FOSKOR

INTEGRATED REPORT 2020

FOR THE YEAR ENDED 31 MARCH

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The 8 streams of Foskor's Business Turnaround Plan.

ABOUT THIS REPORT

This is Foskor (Pty) Limited's integrated annual report for the year ended 31 March 2020. The purpose of the report is to provide feedback to our stakeholders. The report combines data related to Foskor's financial, social, environment and governance aspects while at the same time exploring the integrated effect of these aspects on the Company's performance.

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

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

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

Scope and boundary

This report covers the key events that took place from 1 April 2019 to 31 March 2020. The report covers all entities and divisions under Foskor's direct control and significant influence as reported in the annual financial statements. Where external entities are part of our value chain and have a significant effect on our ability to create value, their effect or potential impact are discussed.

All significant items disclosed are prepared on the same basis as the comparative periods, there have been no restatements.

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

Determining materiality

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

- quantitative calculations;
- review of strategic risk registers;
- reports submitted to the Board and matters that the Board is most concerned about;
- incorporated areas of concern highlighted in the strategic review process; and
- key performance objectives set for management for the following year.

Combined assurance

The annual financial statements have been jointly audited by SizweNtsalubaGobodo Grant Thornton Incorporated and Nexia SAB&T Chartered Accountants Incorporated. A combined assurance approach has been adopted by obtaining assurance for financial and non-financial information from management, internal audit and external independent third parties.

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

Approval by the Board

The Board is responsible for the integrity of this integrated report. The Board applied its collective mind to the preparation and presentation of the integrated report and is satisfied that the report is a fair and reasonable representation of Foskor's performance and prospects in accordance with the IR Framework. This integrated report was approved by the Board on 3 September 2020.

Feedback

For any questions or feedback regarding this integrated annual report or its contents, please contact Julian Palliam on +27 11 347 0612 or email julianp@foskor.co.za.

HOW WE PERFORMED

Challenges

Rock mining production
Rock mining production was 18% lower than the 2019 financial year mainly due to Loesche gearbox failure and lower offtake from Richards Bay Acid Division.

Phosphoric Acid and Granulation Production
Phosphoric acid and granular fertiliser lower by 25% and 11% respectively mainly due to strike, reactor failure, filter availability and seawater pump failure.

Richards Bay Industrial Action
The impact on strike from previous financial year was also felt in this year as the strike that commenced in 15 March 2019 only ended on 29 April 2019

Key achievements

Improved sulphuric acid contribution and lower Sulphur price
Sales volume increased by additional 4% while sulphur price reduced by 39%

Mining Recoveries
Production efficiencies improved from 73.84% to 75.97%

Lost Time Injury
well below the industry standard – less than 1

Acid at 0.51 and Mining at 0.20

HIGHLIGHTS

Key financial performance

For the year ended 31 March		2020	% change*	2019	2018
Financial	Revenue (Rm)	**3 997**	(26)	5 429	5 893
	EBIT (Rm)	**(2 078)**	(1 238)	(155)	(903)
	EBITDA (Rm)	**(1 115)**	(656)	200	(319)
	Cash (utilised by)/ generated from operations (Rm)	**(815)**	(558)	178	(344)
	Free cash flow (Rm)	**(1 241)**	(130)	(539)	(1 157)
Production	Phosphate rock (ktons)	**1 651**	(18)	2 004	2 141
	Phosphoric acid (ktons)	**287**	(25)	382	453
	Granulation (ktons)	**238**	(11)	266	357
People	Number of employees	**1 607**	(3)	1 656	1 677
	Employee turnover (%)	**5.5**	(4)	5.3	5.4
	Women representation in senior management (%)	**23**	35	17	17
Safety	Fatalities	**–**	–	1	–
	Loss time injury rate – mining	**0.20**	9	0.22	0.14
	Loss time injury rate – acid	**0.51**	19	0.63	0.44
Environment	Fresh water consumption ('000m^3)	**13 843**	11	15 510	12 570
Communities	CSI spend (Rm)	**8**	(38)	12	6

** Calculated on full values.*

WHO WE ARE

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

We are based in South Africa

and employ a total of 1 607 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 beneficiator 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

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

What we produce

We mine phosphate rock in Phalaborwa and transfer it by rail to our Richards Bay facility, where we use it to produce phosphoric acid and granular fertilisers – MAP (mono-ammonium phosphates).

We also produce sulphuric acid, which is used in the production of phosphoric acid, and we sell excess sulphuric acid that becomes available.

Foskor also has magnetite, a by-product of phosphate rock beneficiation which was mined in the past and stored in a stock pile. Currently, there is no magnetite mined in the process.

Our markets

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

HOW WE ARE STRUCTURED

Shareholders

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

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

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

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

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

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

Foskor Group

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

Subsidiaries and associates*
- 29.9% Foskor Zirconia Proprietary Limited
- 100% Phosfert Marine Proprietary Limited
- 100% Phosphate Shipping Proprietary Limited

Oversight

Board of directors

Board Audit and Risk Committee	Social and Ethics Committee	Board Turnaround Implementation Committee
Board Human Capital and Nominations Committee	Board SHE and Sustainability Committee	Company secretariat

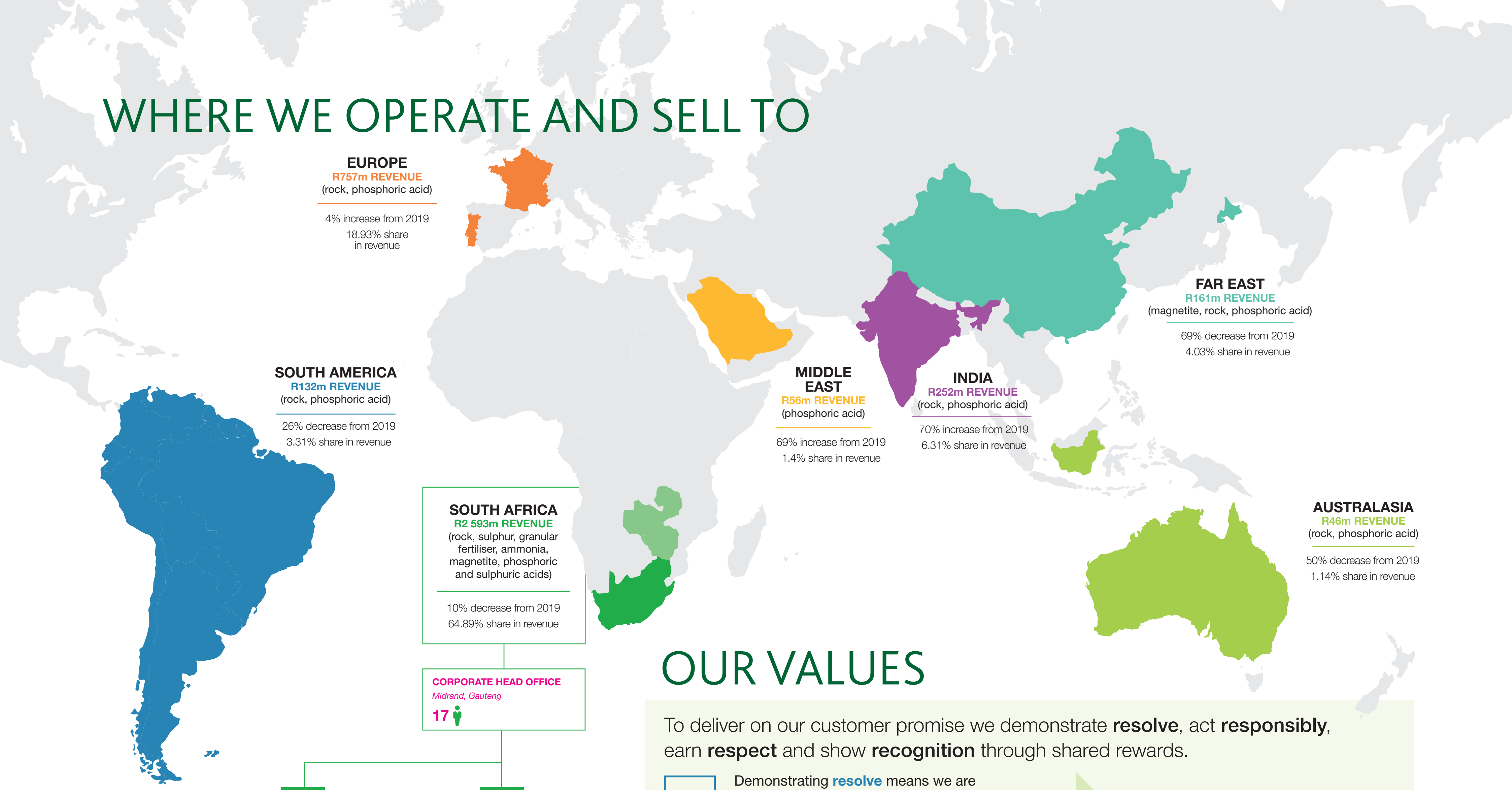
Management

Chief Executive Officer

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

* *Foskor also has interest in other entities which has no active operations.*

WHERE WE OPERATE AND SELL TO



EUROPE
R757m REVENUE
(rock, phosphoric acid)

4% increase from 2019
18.93% share in revenue

SOUTH AMERICA
R132m REVENUE
(rock, phosphoric acid)

26% decrease from 2019
3.31% share in revenue

MIDDLE EAST
R56m REVENUE
(phosphoric acid)

69% increase from 2019
1.4% share in revenue

INDIA
R252m REVENUE
(rock, phosphoric acid)

70% increase from 2019
6.31% share in revenue

FAR EAST
R161m REVENUE
(magnetite, rock, phosphoric acid)

69% decrease from 2019
4.03% share in revenue

AUSTRALASIA
R46m REVENUE
(rock, phosphoric acid)

50% decrease from 2019
1.14% share in revenue

SOUTH AFRICA
R2 593m REVENUE
(rock, sulphur, granular fertiliser, ammonia, magnetite, phosphoric and sulphuric acids)

10% decrease from 2019
64.89% share in revenue

CORPORATE HEAD OFFICE
Midrand, Gauteng
17

100%

MINING DIVISION
Phalaborwa, Limpopo
1 077

- **Phosphate rock**
  Sales volume: **634kt**
  Contribution of product to revenue: **26%**
- **Magnetite**
  Sales volume: **133kt**
  Contribution of product to revenue: **0.5%**

100%

ACID DIVISION
Richards Bay, KZN
513

- **Phosphoric acid**
  Sales volume: **137kt**
  Contribution of product to revenue: **33%**
- **Granulation**
  Sales volume: **258kt**
  Contribution of product to revenue: **33%**
- **Other products**
  Contribution of product to revenue: **7.5%**

= employees

OUR VALUES

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

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

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

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

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

HOW WE CREATE VALUE

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

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

The relationships with our stakeholders (internal and external) also have an impact 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.

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

Creating and sustaining value

To create value for our stakeholders, we focus on:

2020 results

Satisfying the demand for phosphate rock concentrate

- **Achieved 73%** of target production
- Improved rock processing efficiency to **75.97%**
- Sufficient phosphate supplied for **local demand**

Then beneficiating concentrate by: **Creating value added products** and

- **Produced 52% of P_2O_5 and 68% of granulation target** to meet local demand

Ensuring future business growth

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

Managing our value creating activities to deliver long-term value

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

Sulphuric pricing

Short-term margin gain for long term supply to customers

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

Capitals utilised:
- Enhanced margin

Capitals benefit:
- Increased volumes

Equity investment

Improve working capital funding

The share capital equity investment by the shareholders amounted to R150 million. The purpose was to fund working capital to focus on inventory management to ensure product availability to customers at the right time.

Capitals utilised:
- Additional shareholder investment

Capitals benefit:
- Advantage taken on imported raw material sourcing
- Long term financial return to shareholders

OUR CAPITALS

Manufactured Capital

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

Financial 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.

Natural Capital

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 is important in our ability to create value.

Human Capital

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

Social and relationship Capital

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

Intellectual Capital

The combination of the technical skills of our staff with our technology generates value.

Our strategy dictates the investment made in the search and development of new technology and products to sustain and grow value.


MAP


PHOSPHORIC
ROCK

OUR BUSINESS MODEL

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

Our markets

Transport

Rail transport

Rock and magnetite to Richards Bay and Maputo

Road transport

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

Shipping

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

INPUT AND RESOURCES

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

Financial capital
Investing of shareholder and debt capital.

Natural capital
We mined 23.13mt of phosphate ore and have 1.37bn tons of mineral reserves. Magnetite by-product, available in stockpile.

Human capital
1 307 of our permanent staff are qualified and appropriately skilled.

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

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

MINE AND BENEFICIATE

Mining

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

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

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

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

Conveyor belts transport the crushed ore to the mills.

Conveyor belt

Comminution and concentration

Rod milling
Flotation > Tailings
Thickener
Filtration
Phosphate stockpile
Drying
Dispatch

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

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

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

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

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

PHOSPHATE ROCK

REACT AND CONCENTRATE

Sulphuric acid production

Sulphur burning

Sulphur dioxide

Catalytic conversion

SULPHURIC ACID

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

PHOSPHATE ROCK

Slurry production

Reacted with sulphuric acid

Slurry Phosphoric acid

Filtration

Concentration

HIGH GRADE PHOSPHORIC ACID

Ammonia and phosphoric acid reactors

Granulation and rotary drying

Granular fertiliser

MAP

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

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

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

OUTPUT

PHOSPHATE ROCK

SULPHURIC ACID

PHOSPHORIC ACID

MAP

OUTCOMES

Manufactured capital

- **Rock production 1.651mt** (27% below target)
- **Acid production 287kt** (48% below target)
- **Granulation production 238kt** (32% below target)
- **Acid production efficiency 75.91%** (17% below target)

Financial capital

- **Cost of borrowings R250m** (90% lower than 2019)
- **Cash utilised by operations R815m** (558% lower than 2019)
- **Free cash flows R1.24bn negative** (130% worse than 2019)
- **R424m operating expense savings to budget**
- **EBIT loss R2.08bn** (1 238% higher than 2019)
- **Debt facilities increased from R3bn to R3.26bn**

Natural capital

- **Mined 23.13m tons of ore** (2019: 27.53m tons)
- **Fresh water consumption decreased by 11%**
- **Focus on CO_2 greenhouse gas emissions**

Human capital

- **Staff turnover increased from 5.3% to 5.5%**
- **LTIFR for Mining 0.20 and Acid 0.51**
- **Zero fatalities**

Social and relationship capital

- **Maintained our licence to operate**
- **Mining Charter and BEE compliance**

Intellectual capital

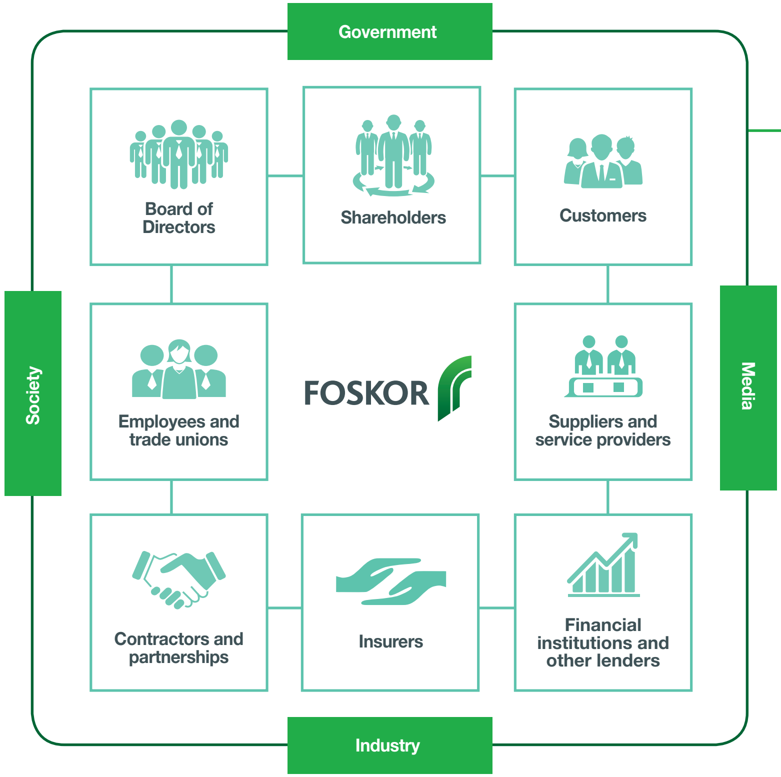
- **Continued focus on skills development and retention**

OUR KEY STAKEHOLDERS

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

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

Our key stakeholders are:



The stakeholders on the outer square 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	Material concerns in the reporting period	Strategic responses	Outcomes realised
Employees and trade unions **Foskor has a total headcount of 1 607 employees of which 1 473 are affiliated to one of seven trade unions, which equates to approximately 91.32 % of the total permanent staff complement as at 31 March 2020. These unions have been formed to protect their further rights of interest in the organisation.**	• 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 • Notice boards • Performance reviews • Internal communications campaigns and events • 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 • Communication strategy	• Transformation • Recruitment of scarce skills • Opportunities for advancement • Succession planning & training and development • Training and development • Job security, leadership messages • Leadership	• 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 • #My life saving rules campaign • Policies and procedures • Career pathing • Employee share ownership plan	• Pay progression for employees within levels 1 to 7 • Corruption allegations against certain management • ESOP which has not provided return expected by employees • Health and safety conditions • December 2019 provisional bonus that was not paid due to non-achievement of the 85% progressive production target • Substantive conditions of employment negotiations in progress	• A review was undertaken to set guidelines for pay progression • Independent audits were conducted to investigate the allegations • To engage the shareholders and employees to develop a new scheme with the assistance of relevant experts • Conduct an independent review of Health and Safety conditions. Appoint a General Manager for SHREQ	• Pay progression was partially implemented to enable employees to move to the median of the salary scale • Findings from the reports are being dealt with in terms of the company's policies and procedures • Options for the new scheme were developed and workshopped with relevant stakeholders. The new scheme will be proposed and taken through all the necessary approval processes within the next financial year • A tender has been issued to source a supplier with the skills required to perform the independent assessment. A new position was created, and the recruitment process has commenced

OUR KEY STAKEHOLDERS continued

Stakeholder	How we communicate with them	What matters to them	What concerns them	How we respond to their concerns	Material concerns in the reporting period	Strategic responses	Outcomes realised
Board of directors **We have nine Directors (Five independent, two non-executive and two executive Directors) whose aim is to lead and supervise the company throughout different business functions or goals**	• Board meetings • Board sub-committee meetings • Memos • Annual reports • Board strategy sessions	• Profit • Sustainable growth • Driving transformation • Job creation • Contribution to economic growth	• Cyclical nature of business • Escalating costs • Competition • Narrowing margins • Commodity prices • Employment • Financial stability and debt structure	• 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	• Achieving the objectives set • Turnaround the business so that it is sustainable in future	• Set objectives with quarterly audit of performance against set objectives • Review strategic direction of the company	• Approval of the business turnaround plan • Approval of the new structures aligned with the turnaround plan
Shareholders **The owners of the Group are IDC, BEE shareholders, two India-based shareholders**	• Shareholders' meetings • Letters • Annual reports	• Dividends • Sustainable profits • Capital growth	• Cyclical nature of business • Narrowing margins	• Making profits • Generating positive cash flow	• Achieving objectives to provide return on investment	• The group has started implementing various changes in the strategy in order to ensure that we meet the future objectives	• The Group EBIT loss for the year has increased as compared to the prior year • The Group has implemented a business turnaround strategy with the appointment of CEO who has performed a detailed business review of the business. This will ensure that the business would generate EBIT profit and positive cash generation in future years.

