Fund	<b>IRMSA</b>	Institute of Risk Management of South Africa
<b>CO<sub>2</sub></b>	Carbon dioxide	<b>ISO 14001</b>	International Organisation of Standards – Environmental Management
<b>COID</b>	Compensation for occupational injuries and diseases	<b>ISO 16001</b>	International Organisation of Standards – Energy Management Systems
<b>COSO</b>	Committee of Sponsoring Organisations	<b>ISO 31000</b>	International Organisation of Standards – Risk Management
<b>CRF Institute</b>	A company offering independent HR assessment and acknowledgement, headquartered in The Netherlands	<b>ISO 9001</b>	International Organisation of Standards – Quality Management
<b>CSI</b>	Corporate Social Investment	<b>King III</b>	Corporate Governance Codes of the King 3 report
<b>DAEA</b>	Department of Agriculture and Environmental Affairs	<b>KPI</b>	Key Performance Indicator
<b>DAP</b>	Di-ammonium phosphate	<b>KZN</b>	KwaZulu-Natal
<b>DEA</b>	Department Environmental Affairs	<b>LA Crushers</b>	A load and haul materials handling service provider in Phalaborwa for both the PMC and Foskor
<b>DEKRA Certification</b>	A global provider of auditing and certification services, specialising in the fields of safety, environment and health, headquartered in Germany	<b>LED</b>	Local economic development
<b>DMR</b>	Department of Mineral Resources	<b>LTIFR</b>	Lost time injury frequency rate
<b>DTI</b>	Department of Trade and Industry	<b>MAP</b>	Mono-ammonium phosphates
<b>DWA</b>	Department Water Affairs	<b>MAPz</b>	MAP with zinc
<b>EBIT</b>	Earnings before interest and taxes	<b>MDP</b>	Management Development Programme
<b>EBITDA</b>	Earnings before interest, taxes, depreciation and amortisation	<b>MDW</b>	Mission-directed work teams
<b>ERM</b>	Enterprise-wide risk management	<b>MPRDA</b>	Mineral and Petroleum Resources Developments Act
<b>ESOP</b>	Employee share ownership plan	<b>MQA</b>	Mining Qualifications Authority
<b>EXCO</b>	Executive Committee	<b>MVA</b>	Megavolt Ampere
<b>FFP3</b>	Filtering Face Piece Level 3 respirator	<b>MW</b>	Mega Watt
<b>FGAS</b>	Foskor Group Audit Services		
<b>FOB</b>	Free on Board		
<b>FOR</b>	Free on Rail		



ABBREVIATION	MEANING
<b>NECSA</b>	Nuclear Energy Corporation Ltd of South Africa
<b>NEMA</b>	National Electrical Manufacturers Association
<b>NERA</b>	National Empowerment Rating Agency
<b>NGO</b>	Non-governmental organisation
<b>NPK</b>	Nitrogen-phosphate-kalium (complex fertilisers)
<b>NUM</b>	The National Union of Mineworkers
<b>OHS Act</b>	Operational Health and Safety Act of South Africa
<b>OHSAS</b>	Occupational Health and Safety Assessment Series
<b>P<sub>2</sub>O<sub>5</sub></b>	The term used in the phosphate industry to measure its phosphoric acid production volumes
<b>PAS 2050 standard</b>	Publicly Available Standards (PAS) 2050 is a method for the assessment of the life cycle GHG emissions associated with goods and services
<b>PHB</b>	Phalaborwa
<b>PMC</b>	Phalaborwa Mining Company
<b>PPE</b>	Personal Protective Equipment
<b>PROTEC</b>	Programme for Technological Careers
<b>RBV</b>	Richards Bay
<b>ROCE</b>	Return on capital employed
<b>ROM</b>	Run of mine
<b>SABS</b>	South African Board of Standards
<b>SAMREC</b>	South African Mineral Resource Committee
<b>SANS</b>	South African National Standards
<b>SANS 16001</b>	South African National Standards for HIV/AIDS
<b>SANS 451:2008</b>	South African National Standards for Spirometry
<b>SARS</b>	South African Revenue Service
<b>SASDC</b>	South African Supplier Development Council
<b>SEAON</b>	South African Environmental Observation Network
<b>SETA</b>	South Africa's Skills Education and Training Authority
<b>SGS</b>	is a leading inspection, verification, testing and certification company, headquartered in Switzerland
<b>SHREQ</b>	Safety, Health, Radiation, Environment and Quality
<b>SMME</b>	Small, Medium and Micro Enterprise
<b>SO<sub>2</sub></b>	Sulphur Dioxide
<b>SPV</b>	Special purpose vehicles
<b>SQM</b>	A producer of specialty fertilisers and inorganic industrial chemicals, headquartered in Chile
<b>SRK Consulting</b>	A water quality management consultancy
<b>TBC</b>	To be confirmed

ABBREVIATION	MEANING
<b>TFR</b>	Transnet Freight Rail
<b>TIFR</b>	Total injury frequency rate
<b>UASA</b>	United Association of South Africa
<b>UIF</b>	Unemployment Insurance Fund
<b>UCIMESHAWU</b>	United Chemical Industries, Mining, Electrical, State, Health, and Allied Workers Union
<b>US</b>	United States
<b>USD or US\$</b>	United States Dollar
<b>ZAR</b>	South African Rand

TERM	MEANING
<b>Black</b>	As defined in the dti Codes of Good Practice and amended in terms of the High Court ruling at June 2008
<b>Carry trade</b>	A trade where you borrow and pay interest in order to buy something else that has higher interest
<b>Current ratio</b>	Current assets to current liabilities ratio
<b>Debt to equity ratio</b>	Interest-bearing debt to equity ratio
<b>Free cash flows</b>	Net cash from operating activities less net cash in investing activities
<b>Governing Board</b>	The committee of directors that governs the affairs of Foskor
<b>Middle management</b>	Functional managers
<b>Operating income to revenue</b>	Operating income expressed as a percentage of revenue
<b>Pre-tax margin</b>	Profit before tax expressed as a percentage of revenue
<b>Professional</b>	Technical experts and specialists
<b>Return on net assets</b>	Profit after tax expressed as a percentage of net assets
<b>Return on equity</b>	Operating profit expressed as a percentage of shareholder equity and reserves
<b>Senior management</b>	Group and divisional managers
<b>Semi-skilled employees</b>	Technical and mechanical operators, drivers (heavy motor vehicles) and technical assistants
<b>Skilled employees</b>	Artisans, technicians and production supervisors
<b>Top management</b>	Executives and general managers
<b>Unskilled labour</b>	Elementary occupations