Stakeholder	How we communicate with them	What matters to them	What concerns them	How we respond to their concerns	Material concerns in the reporting period	Strategic responses	Outcomes realised
Customers **Our customers are the foundation of our business success and we currently earn sixty-five percent of revenue from local customers and thirty-five percent from foreign customers**	• Meetings • Site visits • Business associations • Conferences and seminars	• Reliability of product supply • Quality products • Competitive prices • Customer service • Timely deliveries • SHE compliance	• Availability of product • Product quality • Sustainability of customer relationships • Sales processes and procedures	• Optimise product stock-holding • Improve product quality • Improve operational efficiency and output • Improve customer relationships • Maintain competitive pricing • Improve sales processes and procedures	• Our customers are concerned about availability of our products when needed • Certain customers are concerned about consistent supply of quality, on-specification products • Some local customers have requested variations in pricing policy for some of our products	• We have reviewed our operations' maintenance and annual shutdown planning and execution, to ensure products are available in line with customer demand • Product pricing and competitiveness were reviewed and tested • Compliance to all laws and regulations is being maintained	• Execution of planned maintenance, shutdowns, production and materials handling has improved to ensure on-application products are available in line with customer demand • Pricing policies have been reviewed and implemented to ensure competitiveness of our products • Implemented new sales and customer interface ICT systems to improve sales processes • Alternate product specifications were successfully implemented for various geographical locations (Western Cape, SA and Japan)

OUR KEY STAKEHOLDERS continued

Stakeholder	How we communicate with them	What matters to them	What concerns them	How we respond to their concerns	Material concerns in the reporting period	Strategic responses	Outcomes realised
Suppliers and service providers **We have approximately 3 500 suppliers on our supplier database.** **30 percent of our procurement spend is with black-owned suppliers. Suppliers would like to ensure that services and goods supplied to Foskor are of acceptable standard to ensure continuous business.**	• Meetings and emails • Printed media • Site visits • Tenders and supply contracts • Company website • Business associations • Performance reviews and audits • Conferences and seminars	• Input costs • Payment terms • Duration of contracts • Vendor information and training • Global economy • Legislation	• Enterprise development • Preferential procurement • BEE ratings • Timely payment • Getting orders	• Foskor has more than 3 500 vendors in its supplier database. Services that are offered to them include: – Vendor training – Favourable supplier payment terms – R3.8 billion was spent on BEE suppliers during the 2020 financial year – Focus on providing opportunities for Local SMMEs – Performance Management System – Handling Supplier Complaints System – Focus on providing opportunities for black women owned businesses	• Delayed payments	• The Group has procurement committees to ensure that business is operating in accordance to quality, technical capability, B-BBEE and price	• We continuously focus on providing opportunities to local SMMEs • We continuously focus on providing opportunities to black-owned and black-women owned SMMEs • Vendor training is provided on a regular basis • We spent R1.2 billion on black-owned suppliers during the 2020 financial year • We spent R 500 million on black-women owned suppliers during the 2020 financial year

Stakeholder	How we communicate with them	What matters to them	What concerns them	How we respond to their concerns	Material concerns in the reporting period	Strategic responses	Outcomes realised
Communities and community leaders **The focus has been on our two labour sending communities, Richards Bay and Ba-Phalaborwa. The communities are regarded as an integral part of business sustainability and an extensive stakeholder analysis, mapping and issue ranking was developed. Our approach towards community engagement is through social and labour plan, local economic development programmes, enterprise and supplier development, sponsorships and community social investment initiatives which are all entwined with the communities aspirations.**	• Public and personal meetings • CSI initiatives through the operational budget and the community trust • Quarterly meetings with local authorities • Community focused events • Integrated development plan and economic development forums • Social and labour plans to direct the spending on local economic development • Grievance and conflict resolution processes Communication Strategy • Community trust meetings	• 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 business direction	• Land claims and cultural heritage • Inability to source scarce skills • EDSP through Foskor 51 information and development opportunities business direction	• Investment in communities through local economic development projects and CSI initiatives • Community trusts, LED feedback meetings, Foskor 51 programme. Completion of the remaining projects. • Regular reporting through the community structures • F21 marathon, Open Pit marathon, Career Days • Community upliftment initiatives • Makatikele Primary School construction, Landfill site establishment, pothole projects • Contractor engagement and obligation to enforce recruitment • Corporate Affairs Strategy and My life saving rules communication plan	• Creation of employment opportunities, SMME Development and local procurement • More investment in SLP/LED Projects and progressive SMME development • Addressing challenges on pollution, safety and health matters	• Company has initiated Foskor 51 for SMME development and make use of community liaison officers to disseminate information • The company has a Social Labour Plan as part of its Mining Licence that has commitments in terms of upliftment of the surrounding communities. • Holistic transformation strategy that addresses CSI, SMME Development and local-to-site procurement community based, on funds and resource availability • Safety standards are in place and we continuously strive to improve our standards practices for entry level position • Corporate Affairs Strategy and My life saving rules communication plan	• Company has employed community liaison officers who ensure that communities are aware of employment opportunities in the Company • We have invested R7.7 million on initiatives including social labour plans and local economic development • Foskor 51 developed for SMME development and set aside plan for host communities SMME's • The business always considers local procurement as well as ensuring employment of local labourers when need arises • Visual campaign implemented across the business

OUR KEY STAKEHOLDERS continued

Stakeholder	How we communicate with them	What matters to them	What concerns them	How we respond to their concerns	Material concerns in the reporting period	Strategic responses	Outcomes realised
Government and regulatory bodies **These bodies comprise Departments of Mineral Resources and Energy; Labour; Environment, Forestry and Fisheries; Water and Sanitation; the National Nuclear Regulator; the National Railway Safety Regulator; the South African Revenue Services; the Competition Commission; the Companies and Intellectual Property Commission and Local Authorities. As a business, these bodies would like to be satisfied that the Company is complying with all regulatory requirements**	• Meetings • Written communications • Presentations • Audits • Business associations • Attending workshops	• Statutory and legal compliance • Transparent and full disclosures of Group's structures and activities • Safety, health and environmental matters • Local economic development • Transformation • Competitive behaviour	• Safety, health and environmental matters • Legal compliance to all regulatory requirements	• Conducting assurance activities with the support of internal departments, including Internal Audit, Compliance and Risk • Regular meetings and presentations to departments and government bodies • Implementation of adequate policies and procedures to ensure compliance with regulatory requirements • Adequate financial provisioning for scheduled and unscheduled mine closure	• Safety and environmental matters	• Assurance activities conducted by internal departments • The company has an environmental rehabilitation plan to ensure that we have made adequate financial provision for rehabilitation costs • Adherence to internal governance processes	• No material environmental incidents and focus on maintaining and retaining our SHEQ integrated management system • At the end of financial year, environmental liabilities have been assessed and adequate financial provisions are in place • No penalties received from our Regulators

Stakeholder	How we communicate with them	What matters to them	What concerns them	How we respond to their concerns	Material concerns in the reporting period	Strategic responses	Outcomes realised
Media **Media engagement is a strategic way of providing information and managing Foskor reputation**	• Networking and briefing sessions • Press releases • Telephonic and other interviews • CSI/LED project handover invitations • Event invitations	• Company news • New developments • Safety incidents • Advertisement and press • Corporate announcements	• Work stoppages • Stability of operations • Environmental or any other impact due to accidents	• Regular face-to-face contact, briefings and networking • Continuous press statement regarding Foskor initiatives, business performance and other related matters • SMME development announcements and project site visits	• The media would like to have regular engagements with the business • Media would like to know the stability of the business and its operation • Transparency of the operation and performance	• We will develop a channel to ensure that we have a relationship build with media • Corporate Affairs Strategy with a clear media relations plan and guidelines • Corporate Affairs strategy	• We have regular face-to-face meetings, briefings and networking • Foskor is accurately reported across the media platforms as per our communication strategy • Positive media reports and social licence to operate due to alignment with communities
Financial institutions and other lenders **Transactional bankers and providers of debt capital and trade facilities concerned on the liquidity position of the business**	• Meetings • Letters • Emails	• Liquidity position • Risk management and exposure • Gearing ratio • Interest cover	• Negative cash flows • Other debt obligations • Ability to service debt • Profitability • Shareholder support • Financial risk management	• Prudent liquidity risk management, maintaining sufficient cash, managing cash flows and raising adequate borrowing facilities • Continuous business update meetings	• The institutions and lenders are concerned about the business not achieving objectives and what risk mitigating factors the business has in place to manage the liquidity position	• Provide regular updates to these institutions on financial and operational performance • Shareholder support that provides comfort to these institutions	• We have generated cash from operations in this financial year • Received R1.19 billion of funding from shareholders during the year

OUR KEY STAKEHOLDERS continued

Stakeholder	How we communicate with them	What matters to them	What concerns them	How we respond to their concerns	Material concerns in the reporting period	Strategic responses	Outcomes realised
Insurers **Our insurance providers provide cover for the Group on machinery breakdown and business interruption on catastrophic events** **Credit insurance providers ensure that we trade with reputable companies to minimise our risk to debt exposure**	• Meetings • Site visits • Reports	• Adequate risk management and insurance administration • Internal controls	• Ageing equipment and technology • Being informed timeously about risks and potential losses	• Rigorous maintenance and regular inspections limit insurance claims • Competent risk administration team and insurance committee in place	• Our insurers are concerned that we ensure all mitigating factors and additional controls are in place for high risk areas	• Ensure that risk recommendations from surveyors are addressed • Our credit committee pays close attention to all aspects of risk consideration including recommendation by credit insurers before approving any credit risk on our debtor's book	• We have continuously improved our risk rating and this has been achieved by our implementation of surveyor's recommendations as well as capital investment in business to address ageing equipment. Risk rating is in the top 20% of all companies rated by the internationally recognised surveyor • Our credit risk committee has ensured that exposure to debt risk is limited. Very low actual credit losses experienced

Stakeholder	How we communicate with them	What matters to them	What concerns them	How we respond to their concerns	Material concerns in the reporting period	Strategic responses	Outcomes realised
Special interest groups and peer groups **Industry associations, community action groups, environmental activists**	• Business association memberships • Meetings • Industry initiatives • Conferences and seminars	• Safety and health • Environmental matters • Regulatory changes • Economic drivers	• Environmental management • Safety • Nationalisation	Member of the following forums and associations: • International Fertiliser Association • Fertiliser Society of Southern Africa • KZN Growth Coalition • Zululand Chamber of Commerce and Industry • Richards Bay Clean Air Association • Umhlathuze Pipeline Forum • Umhlathuze Emergency Planning Forum • Olifants River Water Catchment Forum • Transnet's Environmental Forum Meeting in accordance with the Environmental Management Plan for Port Operations • Kruger National Park Environmental Management Forum • Ba-Phalaborwa Community Forum • North Coast Community Workers Forum • Leolo Community Trust • Phalaborwa Foundation	• Air emission levels • Environmental conservation issues	• Ongoing monitoring of air emission levels • Conduct study to determine capital investment required to lower the level of air emissions • Monitor tailings dams, storm water drainage, dust emissions, water usage, power usage, waste disposal and all other nature conservation matters to ensure acceptable outcomes in terms of applicable legislation • Continuous update on business activities, transformation initiatives such us SMME development and SLD/SLP initiatives. • SMME Development and recruitment opportunities • Environmental reports	• Achievement of emission targets set • Study completed. Implementation plan is in place • No negative outcomes • Stable community relations enabling the business to operate without interruptions

VALUE-ADDED STATEMENT

For the year ended 31 March 2020

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.

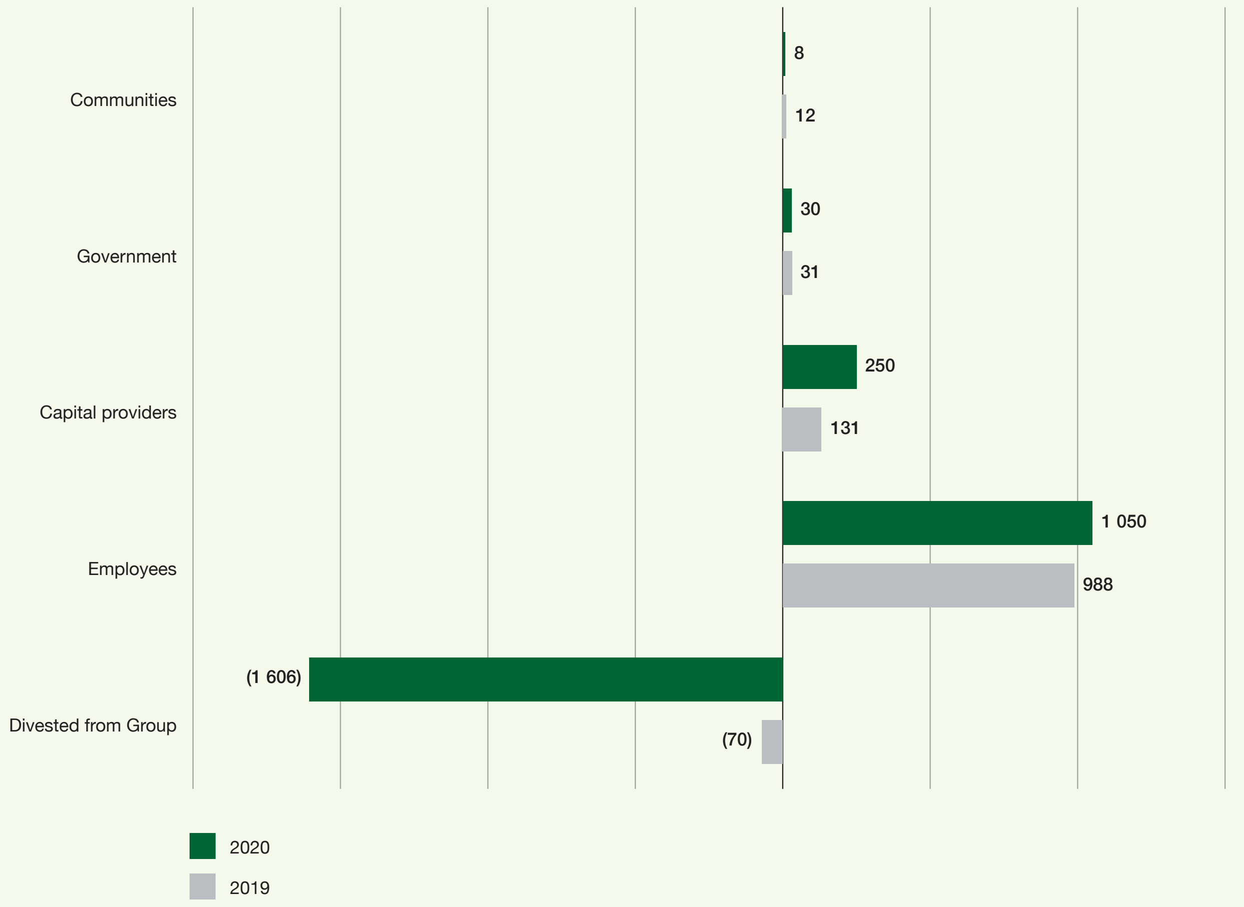
	Notes	2020 Rm	2020 %	2019 Rm	2019 %
Revenue		**3 997**		5 429	
Paid to suppliers for products, materials and services		**(4 419)**		(4 461)	
Value added from trading operations		**(422)**	**158**	968	89
Finance income		**40**	**(15)**	33	3
Other income		**114**	**(43)**	91	8
Total value created		**(268)**	**100**	1 092	100
Wealth distribution					
Employees	1	**1 050**	**(391)**	988	90
Capital providers		**250**	**(93)**	131	14
Government	2	**30**	**(11)**	31	3
Communities (corporate social investment)		**8**	**(3)**	12	1
Divested from Group to maintain and develop operations		**(1 606)**	**598**	(70)	(8)
Depreciation and amortisation		**364**		356	
Retained profit		**(1 334)**		(234)	
Deferred taxation		**(636)**		(192)	
		(268)	**100**	1 092	100
VALUE ADDED RATIOS					
Number of employees[a]		**1 607**		1 656	
Revenue created per employee (R'000)[b]		**2 487**		3 279	
Value created per employee (R'000)[b]		**(167)**		659	
NOTES					
1. Employees					
Salaries, wages, overtime payments, commissions, bonuses and allowances, employer contributions		**1 050**		988	
		1 050		988	
2. Government					
Tax – normal, royalties, dividend withholding		**12**		12	
Rates and taxes paid to local authorities		**8**		9	
Skills development levy		**10**		10	
		30		31	

a Number of employees at end of year
b Based on the number of employees at end of year

Wealth distribution

FY 2020 EVA DISTRIBUTION: (R268 MILLION)

FY 2019 EVA DISTRIBUTION: R1 092 MILLION



OUR STRATEGIC APPROACH

The main objective for the financial year 2019/20 was to perform a detailed review and analysis of the business and to develop a long-term strategy for the business.

A new Board with a new Chairman was appointed at the start of the financial year. Subsequently, a new President and CEO was appointed in July 2019. The main objective of the new Board and CEO was to perform a detailed review and analysis of the business (to gain in-depth understanding of the business and identify root causes of poor performance of the business) and to develop a long-term strategy for the business.

The exercise commenced immediately after the appointment of the CEO. The first six month of the exercise up to December 2019 was allocated to detailed review and analysis of the business and the last three months up to March 2020 were allocated to development of long-term strategy and approval of the strategy.

The initial business review and analysis were done internally. Later, external help was sought from various consultants to bring objectivity, independence, specialist views and unbiasedness into the process.

In addition, an assistance was received from Coromandel, a shareholder of Foskor from India in the review of the Acid Division due to their knowledge, skill, expertise and experience in similar plants.

The review and analysis process was conducted in a timely manner. Based on the outcome of the process, a long-term strategy, a "Business Turnaround Plan" was developed by Foskor under leadership of the CEO. The plan was presented to the Board and approved by the Board.

The implementation of plan requires significant funding, mainly to cater for the negative cash flow in the cyclical nature of the business. The process of obtaining the required funding achieved substantial progress so far was in the final stage of approval at the end of the financial year.

The commencement date of "Business Turnaround Plan" was 1 April 2020.

The financial year 2019/20 started in the midst of labour unrest at the Acid Division in Richards bay which had a severe negative impact on the performance of the Acid Division.

The labour unrest, which started in March 2019 the Acid Division, continued in April 2019 for the entire month. It has had a severe negative impact on the performance of the Acid Division. The production volumes reduced dramatically during the unrest period and post unrest period and efficiencies dropped radically during the same period. The preventative maintenance shutdown negatively affected in terms of cost, time and quality. The division struggle throughout the year to recover from the negative impact.

Frequent power fluctuations and interruptions in the water supply affected the Acid Division's performance negatively

Furthermore, the production performance of the Acid Division was impacted by frequent power fluctuations and interruptions in the water supply.

Phosphoric acid and phosphate fertilisers prices remained under pressure throughout the year and remained largely below forecasted prices during the year

The labour unrest and external utility supply issues, coupled with internal performance challenges mainly related to the COMPETENCY OF THE WORK FORCE and INADEQUATELY MAINTAINED OLD INFRASTRUCTURE, resulted in a very poor performance of the Acid Division such as low production, poor efficiency and high cost.

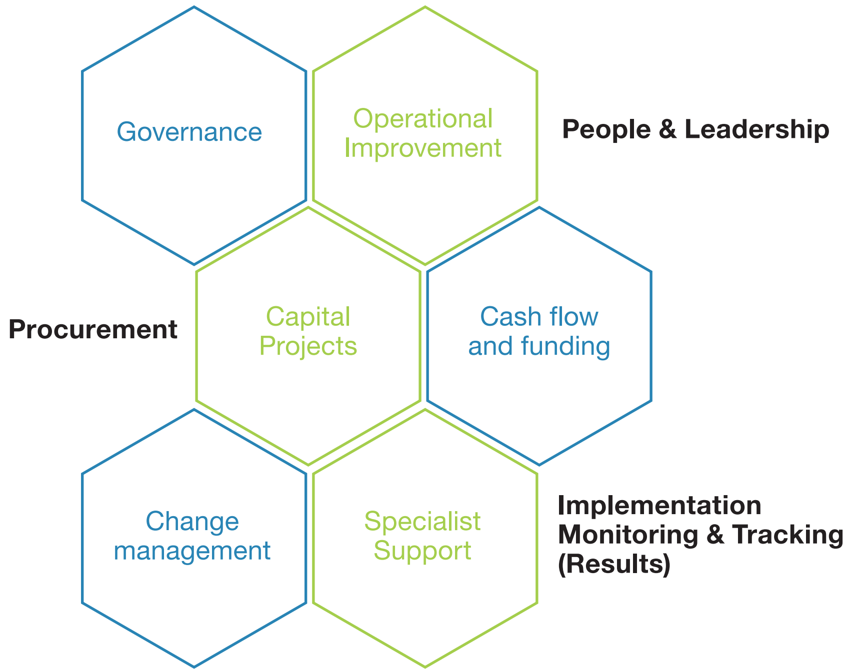
The external markets made the situation worst as the phosphoric acid and phosphate fertiliser prices remain depressed during the year. With all the negative factors, Foskor ended the financial year with financial losses.

"Business turnaround plan" key features:

Sales (Revenue) › Quality › Costs › Delivery › Safety › Morale

To make the business profitable at the current P_2O_5 CFR India price at current exchange rate	To supply phosphate rock to the Acid Division at a competitive cost compared to International suppliers

- Commencement date of implementation was **1 April 2020**
- **Three-year** implementation programme
- Improvement – Gradual – Practically achievable – Sustainable
- **Eight streams**



"Business turnaround plan" focus areas:

1 Acid Division
enhance production, efficiency & power generation and reduce raw material & water consumption

2 Mining Division
optimise production and reduce input cost

3 Procurement
re-design procurement processes, systems & structures, improve contract & category management and cost savings

4 Logistics
improve rock volumes supply to plant & port, achievement of targeted KPIs and reduce demurrage cost

5 Sales and Marketing
direct engagement with customers, market diversification & development and supply of local consignment stock

6 Project Management
centralised project management structure, processes & system and augmentation of project implementation

7 Human Capital
restructuring of management, enhance workforce competence through recruitment campaign & training, change management

8 Finance
support business decision-making, quality of information, business integration and monitoring performance

Implementation is the key…

Over the next three years, the major focus will be on the implementation of the "Business Turnaround Plan". The plan has been divided into eight streams. Each stream has an implementation plan which includes initiatives, key performance indicators (KPIs), milestones and benefits. Implementation of the plan will be stringently monitored, and the benefits of the implementation will be closely tracked.

A "Result Driven Office (RDO)", led by Head of Strategy and sponsored by CEO, has been established to manage implementation of the plan. Stream leaders for the eight streams have been appointed to manage implementation for each stream. A special "Board Turnaround Implementation Committee (BTIC)" has been established to monitor the implementation, to provide necessary guidance during the process, to facilitate decision-making, to expedite required approvals, to track the benefits and to oversee governance.

People will be cornerstone of success

The competency gaps were identified during the business review and analysis process which can have negative impact on the implementation of plan, therefore, assistance from various specialists will be taken in the implementation process for the initial period to ensure the required success. In the long-term, workforce competence will be enhanced through new structures, focused recruitment drives, training and development programme, succession planning and skill transfer programme.

Performance driven culture will be instilled through revised processes, change management and regular effective communication.

Overall wellbeing and safety of people will be paramount in the implementation process. Special attention will be given to stakeholder's management which includes unions, local communities, statutory authorities, local municipalities and government bodies amongst others.

Back to Basics – Standard engineering practices in operations and maintenance

The operational turnaround plan is based on the basic principles of engineering. Standard operational and maintenance practices will be developed and diligently implemented at both the Divisions. It will ensure that the plant and equipment will be maintained in a good condition through preventative maintenance programme and proper operational processes and control. Thus, reliability and availability of plant and equipment will be improved, and breakdowns will be minimised. It will help in running the plants consistently at a design throughput which will result in higher efficiencies.

Effective capital projects execution is an integral part

The targets set in the plan cannot be achieved without effective execution of the identified capital projects. There are certain sections of plants and equipment that are old and in poor condition and need to be replaced or refurbished to achieve the operation targets. These capital projects have been identified in the plan. Along with these projects, additional projects related to safety and compliance have been included in the plan.

A new centralised project structure has been established to manage these projects diligently. To develop and implement standard key processes and systems for the project management will be a key function of the centralised project management office. The project management office will be strengthened through competent staff and external consultants.

Procurement support is essential

To implement the plan successfully, it is necessary to have high standard of procurement support. Re-designing of the procurement structure is a part of the plan. Development and implementation of new systems and processes will enhance the procurement function so that it can support operation, maintenance and projects functions through delivery of services and products on time, conformance to quality and specifications, adherence to the budgeted cost and high quality of post-delivery or post-implementation support.

Cost saving, improved contract and supplier management, implementation of category management and overall reduction in procurement cycle time are the major deliverables for the procurement function.

An external specialist support will be taken in the procurement function augmentation process.

New ways of sales and marketing

A few crucial initiatives identified in the sales and marketing function which will help business to improve margins, establish good customer relationships, increasing revenue and support logistics and cash flow requirements. Implementation of some of the initiatives will require new ways of sales and marketing.

Finance will be central to the implementation

Finance will be central to the implementation plan. It will integrate all the other streams, assist in benefits monitoring, facilitate decision making, generate regular reports and play a vital role in performance management.

Cash flow management will be a crucial function that finance will focus on.

Our key performance indicators (KPIs)

INDICATOR	Actual 3 Year Average 2015 – 2017	Actual 3 Year Average 2018 – 2020	Targeted 3 Year Average 2021 – 2023
Phosphoric Acid Production Volume ('000 tons)	383	374	553
Granular Fertiliser Production ('000 tons)	273	287	400
Mining Concentrate Production (m tons)	1.85	1.93	2.27
Mining Recoveries (%)	70%	74%	76%
Production Efficiencies (%)	80%	84%	89%

CHAIRMAN'S STATEMENT

ROBERT MICHAEL GODSELL
Chairman

Just days before the start of the financial year under review a substantially new Board was appointed for the Company. Nkosemntu Nika continued to serve on this Board, and Sibusiso Peter Paul Ngwenya returned to the Board. Vinogaren Pillay, David Martin, Thero Setiloane and I joined the Board.

Year under review

The year under review has been one of the toughest in Foskor's history, and sees the Company reporting a record loss. The year commenced with a 45-day long strike at the Richards Bay facility which was also then impacted by a number of plant failures, periods of weakness in the Company's product prices and ended with the start of the COVID-19 pandemic. The major cause of the poor financial performance was the consistent failure of the Company to meet its budgeted production and cost targets. This consistent failure has been the central focus of the Board. The Board hired a new CEO, Christiaan Francois Rademan, who took up this role on 1 July 2019.

Business turnaround plan

Mr Rademan was charged with the task of developing a detailed understanding for the Company's poor performance over the last half decade and putting in place a plan to return the Company to profitability on a sustainable basis in the long-term. This turnaround plan was adopted at a day-long meeting of the Board on 17 February 2020. The plan calls for a 50% increase in the Company's production of its key products, coupled with a significant decrease in the critical input costs in particular the rock mined by the Company at its Phalaborwa mining operations. The plan contains a detailed set of actions with timelines and accountable parties. The plan promises a return to significant profitability for the Company.

The plan is in the process of being implemented. Though it remains early days the Company has achieved positive EBITDA for the calendar months of April, May and June aided in part by the tail wind of the weaker exchange rate, higher product prices and achievement by enlarge of production budgets.

COVID-19

FOSKOR together with all South Africa is battling with impact of the COVID-19 pandemic. The Company has fully implemented the Department of Health and the Department of Mineral Resources guidelines. All employees are screened at the start of every shift. Where concerns are identified they are referred to a testing facility provided by the Company. Such employees are asked to self-isolate, either at home or in a facility created by the Company, until their test results are available. The small number of employees who have tested positive are then asked to quarantine for the required period. We are deeply grateful that so far those who have tested positive have recovered.

Effort and support

Critical to responding constructively both to the business challenges Foskor is facing as well as the pandemic that is now so evident in our country, is the efforts of every member of the Foskor family. Both the profitable and safe operation of this Company require all employees, the unions which represent them, every supervisor and manager to work together.

I take this opportunity to salute our CEO, Mr Rademan, our newly appointed CFO Mr Julian Palliam and each and every member of team Foskor for their commitment. I am confident that a return of Foskor to solid and sustained profitability will be the result.

ROBERT MICHAEL GODSELL
Chairman

3 September 2020

CEO'S REVIEW

CHRISTIAAN FRANCOIS RADEMAN
Chief executive Officer

The 2020 financial year was an unprecedent year both at Foskor and globally. Foskor started the financial year with a prolonged industrial action and ended the year with the cloud of COVID-19 over our heads. The business further saw a write down in assets of R599 million resulting from higher weighted average cost of capital. This prompted a swift realignment in our priorities to stabilise our business in the short term, while charting a course forward to long-term sustainability under a revised strategy which we drove through a comprehensive response plan ultimately aimed at resetting the trajectory of Foskor and driving a one Foskor one bottom line mentality. We are seeing the green shoots of this realignment in 2021 financial year.

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

- Industrial action in the Acid Division which lasted for 47 days (32 days in the year under review);
- A boiler failure in September, reducing the production capacity of Phosphoric Acid;
- Drilling capacity in the mining division resulting in load and haul constraints in both pits;
- Uncertainty around the global pandemic

As a result of the decrease in phosphate rock, granular and phosphoric acid sales volumes, the overall revenue decreased by 26% to R4.0 billion (2019: R5.4 billion). This was notwithstanding the Rand/US Dollar average exchange rate weakening from R13.61 in 2019 to R14.58 for the 2020 financial year.

The EBIT loss increased to R2.08 billion compared to a loss of R155 million mainly due to lower production and sales as well as a decrease in commodity prices.

With regards to operational performance in the mine, the Mining Division produced 1.651 million tons (2019: 2.004 million tons) of phosphate rock which is 353 516 tons lower than the previous year. Lower production was due drilling performance issues, forty-two day stoppage at plant in Richards Bay as well Extension 8 mill gearbox failure in December 2018 that was successfully repaired and commissioned in October 2019. The overall processing efficiency of 75.97% was an improvement compared to the 2019 achievement of 73.84%.

At the Acid Division, the phosphoric acid plant produced 287 238 tons (2019: 382 035 tons) and the granulation plant produced 237 718 tons (2019: 266 345 tons). The reduction was due to many challenges faced in the plant during the financial year which included the reactor failure and failure of C-plant waste heat boiler tubes. The division production had a negative to the start of the year with the Industrial Action that commenced on 15 March 2019 and ended on 29 April 2019. The lower productions and plant issues impacted the plant efficiency which reduced from 85.22% in 2019 to 75.91% in 2020.

Strategic initiatives

Our main objective in this financial year was to perform a detailed review and analysis of the business and to develop a long-term strategy for the business. A new board was appointed at the start of the financial year and the main objective was to develop a long -term strategy for the business after understanding business and identifying root causes of poor performance.

The review and analysis process were conducted in timely manner. Based on the outcome of the process, a long-term strategy, a "Business Turnaround Plan" developed by Foskor under my leadership. The plan was presented and approved by the Board for implementation as from the 1st April 2020.

The implementation of plan requires significant funding mainly to cater for the negative cash flow in the cyclic nature of the business. The process of obtaining the required funding achieved substantial progress so far and it is at the final stage of approval at the end of the financial year.

Focus over the next three years

Over the next three years, the major focus will be on the implementation of the "Business Turnaround Plan". The plan has been divided into eight streams. Each stream has an implementation plan which includes initiatives, key performance indicators (KPIs), milestones and benefits. Implementation of the plan will be stringently monitored, and the benefits of the implementation will be closely tracked.

Procurement and logistics

There was an improvement in commodity prices of Sulphur and Ammonia that we secure through strategic procurement arrangements. The average delivered sulphur purchase price reduced from US$162 per ton in 2019 to US$99 in the year under review and the average ammonia prices reduced from US$380 per ton to US$311 per ton.

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 2020, the Richards Bay Division achieved an average of 47.50% (2019: 49.58%) while Phalaborwa Division achieved an average of 27.22% (2019: 44.34%) spend on black owned business. Foskor Group has achieved an average of 30.60% (2019: 24.82%) spend on these businesses. The special nature of Foskor's operation, which is a hazardous manufacturing operation, and remote mining operations, results in certain services only being sourced from certain suppliers such as OEM's and these are mainly not B-BBEE certificated. In particular, raw material products not available in South Africa, have to be imported, thereby negatively affecting the total B-BBEE spend.

The Richards Bay Division spend on black woman-owned suppliers totalled an average of 20.40% (2019: 17.23%) and the Phalaborwa Division has achieved an average of 11.53% (2019: 11.07%). The overall Foskor Group achievement on this key indicator averaged 12.81% (2019: 12.27%).

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

In Phalaborwa, Foskor has spent at least 70.55% (2019: 61.59%) on suppliers in the province where the Company operates, and in Richards Bay, Foskor has spent at least 44.70% (2019: 31.71%) on suppliers in the province where the Company operates which is a good reflection on the efforts on preferential procurement.

The financial report indicates that Foskor has achieved an average of 27.32% (2019: 24.82%) on SMMEs spend for the total Group. Supplier/ Enterprise development programmes are in place to assist SMMEs with capacity building.

Beneficiation

The magnetite beneficiation plant construction has been halted as the project seeks funding to have it completed. We believe the required funding will be achieved in the coming months. This project will become a new revenue generation stream with positive margins and will also provide the opportunity for diversification outside of the phosphates business.

Prudent management of finances

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

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

Environment, health and safety

Mining Division

The Mining Division remains committed to a ZERO harm safety approach. Consultation with regards to safety and health with organized labour is an ongoing process through the agreed Safety Committee structures as required by the Mine Health and Safety Act. The DMR conducted fifteen safety audits of which twelve resulted in localised Section 54 instructions. Only two of these stoppages affected production. Foskor continues to foster a positive relationship with DMR and supports the drive to reduce fatalities and injuries and regular inspections and recommendations has supported safety improvement initiatives. Five lost-time injuries were recorded during the year compared to six in 2019. Other minor injuries reduced from twenty-seven in 2019 to sixteen in 2020. The division retained the SANS16001 AIDS management certification and successfully converted the OHSAS 18001 to 1SO 45001 safety management during the annual Management Systems audit. The division safety goals remains zero harm to all stakeholders.

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

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

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

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

Acid Division

The lost-time injury frequency rate (LTIFR) for the year was 0.51 as compared to 0.63 last year as a result of a decrease in injuries which indicates a positive trend.

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

The annual DEKRA audit was performed at the Acid Division and we retained our ISO 9001 and 14001. We also retained our OSHAS 18001 with the transition to ISO 45001 under way.

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

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

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 readings have been obtained.

South Africa experiences increase in energy demand year after year. Hence there is an increased need for business and individuals to decrease their energy intensity potential by development of energy efficient programs which would ultimately decrease per capita carbon footprint and the carbon footprint of each organization. Foskor carbon reduction is largely dependent on the effective use of the turbine generator and heat energy efficiency.

The Acid Division endeavours to reuse and recycle water from within the site and from other industries wherever practically possible and we are working with the authorities to monitor and reduce water usage as part of the water allocation reduction plan instituted as per the drought plan by the Department of Water and Sanitation (DWS).

There has been a significant decrease in the amount of water used between 2019 and 2020 attributable to mainly internal quality use efficiency programs and the Phosphoric Acid Plant shut experienced in the financial year.

Human capital

While the Group still faces the challenge with the employment of physically challenged individuals, we have managed to achieve an employment equity target of 92% against a target of 90%. Significant strides have been made in the appointment of people living with disabilities. Currently, the Company has twenty seven employees in the Group against the target of 2% of the total workforce which should be thirty eight. Foskor has managed to progressively achieve appointments of women to account for 23.7% of the total workforce in the group. Our labour turnover reduced from 5.3% in 2019 to 5.5% in 2020. This is still slightly above our target of 5%.

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

The IR climate was a bit tense, as employees were expecting to be paid progressive production bonus in December 2019. However, resulting from the settlement agreement reached regarding the bonus scheme with NUMSA and the pending arbitration in Mining Division made the IR climate to be a bit stable.

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

Corporate social investment

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

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

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

Transformation

Our current B-BBEE status is at Level 6 based on the new codes and we have plans in place to improve it to at least Level 5 as part of our long-term key performance initiatives.

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

The career progression plan for women at Foskor is given priority and the management team supports initiatives to develop women.

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

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

Outlook

The 2021 financial year started with the dark cloud of COVID 19 hovering over all our heads. We continue to fight this global pandemic on a daily basis with employee safety and wellbeing at the top of our mind. It remains a daily struggle to achieve production in a safe manner.

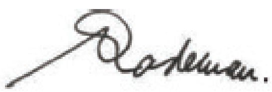
On the commodity side, we have seen a reduction in sulphur and ammonia prices but expect prices to increase gradually in the short term. Globally demand for our products has increased significantly in the short term and has resulted in an increase in Phosphoric Acid and Granular prices and it is expected to continue throughout the financial year. The current weakening of the rand will also aid the business on the sales side.

These positive market fundamentals are expected to contribute positively to the business.

The turnaround strategy is well under way and the business has seen a positive EBITDA in the first quarter of the 2021 financial year. The board and management are monitoring the progress on a continuous basis and remain agile to course correct if required.

The focus in the current year will be on breathing new life into our aging acid division with proper maintenance and capital expenditure in key areas of the plant to ensure long term sustainable production which will bode well for Foskor in the long term .

I pray for the safety and well being off all Foskor employees, families and the world at large during this unprecedented time. This pandemic will past and like the numerous challenges and obstacles we will overcome it together.



CHRISTIAAN FRANCOIS RADEMAN
Chief Executive Officer

3 September 2020

DETERMINING OUR MATERIAL ITEMS

Content and boundary

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

An overview of our operations can be found in the "where we operate and sell" section on page 8, and a review of our operational performance from pages 86 to 115.

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

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 48 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 48 to 51 and monitoring of previously determined outcomes and key performance indicators. Not all the risks in the strategic risk register are reported as material items, only the risks in the top 10 as they represent the material issues.

We continuously manage these material issues to ensure we achieve our strategic objectives. The results of how we have managed the material issues are included in the Material Issues Scorecards on pages 48 to 51.

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

Group's operating environment

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

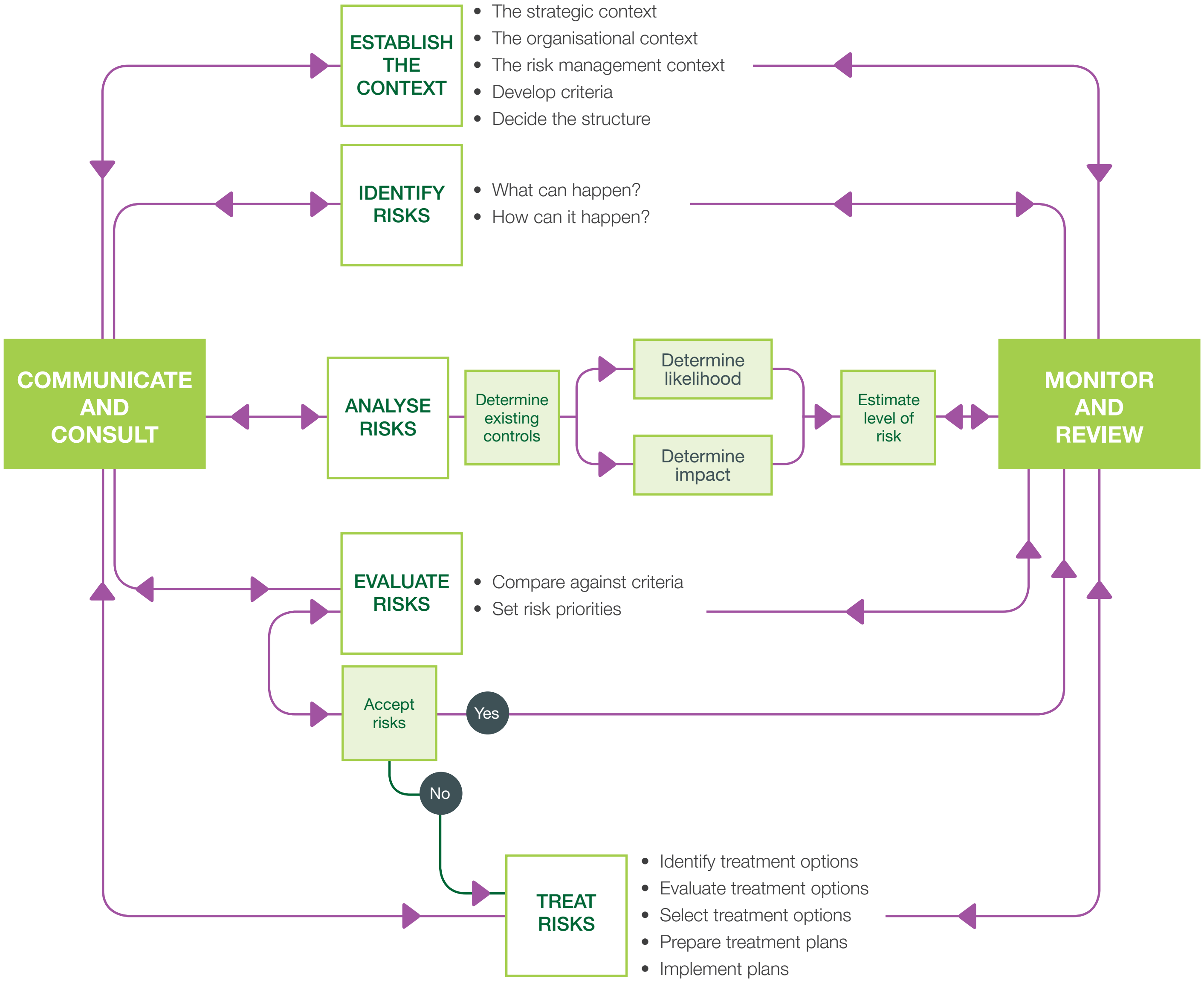
External Operating Condition	Explanation
1 **COVID-19**	COVID-19 has since been declared a pandemic. The duration and extent of the impact it will have on all of the Group's stakeholders including its own businesses and those of its customers, remained uncertain at the time of preparing this report. However, the global effects are likely to be felt across all aspects of life for the foreseeable future.
2 **Exchange Rate**	Exchange rate fluctuations, particularly between the US dollar and the South African rand, have a significant impact on Foskor. On the input side, raw materials are sourced both locally and internationally, with the latter purchased at import parity prices. On the output side, the business has to also compete locally with import parity selling prices of competitors. A large portion of this risk originates from the time lag between buying sulphur, ammonia and other raw material inputs and selling products during the planting season, or during periods of extreme currency volatility where hedging strategies may only be partially effective. A weaker exchange rate benefits Foskor.
3 **Selling prices of commodities**	Foskor is regarded as a price-taker as prices are determined internationally. The reference price for phosphoric acid and granular fertiliser decreased during the year and had a negative impact on the financial performance.
4 **Electricity and water supply**	Foskor uses large quantities of water and electricity. The ageing infrastructure, together with load shedding, power trips, water cuts and cable theft, amongst others resulted in a significant negative impact on performance. The cost of both electricity and water were above inflation compounding the impact on the group's financial statements
5 **Labour**	Above inflationary increase in labour costs negatively affect the business. This was compounded by a 45-day labour stoppage in the acid division .
6 **Interest rate**	Foskor raises debt funding to support its operations. During the year interest rates decreased having a positive impact on costs for the year.

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 simultaneously identifying opportunities to enhance our objectives.

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

Our risk management process



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

Our ER & OM framework is aligned with ISO 31000 (2009), Committee of Sponsoring Organisations (COSO), King IV Report on Corporate Governance (2016) and generally accepted good practice. All Group business units, divisions, subsidiaries and processes are subject to our ER & OM policies.

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

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

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

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

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

Objectives achieved through our framework

Aligning risk appetite and strategy	Management considers the risk appetite of both the Group and divisions, as determined by the Board, in evaluating alternatives, setting objectives, and developing mechanisms to manage risks and opportunities.
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 to identify and capitalise on opportunities.
Improving allocation of capital	Reliable risk information allows management to assess overall capital needs, thus enhancing capital allocation.
Ensuring compliance with laws and regulations	Ongoing regulatory forecasting, impact assessments and reviews of applicable laws and regulatory changes reduce compliance risks.

RISK GOVERNANCE OVERSIGHT AND MANAGEMENT

Oversight

BOARD OF DIRECTORS/GOVERNING BODY

- Approves ER & OM Policy and Framework and risk disclosures
- Sets, approves and monitors risk tolerance and appetite levels
- Identifies and monitors strategic risks and opportunities
- Approves and monitors ER & OM implementation plan

BOARD AUDIT AND RISK COMMITTEE

- Oversees the establishment and implementation of the Company's ER & OM Policy and Framework
- Reviews the effectiveness of the ER & OM system in managing risks and opportunities, risk appetite and tolerances, emerging risks and business continuity resilience measures
- Monitors ER & OM implementation plan

Management

EXECUTIVE COMMITTEE

- Monitors and reviews the Top inherent strategic and operational risks registers, risk appetite and tolerance levels, emerging risks, and business continuity resilience measures
- Reviews and monitors ER & OM implementation

EXCO SUB-COMMITTEES

Internal Audit & Risk Committee

- Oversees the operation of the ER & OM system
- Monitors the internal policies for identifying and determining key risks and opportunities
- Reviews management risk mitigation measures and treatment plans
- Recommendations made to Exco

Divisional Risk Management Committees

- Reviews Top inherent risks and opportunities identified through stakeholder consultations
- Implements system of internal controls to manage risk
- Incorporates risk in day-to-day operations
- Assessment of management controls and risk treatment plans

Group Compliance Committee

- Monitors and reviews significant compliance risks
- Reviews adequacy and effectiveness of risk treatment plans
- Recommendations made to Exco

The Top Inherent Strategic Risks, Risk Appetite and Tolerance Levels were not approved by the Board of Directors during the 2019/20 financial year. Due to the evolving company strategy, the Board Audit and Risk Committee took the decision to postpone the review and approval of the top inherent strategic risks pending the approval of the Business Turnaround Strategy to ensure that the strategic risks are aligned with the new business strategic objectives. This also impacted the revision, review and approval of the strategic risk appetite and tolerance levels by the Board. This further required the facilitation of Executive Management and Board workshops on the application of the risk appetite and tolerance level model prior to approval of the risk and tolerance levels. The Business Turnaround Strategy has since been approved by the Board and the required workshops will be scheduled as soon as is reasonably practicable.

The Risk Management department executes its risk and opportunity management and reporting activities on a quarterly basis to the various governance forums. The revised ER & OM Policy was approved by the Board and the revised ER & OM Framework will be approved in the new financial year.

On 27 March 2020, the National Disaster Management Act was enforced by decree of the President of the Republic of South Africa in response to the COVID-19 pandemic. Executive Management implemented the required health and safety measures to prevent and minimise employee exposure. Executive Management has implemented Business Continuity arrangements and continues to monitor and amend the business continuity response daily to mitigate specific business risks and threats as they emerge.

Executive Management considers the following risk categories and risks that could have a material bearing on the company's operations, reputation and financial performance:

Risk Category	Risk Description	Impact
People	• Volatile employee relations/ Industrial relations climate	• Reduced EBIT
Health and Safety	• Non-compliance with Health and Safety legislation and practices	• Fatalities or injuries sustained
Environmental and Quality Management Legislation	• Non-compliance with Environmental and Quality Management legislation	• Production downtime • Financial losses • Reduced EBIT
Markets	• Global phosphoric acid market volatility	• Reduced EBIT
Operations	• Unavailability and reliability of plant and equipment • Production inefficiencies • High conversion costs	• Production volumes not achieved • Reduced EBIT
Regulatory and Compliance	• Non-compliance with Mining Charter and Competition Act • Inability to maintain B-BBEE status	• Revocation of mining rights • Reduced EBIT/Negative image • Negative image/reputation and lost business opportunities

1. Volatile employee relations/ Industrial relations climate

A protracted strike action by members of NUMSA commenced on 15 March 2019 and ended on 29 April 2019. A settlement agreement was reached between Management and the NUMSA leadership. The protracted strike action resulted in lost revenue of approximately R300 million. Management has implemented remedial measures to forge closer working relationships with the leadership of organised labour to proactively engage on labour matters and employee grievances in an endeavour to prevent or limit potential strikes.

2. Non-compliance with Health and Safety legislation and practices

Foskor is committed to ensuring the occupational health, wellness and safety of its employees and stakeholders by complying with the Occupational Health and Safety Act (No. 85 of 1993) and the Mine Health and Safety Act (No. 29 of 1996) as amended. These core pieces of legislation embody the health and safety requirements for Foskor's operations and its workforce. Health and Safety remains the responsibility of all employees and stakeholders. There were two incidents involving an employee and a contractor working at heights, at the Acid and Mining Divisions respectively, which resulted in a fatality and long-term injury. Incident investigations were conducted internally by management and externally by the Department of Labour and Department of Minerals and Energy respectively. There was no conclusive evidence of health and safety non-compliances at the Acid Division, whilst Health and Safety non-compliances identified at the Mining Division were remedied by Management. Executive Management has introduced the “life saving rules” campaign throughout Foskor to create awareness amongst employees and contractors and instill a high safety culture and zero tolerance to non-compliance. The effectiveness of the Health and Safety systems and processes is being monitored and reviewed by management, internal audit and other specialist consultants employed.

3. Non-compliance with Environmental and Quality Management legislation

Environmental and Quality management underpins Foskor’s core operations of Mining and Chemical production and its ancillary functions. Existing production facilities at Foskor’s Acid Division were required to comply with certain minimum emission standards by 1 January 2020. To this effect, the Acid Division has been granted an extension of five years by the Department of Environmental Affairs to prepare and implement the Atmospheric Emissions Licence compliance requirements for the Sulphuric Acid plants, as envisaged under Section 21 of the National Environmental Management Air Quality Act; and promulgated under Government Notice (GN) 893. To date, the Division has spent R125 million on projects to address the prevention of groundwater contamination. A further R48 million is budgeted for future planned groundwater management projects. Foskor has various permits and licences to operate and implement strict monitoring and compliance measures.

4. Global phosphoric acid market volatility

Foskor is bound by the market selling prices of phosphate-based products. The market saturation of product availability led to decreasing phosphoric acid selling prices. This resulted in budgeted selling prices not being realised, resulting in lower revenues and decreasing EBIT for the year. Budgeted selling price of Phosphoric acid for the year was US$736, however the market selling prices as at March 2020 was US$590 CFR India. Executive Management has agreed prices and determined a pricing formula with local customers based on sales volumes in order to mitigate against variation in the market selling prices. The Marketing and Sales Management team are focusing their efforts on the sale of additional products such as gypsum, magnetite and sulphuric acid to supplement core revenue streams. There is also increased focus on niche customers to obtain optimal prices on final products. The product mix model is also under review to ensure that final product profit margins are optimised.

5. Unavailability and reliability of plant

Plant and equipment availability and reliability is a key driver to ensure that targeted production volumes can be achieved. The ageing infrastructure, critical equipment failure and production bottlenecks at the Acid Division have contributed to the plant not being fully available for production. The Phosphoric Acid-Concentration section experienced serious problems with the coolers, clarifiers and availability of maturation tanks. Furthermore, the Phosphoric Acid Plant reactor experienced a major breakdown, resulting in low production volumes at both the Acid and Mining Divisions. The Sulphuric Acid Plant also contributed to plant unavailability and reliability due to the poor demineralisation plant performance, boiler failure and final absorption towers reliability. The downtimes were also exacerbated by ongoing power failures and water stoppages throughout the year. A deficit of 262 762 tons of phosphoric acid production was realised for the financial year, against budgeted production of 550 000 tons.

The Board-approved Business Turnaround Strategy will focus on a comprehensive forecasted Capital expenditure program of around R1.13 billion over the next three years for both operating divisions. Funding of capital expenditure will be through both operating divisions functioning as cash-generation units, and additional shareholder funding or external funds to meet capital expenditure shortfalls will be sought. Executive Management plans to robustly address the critical plant and equipment failures through the replacement of ageing infrastructure. The Maintenance departments are also focusing their efforts to ensure plant availability and reliability is maintained by implementing industry maintenance best practices and certain targeted maintenance strategies.

6. Production inefficiencies

Production efficiency is crucial to enable positive Earnings Before Interest and Tax (EBIT). The Acid Division achieved a production efficiency rate of 75.91% for phosphoric acid against a budgeted rate of 91% for the financial year ended 31 March 2020. This resulted in a decrease in EBIT of approximately R588 million. The production inefficiencies are a result of the following:

- Mechanical losses (pipe and tank leaks);
- Poor reactor conditions;
- Production stoppages and disruptions;
- Quality of filter cloths used;
- Effluent losses on the gypsum and buoyant lines;
- Tank unavailability; and
- Formation of high crystal hemihydrate content.

The Acid Division Management have identified the underlying root causes and the following measures have either been implemented or are in progress to address some of the above-mentioned challenges:

- Leak arresting, spillage control and sludge recovery programs;
- Performed maintenance work on the reactor and other critical equipment;
- Reviewed use of the filter cloth and quality thereof; and
- Reviewing ways of better effluent management on the gypsum and buoyant line.

In addition to the above interventions, the Executive Management through the development of the Business Turnaround Strategy, has enlisted the assistance of its shareholder, Coromandel, to provide senior engineering management professionals to assist in the upskilling and transfer of knowledge to existing production employees. The Human Capital and Remuneration Committee is also reviewing further performance management, succession planning, and training and development initiatives to enable its Human Capital investment and strategy.

7. High conversion costs

Foskor's Mining and Chemical manufacturing operations consume large volumes of water, electricity, diesel, gas, reagents, Ammonia and Sulphur in producing the final products for sale. These costs and the nature of Foskor's igneous rock mined, whilst having a higher percentage of phosphate content, have contributed to higher conversion costs of final products produced compared to its competitors. The Executive Management team is deploying the Business Turnaround Strategy to focus their efforts on reducing conversion costs through:

- Review of mining practices and processes at the Mining Division;
- Employing consultants at the Mining Division to enhance operational efficiencies and cost savings over the next 18 months;
- Optimisation of Turbine Generator (TG) to reduce electricity bought from the Municipality;
- Reviewing of supply agreements and performance thereof;
- Utilisation of sea water in the Acid division; and
- De-bottlenecking of manufacturing processes to enhance production efficiencies.

8. Non-compliance with the new Mining Charter-ESOP Requirements

The new Mining Charter requires existing and new mining rights holders to enable compliance with effective ownership of South Africa's mineral resources by Black Persons through meaningful economic participation. Existing holders of mining and other rights must increase their BEE shareholding from the current 26% target to 30%. Foskor, as an existing mining rights holder, is required to increase its Employee Share Option Plan (ESOP) to a 30% shareholding, made up of employees, the local community and B-BBEE trust, within a period of five years from 19 December 2018, as per the new Mining Charter requirements. Foskor's mining licence was based on compliance with an ESOP ownership requirement of 26% B-BBEE shareholding. Under the new Mining Charter B-BBEE ownership compliance requirement of 30%, any new or pending mining right application by the existing mining rights holder requires funding of the ESOP ownership difference of 4% to enable full compliance for the award of such rights. The consequence of not complying with the new Mining Charter ESOP requirements is that the Department of Mineral Resources and Energy could revoke any new or pending mining right application award to Foskor or impose fines and penalties. Executive Management is currently liaising with Foskor's major shareholder, the Industrial Development Corporation, to review the legal and funding requirements of the current ESOP to ensure compliance with the new Mining Charter B-BBEE ownership requirements.

9. Inability to maintain B-BBEE level status

Foskor's recent financial constraints have resulted in it currently being rated at Level 6 contributor. Level 4 contributor is the desired minimum rating level that is acceptable for businesses. The consequence of not holding a Level 4 rating is that Foskor could be barred from conducting business with other suppliers whose policy is based on B-BBEE Level 4 compliance rating being maintained.

The following areas are contributing to Foskor's desired rating level not being achieved:

- Housing and living conditions for mine workers not being in accordance with the B-BBEE Act/New Mining Charter requirements;
- Not investing 5% of the leviable amount (Total Salary and Wage Bill of Mining Division) in essential skills development;
- Not funding enterprise and Supplier Development as required by the B-BBEE Act/New Mining Charter; and
- Not funding and fully implementing the approved Department of Mineral Resources Social and Labour Plan projects.

The inability to comply with the B-BBEE Act also impacts on the New Mining Charter requirements, as the B-BBEE Act (2002) requirements, as amended, are also included therein. Executive management has engaged with the Department of Mineral Resources to address this issue and is currently reviewing the budget availability required to fund the Social and Labour Plan (i.e. R50 million for the approved 5 year-plan), supplier development (R5 million start-up initiative) and employee training. There are also plans to perform a valuation of employee accommodation currently held by the Mining Division and development of a strategy for the sale of unused employee accommodation.

10. Non-compliance with the Competition Act

Foskor was found to have charged its domestic customers excessive prices during the period 2014 to 2017 for phosphoric acid. It was also found to have priced the acid in contravention of a consent order made by the Tribunal in 2011, which bound it to price at FOB Richards Bay, during this period. The Competition Tribunal, during December 2019, amended the consent order, allowing Foskor to sell its products at their economic value and Foskor is accordingly no longer bound to price on an FOB Richards Bay basis.

RISK GOVERNANCE OVERSIGHT AND MANAGEMENT continued

Enterprise Risk & Opportunity Management (ER & OM) Initiatives

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

We are striving to improve and achieve the desired ER & OM maturity level through a co-ordinated and integrated approach between the Board, Executive and Divisional Management. Future planned initiatives include the following, amongst others:

- Optimise the scope for “opportunity management” within the ER & OM landscape;
- Enable effective integration between risk and strategy;
- Implementation of the CURA Business Continuity Management (BCM) module to enable effective BCM arrangements and readiness;
- Development of detailed process/operational level baseline risk assessments;
- Development and implementation of Key Risk Indicators (KRIs) at operations and divisional level to enable effective monitoring by management;
- Workshops to be held between Executive Management and Board members to enable the approval of risk appetite and tolerance levels by the Board;
- Effective utilisation of the CURA ERM system and risk management tools by the dedicated Risk Champions by providing them with the required training;
- Education and training of all employees through various channels to create ER & OM awareness, thus embedding ER & OM in all key business and decision-making processes;
- Utilisation of quantitative techniques and tools in the performance of risk assessments; and
- Incorporating ER & OM objectives into individual performance contracts.

Our key risks and opportunities

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

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

Risk Category	Context	Mitigating strategies	Material issue link	Strategic priority	Outcome managed
1 **Mining Charter ESOP scheme requirements**	In terms of the Mining Charter 3 the company is required to implement a 30% shareholding for historically disadvantaged South Africans which consist of employees (8%), local mining communities (8%) and BEE entrepreneurs (14%).	• Develop and implement new ESOP Scheme • Review local mining community and BEE Entrepreneurs shareholding	Operating license	Operational excellence	• Compliance with laws and regulations • Maintaining licence to operate
2 **Volatile industrial relations climate**	Management needs to manage the relationship with the employees and their representation, as well as proactively deal with employee issues that could lead to industrial action.	• Improving engagement with labour unions by having relationship building Indabas • Regular assessment of remuneration and employee benefits • Timely resolution of issues	Employee wellbeing	People	• Staff turnover • Safety and health • Industrial relations
3 **Liquidity risk**	Our sustained existence and growth are highly dependent on our ability to generate funds internally and externally. The volatility of the market and fluctuation in performance requires us to have sufficient funds to sustain operations in the downward cycle.	• Sourcing additional funding • EBITDA upliftment • Reviewing alternative means of financing • Cash flow management and cash generation	Funding and liquidity	Cash generation	• EBITDA upliftment • Sourcing funding • Cash flow and liquidity • Cost control

RISK GOVERNANCE OVERSIGHT AND MANAGEMENT continued

Risk Category	Context	Mitigating strategies	Material issue link	Strategic priority	Outcome managed
4 **High conversion costs**	In order for us to remain competitive in the market we need to produce at a competitive cost. Some of the inputs such as water, electricity, diesel and gas contribute to high conversion costs, thus impacting on profit margins.	• EBITDA upliftment – operational cost reduction • Improvement of shift changeover to increase production output • Energy saving devices installed in the plant • Review and negotiate of supply service provider contract agreements • De-bottlenecking of manufacturing processes to enhance production efficiencies	Cost control	Operational excellence	• Operational cost savings • EBITDA upliftment
5 **Maintain company's B-BBEE status**	Failure to maintain the company's B-BBEE status and comply with SA BEE targets for employment equity could adversely affect our ability to maintain any mining rights and procure public contracts and licences and private contracts.	• Submission of quarterly and annual compliance assessments to the Department of Mineral Resources • Submission of Social and Labour Plan with new transformation targets	Improved operational performance	Operational excellence	• Compliance to Mining Charter • Improved B-BBEE rating
6 **Litigation risks**	The company is currently in legal disputes with a key matter that has an impact on production output as well as profitability of the business.	• EBITDA impact to the business • Meeting production targets • Business reputation	Sustainability of business	Customer value and cash generation	• Cashflow and liquidity • Compliance to laws and regulations
7 **Loss of market share and customers**	Foskor's aging plant poses risk in achieving production targets and has contributed to final product volumes not being available for customers.	• Focus on asset replacement programmes to reduce downtime and improve output • Prioritise the supply of products to local market and export as additional opportunities	Sustainability of business	Customer value and sustainability of phosphates business	• Build confidence in customers • EBITDA upliftment

Risk Category	Context	Mitigating strategies	Material issue link	Strategic priority	Outcome managed
8 **Production inefficiencies**	Production inefficiencies are caused by a number of factors including plant downtime and inefficient use of resources to produce the finished product.	• Implementation of the proactive maintenance strategy • Improving production efficiency ratios by arresting leaks and improving sludge recovery programmes • Investment in capital replacement programmes to replace aging machinery	Improved operational performance	Operational excellence	• Production performance • Production efficiency • Movement of raw material • Minimise plant downtime
9 **Reliability of plant**	Availability and reliability of acid manufacturing plant is key to the successful operation of the production facility.	• Asset replacement programme • Minimising unplanned plant stoppages • Meeting production targets	Improved operational performance	Operational excellence	• Production performance • Minimise plant downtime
10 **Global phosphoric acid volatility**	The commodity selling prices are set by the market. The sensitivities to movements in phosphoric acid market prices are significant for our business and can cause major fluctuations in performance.	• Further downstream beneficiation of products such as magnetite • Minimise dependency on phosphoric acid markets, products and customers • Continue to grow confidence on local market presence • Focus efforts on other products such as sulphuric acid and gypsum	Sustainability of phosphates business	Customer value and cash generation	• EBITDA upliftment • Development of new markets • Development of new products

OUR MATERIAL ISSUES

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

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

Material issue	Key performance indicator	Performance against KPI for 31 March 2020	Future KPI ending March 2021	Long-term KPI for 2022 year and beyond
1 **Sustainability of the business**	Increase percentage of local sales to reduce dependence on global markets and pricing	Local sales 2020: 65% Local sales 2019: 53%	Local sales for 2021: 56%	Local sales: 55%
	Magnetite beneficiation joint venture	Beneficiation plant construction – 85%	Finalise business partners and start producing concentrated magnetite from January 2021	Sales to beneficiation plant 1.4 million tons annually
2 **Funding and liquidity**	Acquire additional short-term funding facilities	Short-term funds reduced at year-end by R64 million	Additional funding facilities	Additional funding facilities
	Additional trade finance facilities	Non acquired in this financial year	Additional facilities	Additional facilities
	Cash flow management targets • Cash generated from operations: R957 million • Free cash flow: R217 million negative	Cash flow management targets • Cash utilised by operations: R815 million • Free cash flow: R1.24 billion negative	Cash flow management targets • Generated from operations: R791 million • Free cash flow: R72 million negative	Cash flow management targets • Generated positive cash flow from operations • Free cash flow to be positive
	Net debt by March 2020: R1.68 billion	Net debt at March 2020: R2.46 billion	Net debt at March 2021: R3.13 billion	Obtaining target debt/equity ratio

Material issue	Key performance indicator	Performance against KPI for 31 March 2020	Future KPI ending March 2021	Long-term KPI for 2022 year and beyond
3 **Employee wellbeing**	Safety indicators: • Fatalities: 0 • LTIFR: <1	Safety indicators: • Fatalities: 0 • LTIFR: 0.20 (Mining) • LTIFR: 0.51 (Acid)	Safety indicators: • Fatalities: 0 • LTIFR: <1	Safety indicators: • Fatalities: 0 • LTIFR: <1
	Retain and Convert: • Convert OHSAS 18001 to ISO 45001 • SANS 16001	Retain: • Successfully converted OHSAS 18001 to ISO 45001 • SANS 16001	Retain: • ISO 45001 • SANS 16001	Retain: • ISO 45001 • SANS 16001
	Staff turnover: 5%	Staff turnover: 5.5%	Staff turnover: less than 5% of headcount	Staff turnover: less than 5% of headcount
	Zero strikes/industrial action	Strike by NUMSA from 15 March 2019 to 29 April 2019	Zero strikes/industrial action	Zero strikes/industrial action
4 **Improved operational performance**	Capital expenditure programme budget: R440 million for 2020 financial year	Capital expenditure programme to date: R284 million	Capital expenditure programme: R413 million	Capital expenditure programme as per business turnaround plan
	Phosphoric acid production efficiency: 91%	Efficiency: 75.91%	Efficiency: 88.20%	Efficiency: 89% up to 91%
	Phosphate rock recovery: 75%	Phosphate rock recovery: 75.97%	Phosphate rock recovery: 76.32%	Phosphate rock recovery: 76.32%
	Rock logistics: • 10 rock trains to all location per week (including exports) • Railed to Richards Bay: 1.92 million tons (including exports) • Exported through Maputo: 300 000 tons	• Trains to all locations per week: 7 • Railed to Richards Bay plant: 1.07 million tons • Exported rock through Maputo and Richards Bay port: 576 000 tons	• Nine rock trains to all locations per week • Railed to Richards Bay: 1.603 million tons • Export rock through Richards Bay: 400 000 tons	• 10 rock trains to all locations per week
	Planned production output: • Rock: 2.26 million tons • Phosphoric acid: 550 000 tons • Granular fertiliser: 350 000 tons	Production: • Rock: 1.65 million tons • Phosphoric acid: 287 000 tons • Granular fertiliser: 238 000	Production: • Rock: 2.17 million tons • Phosphoric acid: 500 000 tons • Granular fertiliser: 400 000 tons	Production: • Rock: 2.21 million tons • Phosphoric acid: 550 000 tons • Granular fertiliser: 400 000 tons

Material issue	Key performance indicator	Performance against KPI for 31 March 2020	Future KPI ending March 2021	Long-term KPI for 2022 year and beyond
5 **Cost control**	Cost savings from: • Approved opex 2020 budget • Logistic costs budget	Cost savings achieved: • Group opex savings 10% of 2020 budget • Actual distribution costs 23% below budget	Cost savings from: • Approved 2021 opex budget • Logistic costs budget	Cost savings from: • Approved opex budget • Logistic costs budget
	Commodity input costs within budget	Commodity input costs: • Sulphur cost per ton 44% below budget • Ammonia cost per ton 15% below budget	Commodity input costs within budget	Commodity input costs within budget
	Distribution costs within budget: • Maputo • Richards Bay	Distribution costs to: • Richards Bay 3.8% above budget • Maputo 1.6% above budget	Distribution costs within budget: • Richards Bay	Distribution costs within budget: • Richards Bay
	Production cost per ton within budget: • Rock • Phosphoric acid	Production cost per ton: • Rock cost per ton 19% above budget • Phosphoric acid cost per ton 34% above budget	Production cost per ton within budget: • Rock • Phosphoric acid	Production cost per ton within budget: • Rock • Phosphoric acid

Material issue	Key performance indicator	Performance against KPI for 31 March 2020	Future KPI ending March 2021	Long-term KPI for 2022 year and beyond
6 **Operating licence**	Retain: • ISO 14001 • ISO 9001	Retained: • ISO 14001 • ISO 9001	Retain: • ISO 14001 • ISO 9001	Retain: • ISO 14001 • ISO 9001
	Targeted compliance: Zero incidence of non-compliance and fines	Zero incidence of non-compliance and fines	Targeted compliance: Zero incidence of non-compliance and fines	Targeted compliance: Zero incidence of non-compliance and fines
	Maintain/renew licences to operate and legal compliance • Water • Air • Mining	Maintain/renew licences to operate and legal compliance • Water usage • Air quality • Mining	Maintain/renew licences to operate • Water • Air • Mining	Maintain/renew licences to operate • Water • Air • Mining
	Mining Charter compliance	Achieved Mining Charter compliance	Mining Charter compliance	Mining Charter compliance
	Mine rehabilitation compliance	Mine rehabilitation trust and guarantees in place	Mine rehabilitation compliance	Mine rehabilitation compliance
	B-BBEE Transformation compliance – Level 5 target	B-BBEE Level 6	B-BBEE Level 5 target	B-BBEE Level 4 target
	Stakeholder engagement	Stakeholder engagements, CSI, LED, Community Projects	Stakeholder engagement to be improved and feedback monitored	Stakeholder engagement to be improved and feedback monitored

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 including effective and efficient implementation of the Turnaround Plan, approving major transactions, and oversight over the Group's systems of internal control, governance, risk and opportunity management and 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. The independence of directors is regularly assessed in accordance with Companies Act guidelines, more than half the Board is made up of independent directors and the rest consists of two shareholder representatives and two executive directors.

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; SHE and Sustainability; Turnaround Implementation 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; Remuneration; and Compliance committees.

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 and the progress regarding the turnaround implementation plan to the Board.

We apply the principles of good corporate governance.

The board and its governance structures

Notes to the governance structure:

KING IV:

The role of the Chairman is independent

The roles of the Chairman and CEO are separate

POLICIES AND GUIDELINES:

Board and Committee Charters

Terms of reference/Delegation of Authority/Code of Ethics

Board-approved policies

Board of directors

Non-executive directors
- DP Martin (Independent)
- SP Ngwenya
- NG Nika (Independent)
- VP Pillay (Independent)
- V Ravichandran
- TML Setiloane (Independent)

Chairman
- RM Godsell
  (Independent Non-executive Director)

Executive directors
- Chief Executive Officer: CF Rademan
- Chief Financial Officer: JT Palliam

Board committees

Board audit and risk committee
- NG Nika (Chairman)
- SP Ngwenya
- VP Pillay
- TML Setiloane

Board SHE & sustainability committee
- VP Pillay (Chairman)
- CF Rademan
- DP Martin
- SP Ngwenya
- V Ravichandran

Board human capital and nominations committee
- DP Martin (Chairman)
- RM Godsell
- SP Ngwenya
- V Ravichandran

Social and ethics committee
- TML Setiloane (Chairman)
- DP Martin
- VP Pillay

Board turnaround implementation committee
- NG Nika (Chairman)
- DP Martin
- VP Pillay
- TML Setiloane

Executive committee
- CF Rademan (Chairman)
- J Kruger
- JT Palliam
- K Muruganandam
- J Morotoba
- G van Wyk
- A Khanyile (Co-Secretary)

The role and function of the board

Attendance of scheduled and *ad hoc* meetings

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

Attendance register

Board member	Scheduled Board Meetings	Special Board Meetings	Audit and Risk	Human capital and nominations	Social and ethics	She & Sustainability
RM Godsell	**C** 6/6	**C** 4/4		**M** 6/6	**M** 1/1	
CF Rademan	5/5	3/3	**I** 2/2	**I** 5/5	**I** 2/2	**M** 7/7
JT Palliam	3/3	0	**I** 1/1			
MP Mainganya	4/5	3/4		**M** 4/5	**M** 1/1	
DP Martin	6/6	4/4		**C** 6/6	**M** 3/3	**M** 9/9
SP Ngwenya	6/6	4/4	**M** 3/3	**M** 5/6	**M** 1/1	**M** 5/5
NG Nika	6/6	4/4	**C** 3/3			
VP Pillay	4/6	4/4	**M** 3/3		**M** 2/2	**C** 9/9
V Ravichandran	2/6	0/4		**M** 1/6		**M** 3/9
TML Setiloane	5/5	3/3	**M** 2/2		**C** 2/2	
S Subramanian	1/4	1/4				

C: Chairman **M:** Member **I:** Invitee

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 set out below:

Committee	Members	Area of responsibility	Key focus for the year
Audit and risk committee	NG Nika (Chairman) SP Ngwenya VP Pillay TML Setiloane	The Board Audit and Risk Committee assists the Board in carrying out its responsibilities to stakeholders by, amongst others, providing independent oversight of the effectiveness of the company's assurance, finance and ICT functions and service, with focus on combined assurance arrangements, including external assurance providers. The committee is also authorised to provide independent oversight of the integrity of the annual financial statements and, to the extent delegated by the Board, other external reports issued by the company.	• Approved and monitored the external audit plan • Assessed the independence of the external auditor • Obtained an unqualified audit opinion on the financial statements and recommended their approval to the Board • Recommended the approval of the integrated annual report to the Board • Approved and monitored the internal audit plan • Obtained assurance over effectiveness of internal controls
Human capital and nominations committee	DP Martin (Chairman) RM Godsell SP Ngwenya V Ravichandran	The Human Capital and Nominations Committee considers, for recommendation to the Board, the remuneration policy of Foskor. The committee is also responsible for the approval of the remuneration packages and incentives of executives as delegated to the committee by the Board. The committee also considers the composition of the staff complement, staff transformation/diversity, remuneration, succession planning and Industrial Relations matters. The committee reviews the human capital policies and any other matters related to human capital management as mandated by the Board.	• Reviewed the executive contracts up for renewal • Ensured alignment of the remuneration and human resources strategies and policies with the group's business strategy • Ensured that organisational structures and policies facilitate good management and utilisation of human resources • Approved annual salary increases for management and provided executive management with the necessary mandates for negotiations with trade unions
Social and ethics committee	TML Setiloane (Chairman) DP Martin VP Pillay	The Social and Ethics Committee has oversight over the company to ensure that Foskor aspires to be a good corporate citizen, including the Company's promotion of equality, prevention of unfair discrimination and reduction of corruption.	• Monitored Employment Equity and B-BBEE Acts Compliance • Monitored the implementation of the Social and Labour Plan • Monitored the Mining Charter • Reviewed the company's operating licenses • Ensured that the Community Stakeholder Engagement Plan is in place

Committee	Members	Area of responsibility	Key focus for the year
SHE & Sustainability committee	VP Pillay (Chairman) CF Rademan DP Martin SP Ngwenya V Ravichandran	The Board SHE & Sustainability 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.	• Evaluated the expansion, sustaining and stay-in-business projects to assist operations in making justified long-term and operationally sound decisions relating to capital expenditure • Monitored operational excellence from health, safety, performance and quality point of view. This included monitoring of rehabilitation processes and provisions, and any other environmental potential liability • Evaluated propositions relating to acquisition and organic growth Foskor might be considering, either for the purpose of horizontal or vertical integration for business sustainability • Provided guidance in terms of stakeholder engagement on technical liaison with neighbouring businesses, suppliers and customers • Evaluated the operational strategy relating to equipment replacement options and funding options
Turnaround implementation committee	NG Nika (Chairman) VP Pillay DP Martin TML Setiloane	The Board Turnaround implementation committee's main purpose is to ensure that the company is restored to a sustainable profit-making entity. The committee assists the Board to enable effective and efficient implementation of the Turnaround Implementation Plan and the achievement of the set targets therein. This committee has been formed by the Board as an interim *ad hoc* committee.	• Oversee the implementation and execution of the Turnaround Plan • Reviewed the annual proposed budgets for the financial years 2021/2022 and 2022/2023 and make recommendations to the Board thereof • Approved requests for capital expenditure, the issue and cancellation of purchase orders and the conclusion or cancellation of contracts necessary for the implementation and or execution of the Turnaround Plan as per Delegation of Authority Matrix • Approved the structures and staff establishments of support services and the appointments of senior executives necessary to give effect to the Turnaround Plan

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 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.

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. 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 strategic objectives.

Fraud prevention and ethics

It is an accepted fact that, no matter how stringent fraud prevention measures within an organisation are, there is no absolute 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 fraud 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 with integrity and at the highest level of professionalism in line with established organisational values and its code of conduct.

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 occur within Foskor, thereby allowing more transparency in the investigation process.

Whistleblowing

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

Foskor recognises that employees, suppliers, customers, business partners, local communities and other stakeholders have a strong preference to be associated with organisations that value and practice ethical conduct. As a means of reinforcing Foskor values, the Whistleblowing Policy serves to build employee, supplier, customer and business partner loyalty through identifying and eliminating unethical practices. The 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 and stakeholders to raise concerns within Foskor rather than overlooking a problem or blowing the whistle through inappropriate channels.

Supplier/employee relationships

In line with Foskor's expectation that business must be conducted honestly, all employees, customers, contractors and suppliers are obliged to report suspicions of fraud, corruption, theft or unethical or similar illegal behaviour within Foskor. Customers, contractors or suppliers who make themselves guilty of such conduct will be blacklisted, whilst employees will face disciplinary action or, if resigning 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 in addition, have an opportunity to provide recommendations and direction at the annual general meeting.

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

Information and communications technology

The Group ICT Department continues to progress on the journey outlined by the King Report on Corporate Governance for South Africa 2016 (King IV). The Board is responsible for ICT governance and ensuring that ICT strategy is aligned with the Group's strategic objectives and adopting and implementing an ICT control framework. The Group ICT Steering Committee ensures the development and monitoring of sound information and communication (including all forms of telecommunication) technology policies and procedures in accordance with the applicable regulatory framework of South Africa and incorporating global best practices for the Group. These includes amongst others, maximising efficient and effective information and communication technology application and services. The Group ICT Steering Committee 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") best practice 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 Management 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 management, Internal Audit and External 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. The achievement of the organisation's compliance strategic objectives enables structured direction and continuous enhancement of compliance processes that support 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 requirements.

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 and is authorised in terms of its mandate 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.

Key areas of focus were identified through Foskor's compliance risk management methodology. The key areas of focus during the reporting period were in respect of legislation related to safety, health and environment and Competition Act legislation.

The effectiveness of Foskor's compliance management is monitored in accordance with Foskor's Compliance Risk Management Methodology. The outcomes of the monitoring conducted are reported internally at various committees with management providing action plans to address any non-compliances identified.

Compliance Risk Methodology

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

Foskor's Compliance Risk Management 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.

Application of the King Report of Corporate Governance (King IV)

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

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

Code of governance principle		Compliance	Explanation for non-compliance
	41. The governing body should satisfy itself that a combined assurance model is applied which incorporates and optimises the various assurance services and functions so that, taken as a whole, these support the objectives for assurance.	✓	The BARC ensures that the combined assurance model is applied through ensuring that the activities of the various assurance providers are coordinated and support the objectives for assurance.
	42. The governing body should oversee that the combined assurance model is designed and implemented to cover effectively the organisation's significant risks and material matters through a combination of the following assurance service providers and functions as is appropriate for the organisation: a. The organisation's line functions that own and manage risks. b. The organisation's specialist functions that facilitate and oversee risk management and compliance. c. Internal auditors, internal fraud examiners and auditors, safety and process assessors, and statutory actuaries. d. Independent external assurance service providers such as external auditors. e. Other external assurance providers such as sustainability and environmental auditors, external actuaries, and external forensic fraud examiners and auditors. f. Regulatory inspectors.	X	Due to the evolving company strategy, the development of a Combined Assurance Plan was put on hold pending the approval of the Business Turnaround Strategy. The revised inherent strategic risk registers aligned to the business turnaround strategic objectives will be used as a basis for the development of the plan in the 2020/21 financial year to ensure that the combined assurance model is optimised.

Code of governance principle		Compliance	Explanation for non-compliance
	43. The governing body and its committees should assess the output of the organisation's combined assurance with objectivity and professional skepticism, and by applying an enquiring mind, form their own opinion on the integrity of information and reports, and the degree to which an effective control environment has been achieved.	✓	The BARC assesses the various assurance providers reports with objectivity, professional skepticism and formulate their own opinion on the integrity of the information on the reports and the effectiveness of the control environment.
Part 5.4: **Governing functional areas – assurance of external reports**	**44.** The governing body should assume responsibility for the integrity of external reports issued by the organisation by setting the direction for how assurance of these should be approached and addressed	✓	The BARC assumes responsibility of external reports issued by the organisation and sets the direction and provides clear guidelines on how these should be approached and addressed.
	45. The governing body's direction in this regard should take into account legal requirements in relation to assurance, with the following additional considerations: a. Whether assurance should be applied to the underlying data used to prepare a report, or to the process for preparing and presenting a report, or both. b. Whether the nature, scope and external assurance are suited to the intended audience and purpose of a report. c. The specification of applicable criteria for the measurement or evaluation of the underlying subject matter of the report.	✓	The BARC takes into account legal requirements in relation to assurance by ensuring that: a. Assurance is provided on the data used to prepare a report and the process of preparing and presenting the report. b. The nature, scope and external assurance is suited to the intended audience and purpose of a report. c. The specification of applicable criteria for the measurement or evaluation of the underlying subject matter of the report is in place.

Code of governance principle		Compliance	Explanation for non-compliance
	46. The governing body should satisfy itself that the combined assurance model is effective and sufficiently robust for the governing body to be able to place reliance on the combined assurance underlying the statements that the governing body makes concerning the integrity of the organisation's external reports.	✓	Due to the evolving company strategy, the development of a Combined Assurance Plan was put on hold pending the approval of the Business Turnaround Strategy. The revised inherent strategic risk registers aligned to the business turnaround strategic objectives will be used as a basis for the development of the plan in the 2020/21 financial year to ensure that the combined assurance model is optimised.
	47. External reports should disclose information about the type of assurance process applied to each report, in addition to the independent, external audit opinions provided in terms of legal requirements. This information should include: a. A brief description of the nature, scope and extent of the assurance functions, services and processes underlying preparation and presentation of the report; and b. A statement by the governing body on the integrity of the report and the basis for this statement, with reference to the assurance applied.	✓	External reports from other compliance assurance providers explicitly disclose the type of assurance process applied. There is an extensive quality assurance review process in place to ensure that external audit opinions meet legal requirements. The information disclosed includes: a. Nature, scope and processes for preparation and presentation of the report. b. Statement by BARC regarding the report integrity and assurance applied.

Code of governance principle		Compliance	Explanation for non-compliance
Part 5.4: **Governing functional areas – internal audit**	**60.** The governing body should ensure that external, independent quality review of the internal audit function is conducted at least once every five years.	✓	The five-yearly external quality assurance review was conducted in June 2018 and the next review is due in June 2023.
	61. The governing body should obtain confirmation annually from the Chief Audit Executive (CAE) that internal audit conforms to a recognised industry code of ethics.	✓	The Group Internal Audit Manager reports annually (in May) to the BARC whether the internal audit confirms to a recognised industry code of ethics.

WHO LEADS US

Board of Directors

Independent non-executive director and chairman

Robert Michael Godsell (68)

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

Appointed as chairman: 27 March 2019
Board committees: HC

Executive director and chief executive officer

Christiaan Francois Rademan (63)

B.Eng (Mechanical), MBL

Appointed: 1 July 2019
Board committees: S&S

Executive director and chief financial officer

Julian Theodore Palliam (36)

BCompt Honours, CA(SA)

Appointed: 22 November 2019

Independent non-executive directors

Nkosemntu Nika (62)

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

Appointed: 3 February 2012
Board committees: A&R, TI

Vinogaren Pillay (62)

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

Appointed: 27 March 2019
Board committees: S&S, A&R, TI, S&E

Thero Micarios Lesego Setiloane (60)

Dip Mash Mech, BSc Mechanical Engineering

Appointed: 24 June 2019

Board committees: A&R, S&E, TI

David Philip Martin (65)

BSc Material Science, EDP

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

Non-executive directors

Sibusiso Peter Paul Ngwenya (66)

BCom (Hons) Economics

Appointed: 27 March 2019
Board committees: A&R, S&S, HC

Venkatachalam Ravichandran (63)

BE (Hons), AICWA, PGDM, ACS

Appointed: 18 June 2015
Board committees: S&S, HC

Executive Committee and Company Secretary

Christiaan Francois Rademan (63)

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

B.Eng (Mechanical), MBL

Julian Theodore Palliam (36)

EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

BCompt Honours Accounting, CA(SA)

Gerrit Van Wyk (60)

VICE-PRESIDENT: LOGISTICS, PROCUREMENT AND MATERIALS HANDLING

BCom (Hons), MCom, MBL, AMP (INSEAD))

Board committees:

A&R:	Audit and Risk Committee
HC:	Human Capital and Nominations Committee
S&E:	Social and Ethics Committee
S&S:	SHE & Sustainability
TI:	Turnaround Implementation

Kadirvelu Muruganandam (57)

VICE-PRESIDENT: ACID

BE Mechanical Engineering, Postgraduate Diploma in Business Administration

Amagugu Khanyile (44)

COMPANY SECRETARY

BProc

James Morotoba (50)

SENIOR VICE-PRESIDENT MINING OPERATIONS

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

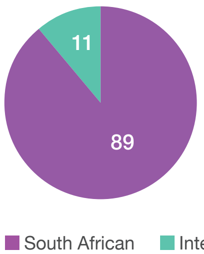
Joachim Martins Hilling Kruger (69)

VICE-PRESIDENT: LEGAL AND INTERNAL AUDIT

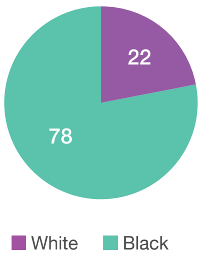
BCom, B Iuris, LLB

Diversity of the Board

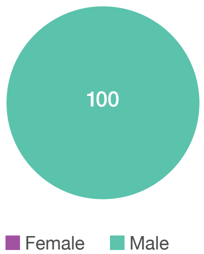
BOARD DIVERSITY
(%)



RACE
(%)

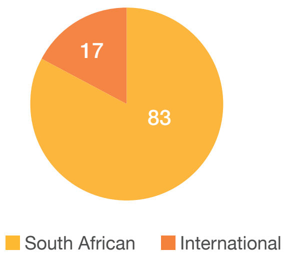


GENDER
(%)

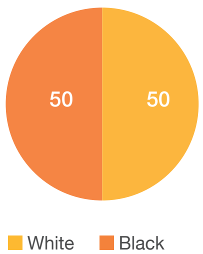


Diversity of the executive committee

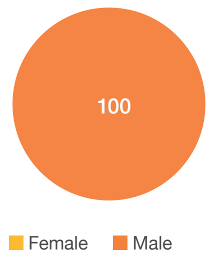
EXECUTIVE DIVERSITY
(%)



RACE
(%)



GENDER
(%)



REMUNERATION

We aim to offer fair and competitive remuneration

Remuneration philosophy

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

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

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

Four months fully paid maternity leave 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 surplus as at 31 December 2019 of R15.3 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 defendable.

Remuneration comprises the following elements:

	Guaranteed remuneration			Performance-based incentives		Other
	Notional cost of employment	**Benefits**	**Allowances**	**Short-term incentives**	**Long-term incentives**	
Bargaining category employees	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.	For staff in the bargaining unit comprise two components: a quarterly component and an annual component based on quarterly/annual achievement of production, safety and cost targets.		
Management category employees	Total guaranteed package	Retirement benefits medical aid death and disability insurance	Not applicable	Company, divisional and individual performance	Company – Long-term strategic projects, ROCE Not applicable for middle management	Employee Share Ownership Plan units were awarded to employees who had been at Foskor up to 2013. Units vest over five years. Dividends are received when declared by Foskor. Units were awarded to all employees.
	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.	
Non-executive directors	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 total guaranteed package				Annual cost-to-company package
	Guaranteed allowances	Not applicable				Housing Transport
	Benefits	• Employer retirement fund contributions • Employer medical aid contributions • Employer contributions to Group life and disability insurance				
	Circumstantial remuneration	• Job-specific • Skills scarcity • Legal appointments				
Variable remuneration	**Short-term incentives**	Performance-based				
		• Company • Divisional • Individual				Divisional
	Long-term incentives	• Performance-based • Company • Individual			Not applicable	Not applicable

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.

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. Changes in legislation allow employees to make additional contributions up to statutory limit.

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 have vested over a period of three years from the third anniversary of the allocation date. The scheme has, however, collapsed and a new scheme is being developed in terms of the provisions of the Mining Charter 3.

Non-executive directors' remuneration

Non-executive Directors' remuneration is approved by the shareholders annually at the annual general meeting and is based on attendance of directors at Board and committee meetings. Executive Directors are not paid Directors' fees. Directors' fees for Industrial Development Corporation representatives accrue to the IDC and not to the Directors individually.

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

Director fees for Manyoro Consortium is shared equally between the directors and shareholders.

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 6% of Foskor's equity through a special purpose vehicle. All employees who were employed at 1 April 2009 were allocated the initial units that vested in April 2014.

All 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

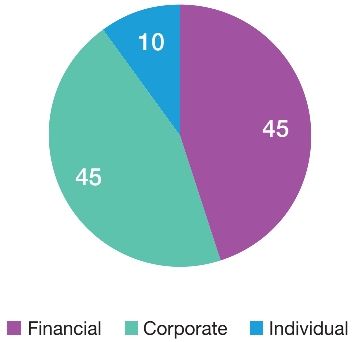
The performance objectives of the short-term and long-term incentive plans are derived with the strategy of the Company in mind. The strategic criteria for both plans are listed below and linked to the strategic priorities from our strategy.

Short-term incentive criteria		Strategic priority
Financial objectives	• Earnings before interest and tax • Free cash flow	• Improve EBIT • Improve cash generation
Corporate objectives	• Production targets • Cost per ton • Logistics (product railed) • Strategic projects • Safety • Employee wellbeing • Transformation	• Operational excellence • Beneficiation projects • Zero harm • Good industrial relations
Divisional objectives	• Divisional costs • Customer service • Divisional projects • Internal processes	• Operational excellence • Customer value

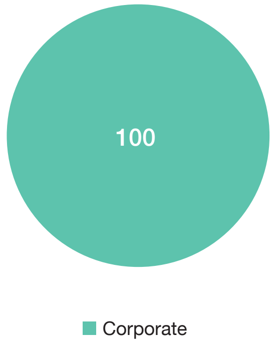
Long-term incentive criteria		Strategic priority
Corporate objectives	• Return on capital employed • Strategic long-term projects • Human capital projects	• Improve EBIT • Beneficiation and capacity improvement • People engagement

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

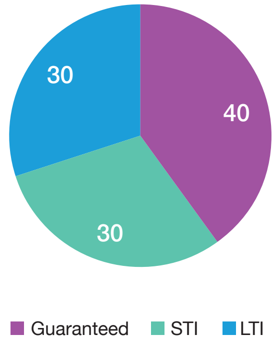
CEO WEIGHTINGS –
SHORT-TERM INCENTIVE
(%)



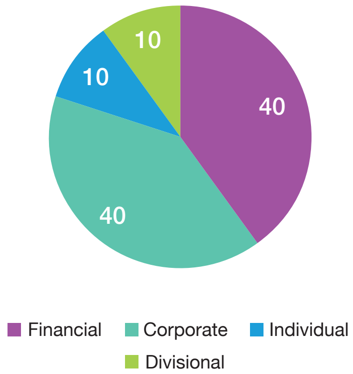
CEO WEIGHTINGS –
LONG-TERM INCENTIVE
(%)



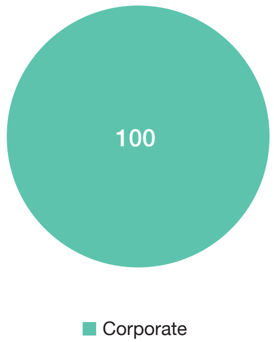
CEO WEIGHTINGS –
ON 100% ACHIEVEMENT
(%)



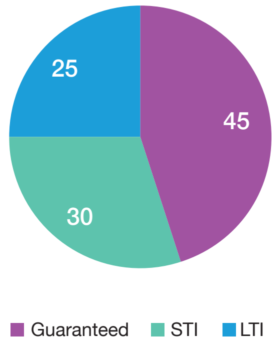
EXECUTIVE WEIGHTINGS –
SHORT-TERM INCENTIVE
(%)



EXECUTIVE WEIGHTINGS –
LONG-TERM INCENTIVE
(%)



EXECUTIVE WEIGHTINGS –
ON 100% ACHIEVEMENT
(%)



Non-executive directors

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

Director	Appointed with effect from	Resigned with effect from	Directors' fees 2020 (R)	Directors' fees 2019 (R)
JR Barton *(Chairman)*		26 March 2019	**–**	508 683
B Godsell *(Chairman)*	27 March 2019		**785 257**	–
RJ Gaveni[1]		4 March 2019	**–**	203 561
VD Mazibuko[2]		26 March 2019	**–**	170 778
NG Nika	3 February 2012		**332 440**	265 705
V Ravichandran[4]	18 June 2015		**35 073**	116 461
VS Sahney[3]		26 March 2019	**–**	246 988
S Subramanian[4]		26 March 2019	**–**	162 951
R Mabusela-Jonga[5]		26 March 2019	**–**	192 671
B Mbomvu		26 March 2019	**–**	240 749
P Mainganya[1]		29 February 2020	**201 209**	261 054
V Pillay	27 March 2019		**432 246**	–
P Ngwenya	27 March 2019		**440 880**	–
D Martin	27 March 2019		**563 289**	–
T Setiloane	24 June 2019		**258 377**	–
Total			**3 048 770**	2 369 601

[1] *IDC Representative – fees accrue to the shareholder.*

[2] *Manyoro Consortium representative – half of the fees accrue to the directors and half to the shareholders.*

[3] *Sun International – fees accrue to the director.*

[4] *CIL representatives – fees are paid to the directors.*

[5] *Half of the fees accrued to AWCA and half to shareholders Manyoro Consortium representative.*

Executive management remuneration

For the year ended 31 March 2020

Rands	Basic salary	Performance bonuses	Contributions to medical aid, pension, life, insurance and UIF	Expenses, allowances, leave encashment	Total
Executive Directors					
CF Rademan[1]	3 960 000	–	2 677	–	3 962 677
JT Palliam[2]	1 055 220	–	125 486	8 095	1 188 801
MA Dindar[3]	1 808 339	–	–	–	1 808 339
Total	6 823 559	–	128 163	8 095	6 959 817
Prescribed officers					
JM Morotoba	3 976 068	–	199 739	109 764	4 285 571
SMS Sibisi[4]	225 880	–	36 090	413 387	675 357
KM Cele[5]	677 567	–	125 086	581 204	1 383 857
K Muruganandam	2 938 483	–	61 122	392 732	3 392 337
G van Wyk[6]	2 176 928	–	449 888	260 443	2 887 259
JMH Kruger[7]	2 200 000	–	2 380	–	2 202 380
Total	12 194 926	–	874 305	1 757 530	14 826 761

[1] Appointed 1 July 2019
[2] Appointed 22 November 2019
[3] Resigned 31 October 2019
[4] Resigned 30 April 2019
[5] Resigned 30 June 2019
[6] Appointed 11 June 2019
[7] Appointed 1 August 2019

For the year ended 31 March 2019

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

FINANCIAL PERFORMANCE

JULIAN THEODORE PALLIAM
Chief Financial Officer

CFO'S REPORT

Financial overview

The 2020 financial was a challenging year as Foskor faced numerous headwinds that hampered the business performance. The protracted work stoppage at the start of the year set the tone of lower production at our Acid Division. The production was further impacted by a boiler failure in September 2019. In effort to preserve cash and to bring balance into the Foskor production ecosystem the Mining division reduced production for 45 days.

Market conditions further hindered revenue as the market prices had dropped off compared to the prior year.

The resultant impact saw revenue drop by R1.4 billion (26% decrease) year-on-year, while operational costs remained virtually flat. This loss of revenue flowed into the bottom line.

A review of the cash generating units indicated that the assets where impaired by R599 million, primarily driven by the increase of the weight average cost of capital due to the negative macroeconomic conditions at year-end.

The IDC continues to provide financial support to the business.

EBITDA
▼ **656%**
to (R1.1 billion)
(2019: R200 million)

REVENUE
▼ **26%**
to R4.0 billion
(2019: R5.4 billion)

Key drivers

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

Sensitivity analysis

Key driver	Movement	EBIT impact
Exchange rate	**R1 per US dollar**	**R193 million**
Phosphoric acid	**$10 per ton**	**R20 million**
Granular	**$10 per ton**	**R38 million**
Rock export	**$10 per ton**	**R85 million**
Sulphur	**$10 per ton**	**R62 million**
Acid plant efficiency	**1%**	**R22 million**

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

Exchange rates

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

During the year, the Rand averaged R14.58 to the USD; this is 7% weaker than the average of R13.61 recorded in 2019.

The Rand weakened towards the end of the financial year and closed at R17.47 (2019: R14.67).

Commodity prices

Selling prices

There was an improvement on commodity price on Rock and Magnetite while Phosphoric Acid and Granular Fertilisers reduced as an impact of the trading conditions demonstrated by commodities markets.

This had a negative impact on our Phosphoric Acid and Granulation revenues while positively impacting our magnetite and phosphate rock revenues. The average phosphate rock export price increased from US$104 per ton to US$107 per ton in the current year. Average granulation prices reduced by US$84 per ton from US$432 per ton to US$348 per ton, while the average phosphoric acid price reduced by 12% from US$750 per ton to US$663 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 reduced from US$162 per ton in 2019 to US$99 in the current year and average ammonia prices reduced from US$380 per ton to US$311 per ton.

Efficiencies

Production efficiency

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

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

Due to the impact of the strike as well as extended maintenance work carried out during the year under review, the production efficiency reduced from 85% to 76%.

Extracts from the statement of comprehensive income

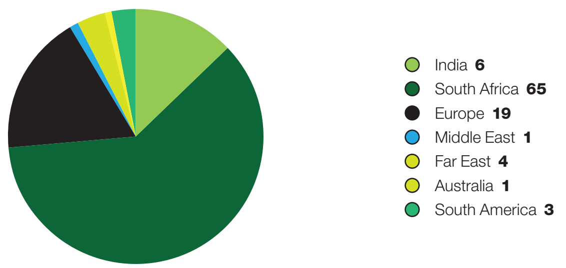
R million	2020	2019	% change
Revenue	**3 997**	5 429	(26)
Cost of sales	**(4 419)**	(4 461)	1
Gross profit	**(422)**	968	(144)
Distribution expenses	**(849)**	(930)	9
Administration expenses	**(280)**	(278)	(1)
Other operating income	**114**	90	26
Loss from financial assets measured at fair value	**(10)**	–	(100)
Impairment losses on non-financial assets	**(599)**	–	(100)
Impairment of financial assets for expected credit losses	**(34)**	(5)	(537)
Gains on derecognition of financial assets	**2**	–	(100)
Earnings before interest and tax (EBIT)	**(2 078)**	(155)	(1 238)
Net finance expense	**(210)**	(98)	(114)
Net foreign exchange gain/(loss)	**21**	(128)	(116)
Loss before tax	**(2 267)**	(381)	(495)
Income tax credit	**636**	192	231
Loss for the year	**(1 631)**	(189)	(763)
EBITDA	**(1 115)**	200	656

Revenue

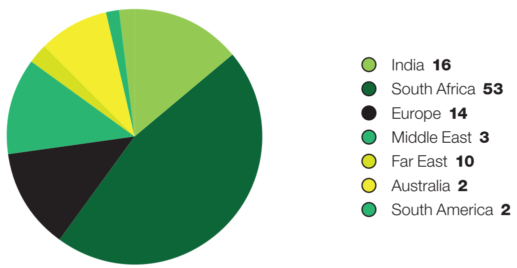
Group revenue decreased by 26% to R4.0 billion (2019: R5.4 billion). The decrease is as a result of lower sales volume in the current year. This was partly offset by higher revenue from the weaker exchange rate. Phosphoric Acid accounted for 33% (2019: 48%) of revenue, granular accounted for 33% (2019: 25%) of total revenue, while rock contributed 26% (2019: 17%) towards total revenue. Magnetite's contribution towards total revenue decreased from 2% in 2019 to 0.5% in 2020. Other sales comprising Sulphur, Sulphuric Acid accounted for 7.5% (2019: 8%). Exports accounted for 35% (2019:47%) of the Group's revenue in the current year.

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

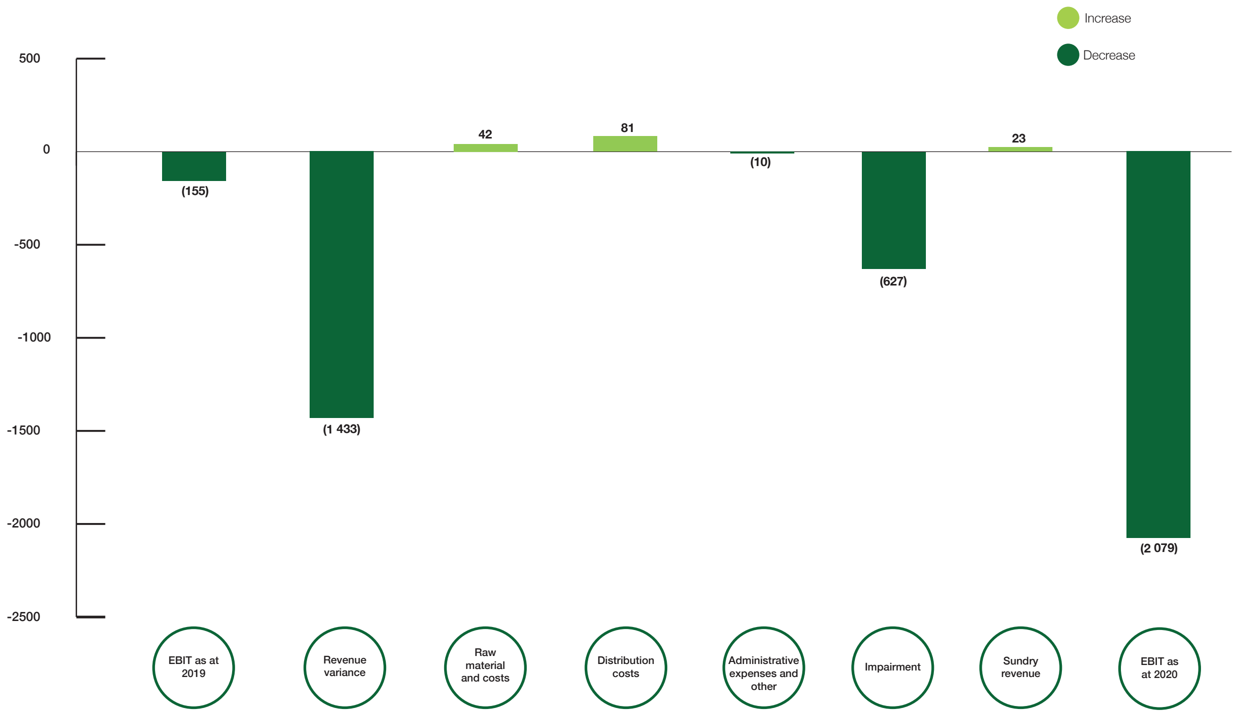
2020 GEOGRAPHIC REVENUE SEGMENTATION (%)



2019 GEOGRAPHIC REVENUE SEGMENTATION (%)



CHANGE IN OPERATING PROFIT YEAR-ON-YEAR (Rm)



Production costs

The Acid Division Phosphoric production costs increased by US$108 per ton from US$765 to US$873 per ton. The increase in production costs is mainly due to lower efficiencies and maintenance issues which results in lower production and higher raw material usage and operating costs per ton of production.

The Mining Division Rock production costs per ton increased by US$9 per ton from US$88 to US$97 per ton in the current year. This is largely due to lower production of 1.651 million tons as compared to the previous year's production of 2.004 million tons.

Impairment

The Group recognised an impairment loss of R599 million as compared to prior year impairment of Rnil relating to property, plant and equipment.

Finance costs

Net finance costs increased from R98 million to R210 million in the current year as a result of the increase in the average debt levels compared to the previous financial year.

Foreign exchange

The net gains resulting from foreign exchange was R21 million as compared to losses of R128 million in the prior year. These losses resulted mainly from hedging instruments to cover export sales as well as settlement of import purchases at a higher exchange rate as compared to invoicing rate.

Loss for the year

The net loss for the year increased from R189 million to R1.63 billion mainly due to lower revenue, higher cost of sales and lower gross margins earned, lower distribution costs, higher interest expense partly offset by foreign exchange gain and sundry income as compared to the previous year.

Financial position

Summary statement of financial position*

R million	2020	2019	% change
Assets	**8 199**	8 400	(2)
Equity	**3 578**	5 137	(30)
Liabilities	**4 621**	3 264	(42)

Equity

During the year, the Company issued additional 213 class D shares to the value of R150 million. The shares have a preferential right to dividends over ordinary shares and the required rate of return is an after tax IRR of 10.5%.

Funding

R million	2020	2019	% change
Long-term loans	**(2 464)**	(1 182)	(108)
Short-term loans	**(236)**	(300)	21
Cash	**358**	325	10
Net debt (R'm)	**(2 342)**	(1 157)	(102)

Foskor has a R3 billion long-term interest-bearing facility with IDC. The purpose of the loan was for working capital and capital expenditure. The Group entered into a debtors' factoring agreement with Absa in 2016 whereby Foskor debtor's book (excluding foreign debtors) was ceded to Absa. The facility is valid for a period of 12 months and renewable annually at the discretion of the bank. Foskor has short-term facilities of R420 million (2019: R555 million) available from commercial banks.

Working capital

R million	2019	2018	% change
Inventory	**1 634**	1 763	(7)
Trade and other receivables	**606**	722	(16)
Trade and other payables	**(940)**	(1 059)	11
Working capital requirement	**1 300**	1 426	(9)

Working capital decreased by 9% from R1.43 billion in 2019 to R1.3 billion in the current year. This is largely due to a R129 million decrease in inventory and R119 million decrease in trade and other payables. The decrease in trade and other receivables is due to lower production and sales in March 2020 at the Acid Division. Our working capital requirements were financed through cash on hand and long- and short-term funding facilities.

Cash flow

Cash flow statement extracts*

R million	2020	2019	% change
Cash (utilised by)/generated from operations	**(815)**	178	(558)
Cash utilised by operating activities	**(918)**	(46)	(1 900)
Cash used in investing activities	**(323)**	(494)	35

The R815 million cash utilised by compared to the previous year is mainly due to the increase in losses as well as the reduction in trade receivables and inventory offset by the reduction in trade payables. Trade receivables decreased from R515 million in 2019 to R447 million in 2020 due to lower production and sales at year-end. Raw Materials decreased by R101 million from R343 million in 2019 to R242 million in 2020. Finished goods also increased by R355 million from R396 million in 2019 to R751 million in 2020. Cash utilised by operating activities increased from R46 million utilisation to R918 million utilisation mainly due to operating loss in the current year. Cash used in investing activities reduced by R171 million to R323 million mainly due to lower investment in capital expenditure incurred in the current year.

Outlook

The global economic market remains uncertain. The impact of COVID-19 is still being felt and positive cases continue to increase. The various levels of lockdown and restrictions create further uncertainty at this time.

Commodity prices have increased at the start of the financial year 2021 with Phosphoric acid prices moving from a low of $590 per ton to $625 per ton. The pricing remains volatile at present given the global macroeconomic conditions. There has been a reduction in sulphur prices a key input material in the short term. The current weakening of the rand also supports Foskor's turnaround plan.

The focus on relentless execution at an operation level of the turnaround plan is well under way. In the first quarter of the current financial year production both at the mining and acid division remained broadly in line with budget production despite impact of COVID-19. The production in the Acid Division is currently being hampered by the sharp increase in COVID-19 cases in the area, the Mining Division remains on budgeted production level.

We remain steadfast in our approach to deliver the turnaround of Foskor and tare confident that these efforts will see a much improved financial performance .

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

SUMMARY OF FINANCIAL STATEMENTS

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

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

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

Basis of preparation

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

They do not include all the information required for the full annual financial statements and should be read in conjunction with the consolidated annual financial statements for the Group as at the year ended 31 March 2020. 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 2020.

Key estimates and areas of judgement

The preparation of the summarised 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 summarised 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 2020.

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 JT Palliam 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 2020 consolidated annual financial statements have been audited by the Group's joint external auditors, SizweNtsalubaGobodo Grant Thornton Incorporated and Nexia SAB&T Incorporated.

The individual auditors assigned to perform the audit are Mr V Mtholo and Mrs C Chigora.

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

Audit report opinion

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

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

R'000	Notes	2020	Restated[1] 2019
ASSETS			
Non-current assets			
Property, plant and equipment		**4 226 182**	4 803 214
Intangible assets		**9 393**	6 406
Investment in joint venture		**25**	25
Investment in associate		**–**	–
Financial investments		**297 007**	271 485
Deferred tax assets		**1 060 122**	423 465
		5 592 729	5 504 595
Current assets			
Inventories	1	**1 633 894**	1 762 570
Trade and other receivables		**605 995**	722 449
Derivative financial instruments		**8 460**	–
Cash and cash equivalents	2	**357 673**	324 887
		2 606 022	2 809 906
Total assets		**8 198 751**	8 314 501

R'000	2020	Restated[1] 2019
EQUITY AND LIABILITIES		
Equity attributable to owners		
Ordinary shares	**4 170 979**	4 020 795
Share premium	**132 013**	132 013
Retained earnings/(losses)	**(1 028 777)**	594 242
Share-based payment reserve	**303 914**	303 914
Total equity	**3 578 129**	5 050 964
Liabilities		
Non-current liabilities		
Finance lease liability	**4 105**	5 401
Environmental rehabilitation liability	**639 750**	523 155
Employee share-based payment liability	**880**	1 322
Long-term legal liability	**88 084**	–
Long-term interest-bearing loans	**2 464 226**	1 182 464
Retirement benefit obligations	**121 726**	129 929
	3 318 771	1 842 271
Current liabilities		
Trade and other payables	**940 349**	1 058 523
Short-term legal liability	**40 000**	–
Short-term interest-bearing loans	**236 046**	299 673
Current tax liability	**532**	652
Finance lease liability	**2 075**	1 628
Derivative financial instruments	**28 132**	21 864
Provisions	**54 717**	38 926
	1 301 851	1 421 266
Total liabilities	**4 620 622**	3 263 537
Total equity and liabilities	**8 198 751**	8 314 501

[1] *Restated for charges in accounting policy on magnetite inventory.*

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2020

R'000	2020	2019
Revenue	**3 996 509**	5 429 057
Cost of sales	**(4 419 406)**	(4 461 491)
Gross (loss)/profit	**(422 897)**	967 566
Distribution expenses	**(849 280)**	(930 386)
Administrative expenses	**(279 734)**	(277 998)
Other income	**114 352**	90 701
Losses from financial assets measures at fair value	**(10 242)**	–
Impairment losses on non-financial assets	**(599 381)**	–
Impairment of financial assets for expected credit losses	**(33 544)**	(5 265)
Gains on derecognition of financial assets	**2 247**	–
Operating loss before interest and tax	**(2 078 479)**	(155 382)
Finance income	**40 024**	33 145
Finance costs	**(249 703)**	(131 263)
Net foreign exchange gain/(loss)	**20 587**	(127 765)
Loss before taxation	**(2 267 571)**	(381 265)
Income tax	**636 373**	192 280
Loss for the year	**(1 631 198)**	(188 985)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligation, net of tax	**8 461**	8 064
Other comprehensive income for the year, net of tax	**8 461**	8 064
Total comprehensive loss for the year	**(1 622 737)**	(180 921)

ABRIDGED GROUP STATEMENT OF CASH FLOW

for the year ended 31 March 2020

R'000	2020	2019
Cash flows from operating activities		
Cash (utilised by)/generated from operations	**(815 036)**	177 797
Interest received	**39 678**	19 102
Interest paid	**(149 276)**	(115 044)
Realised foreign exchange gain/(loss)	**20 587**	(127 765)
Foreign exchange derivatives	**(14 046)**	–
Income taxes paid	**(115)**	(2)
Cash utilised by operating activities	**(918 208)**	(45 912)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(283 675)**	(467 681)
Purchase of intangible assets	**(6 410)**	(2 083)
Purchase of financial investment held in the environmental rehabilitation trust	**(35 011)**	(26 300)
Repayment from Richards Bay Ammonium Consortium	**2 500**	2 500
Cash used in investing activities	**(322 596)**	(493 564)
Cash flows from financing activities		
Issue of class D shares	**150 184**	635 293
Repayment of finance lease liability	**(4 673)**	(1 823)
Proceeds of long-term interest-bearing loan	**1 191 706**	214 829
(Repayment)/proceeds of short-term interest-bearing loan	**(63 627)**	(258 618)
Net cash from financing activities	**1 273 590**	588 407
Net increase in cash and cash equivalents	**32 786**	48 931
Cash and cash equivalents at the beginning of the year	**324 887**	275 956
Cash and cash equivalents at end of the year	**357 673**	324 887

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020

R'000	Share capital	Share premium	Retained earnings/ (losses)	Share-based payment reserve	Total
Balance at 31 March 2018	3 385 502	132 013	554 543	303 914	4 375 972
Remeasurement of magnetite inventory	–	–	220 620	–	220 620
Restated balance at 1 April 2018[1]	3 385 502	132 013	775 163	303 914	4 596 592
Class D shares issued	635 293	–	–	–	635 293
Loss for the year	–	–	(188 985)	–	(188 985)
Other comprehensive income					
Post-employment benefit obligation remeasurements	–	–	8 064	–	8 064
Total comprehensive loss for the period	**–**	**–**	**(180 921)**	**–**	**(180 921)**
Restated balance at 31 March 2019	**4 020 795**	**132 013**	**594 242**	**303 914**	**5 050 964**
Restated balance at 1 April 2019	**4 020 795**	**132 013**	**594 242**	**303 914**	**5 050 964**
Adjustment on initial application of IFRS 16	**–**	**–**	**(282)**	**–**	**(282)**
Class D shares issued	**150 184**	**–**	**–**	**–**	**150 184**
Loss for the year	**–**	**–**	**(1 631 198)**	**–**	**(1 631 198)**
Other comprehensive income					
Post-employment benefit obligation	**–**	**–**	**8 461**	**–**	**8 461**
Total comprehensive loss for the period	**–**	**–**	**(1 622 737)**	**–**	**(1 622 737)**
Balance at 31 March 2020	**4 170 979**	**132 013**	**(1 028 777)**	**303 914**	**3 578 129**

1 *Restated for changes in accounting policy on magnetite inventory.*

SELECTED EXPLANATORY NOTES
TO THE ABRIDGED GROUP ANNUAL FINANCIAL STATEMENTS

R'000	GROUP 2020	GROUP Restated 2019
1. Inventories		
Phosphate rock	**169 829**	207 622
Raw materials	**242 264**	342 859
Finished goods	**751 206**	702 615
Spares and consumable stores	**470 595**	509 473
Total inventories	**1 633 894**	1 762 570

The value of inventory write-down to net realisable value in the current year is R13.3 million (2019: R5.2 million).

Finished goods include magnetite which has been brought in due to a change in accounting policy.

R'000	GROUP 2020	GROUP Restated 2019
2. Cash and cash equivalents		
Cash at bank and on hand	**357 673**	324 887
Cash and cash equivalents	**357 673**	324 887

3. Commitments

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

R'000	GROUP 2020	GROUP Restated 2019
Property, plant and equipment	**49 016**	95 349
Total capital commitments	**49 016**	95 349

Operating lease commitments

The future minimum lease payments payable under non-cancellable leases are as follows:

R'000	GROUP 2020	GROUP Restated 2019
Payable not later than one year	**–**	300
Payable later than one year and not later than five years	**–**	–
Total lease commitments	**–**	300

Operating leases have been capitalised on adoption of IFRS 16 leases.

4. Group segmental reporting

4.1 Segment information

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

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

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

	PHALABORWA		RICHARDS BAY		
R'000	Phosphate rock 2020	Magnetite 2020	Phosphoric acid 2020	Granular 2020	Total
Total segment revenue	2 985 208	15 386	1 643 368	1 310 544	5 954 506
Local revenue	2 074 719	15 386	1 150 681	1 310 544	4 551 330
Export revenue	910 489	–	492 687	–	1 403 176
Inter-segment revenue	(1 957 997)	–	–	–	(1 957 997)
Revenue from external customers*	1 027 211	15 386	1 643 368	1 310 544	3 996 509
Earnings before interest and tax (EBIT)	(38 950)	(5 900)	(1 287 093)	–	(1 331 943)
Depreciation and amortisation	(242 512)	–	(117 880)	–	(360 392)
Impairment charge	(599 381)	–	–	–	(599 381)
Reportable segment assets	4 275 713	–	3 001 064	–	7 276 776
Capital expenditure for reportable segment non-current assets	176 100	–	99 611	–	275 711
Reportable segment liabilities	739 408	–	1 244 011	–	1 983 419

** Revenue from unreported segments amounts to R2.3 million and included in Phosphoric Acid.*

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

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

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

R'000	2020	2019
Segmental earnings before interest and tax (EBIT)	(1 331 943)	(14 237)
Net corporate and subsidiaries expenses	(746 536)	(141 145)
Finance income	40 024	33 145
Finance costs	(249 703)	(131 263)
Net foreign exchange gain/(losses)	20 587	(127 765)
Group loss before tax	**(2 267 571)**	(381 265)

4. Group segmental reporting continued

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

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

	GROUP	
R'000	**2020**	**2019**
Segment assets for reportable segments	**7 276 776**	7 519 240
Unallocated:		
Deferred tax asset	**1 060 122**	509 261
Derivative financial instruments	**8 460**	–
Other assets	**(146 607)**	371 796
Total group assets per the statement of financial position	**8 198 751**	8 400 297

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

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

Segment liabilities for reportable segments	**1 983 419**	1 871 751
Unallocated:		
Corporate and subsidiary liabilities	**2 637 203**	1 391 786
Total Group liabilities per the statement of financial position	**4 620 622**	3 263 537

OPERATIONAL PERFORMANCE

MINING DIVISION

Key achievements

Improved safety record

- ZERO fatalities
- Lost Time Injury Frequency Rate (LTIFR) lower at 0.20
- 40% reduction in injuries

Environmental management

- Two environmental incidents occurred and reported with no significant impact or penalty

Improved production efficiencies

- Production efficiencies improved to 75.97% (2019: 73.84%)
- No production loss due to labour strikes or community unrest

Retained SHEQ integrated management systems

- All Management System Certifications retained (ISO: 14001:2015, ISO: 9001:2015 and SANS 16001)
- Successfully converted OSHAS 18001:2008 to ISO 45001:2018

Successful implementation of key strategic initiatives and projects

- Continuation of mining fleet replacement programme with delivery of a new primary loader (October 2019) to continue the replacement of the aging fleet
- Major refurbishments projects of the South Pit crusher and tertiary crusher hoppers completed in March 2020
- Implementation of initiatives to reduce product losses and improved production efficiencies at the end of March to 75%

Infrastructure and development projects

- Construction of silt collection pond is 93% complete (environmental compliance: Water Use Licence requirement)
- Project to demolish old civil infrastructure (old redundant flotation plant) that created a safety risk is 99% completed and safety risk eliminated

Challenges

Decreased production

Production of Phosphate 17.64 % lower than 2019. Impacted by:

- Failure of Ext 8 mill gearbox in December 2018 (Successfully repaired in October 2019
- Section 54 Notice of Suspension after a fall from height incident on 22 July 2019
- Drilling performance of primary drilling contractor
- 42-day production stoppage due to reactor failure in the Foskor Acid Plant in Richards Bay

Production risk

- Age of processing equipment at Secondary Crusher Plant
- Slower than planned replacement of mining primary loaders
- Reliability and suitability of drilling contractor fleet

Overview

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

The Mining Division continues to grow its magnetite business. Recent advances in iron ore smelter technology have increased the demand for magnetite. Although magnetite is no longer present in the pyroxenite ores excavated from the two mines, Foskor has sufficient stockpiled resources to capitalise on the increased demand from China. The Joint Venture project to beneficiate stockpiled magnetite was put on hold and subsequently put under business rescue to resolve a funding dispute with one of the shareholders.

Mine performance

Mining performance

The Mining Division mined a total of 23.13 million tons of material in 2020 (2019: 27.53 million tons), resulting in 10.20 million tons of waste (2019: 10.63 million tons) and 12.92 million tons of ore (2019:16.89million tons). The processing facility treated 11.81 million tons of ore, 20.71% lower than 2019. Run-of-mine (ROM) feed grades is unchanged at 6.81% P2O5 (2019: 6.82%).

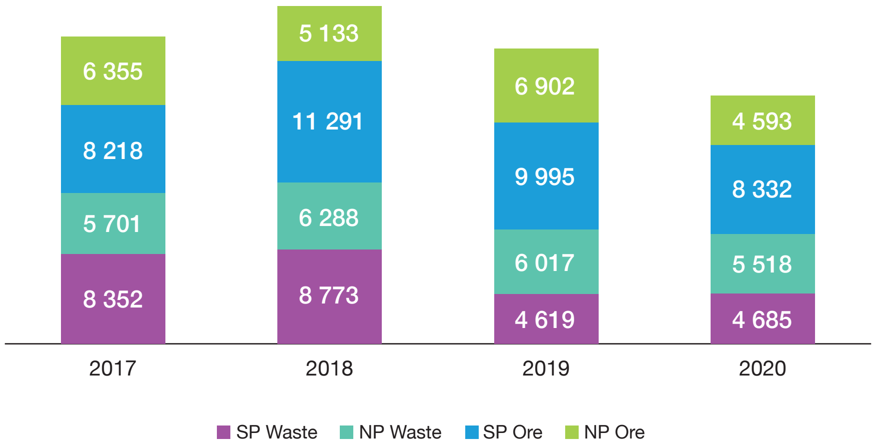
Production performance

The overall processing efficiency was higher at 75.97% (2019: 73.84%). Total production for 2020 was 17.64% lower than 2019 at 1.650 million tons concentrate (2019: 2.004 million tons). Lower production was mainly as a result of the Extension Dry Mill 8 gearbox failure that occurred in December 2018 that was only successfully commissioned in October 2019 (102 kt), a Section 54 stoppage during the Extension 8 plant annual shutdown (29 kt) after a fall from height incident that resulted in a LTI and the suspension of production at the Mining Division after the reactor failure at the Foskor Richards Bay plant (250 kt).

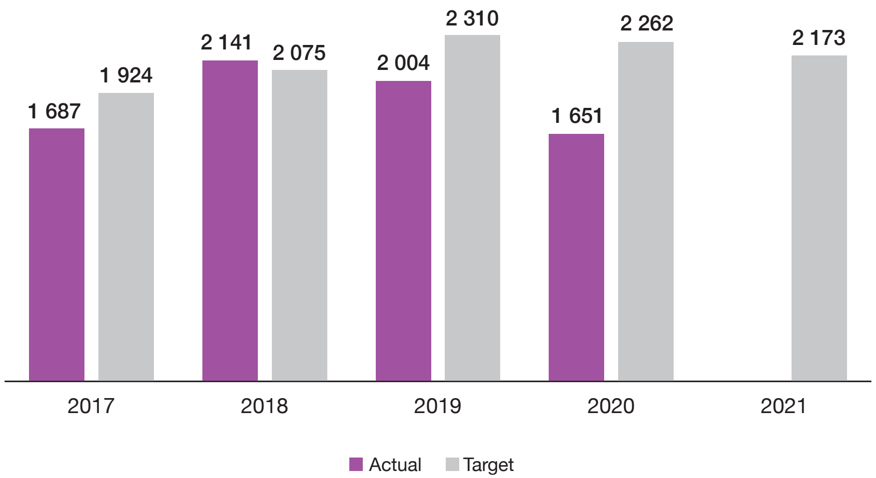
Production throughput was also impacted by lower efficiencies of the primary and secondary drilling contractors.

While the age of some of the Mining Divisions secondary crusher plants still pose a production risk pending replacement and upgrade, crusher reliabilities have remained stable.

PERFORMANCE PER MINE (K TONS MINED)



ROCK PRODUCTION MINE (K TONS PRODUCED)



Product distribution

The Division dispatched 1.68 million tons of rock concentrate to the Foskor Acid Division, export and local customers (2019: 1.97 million tons) or 14.72% lower compared to the 2019 dispatches. This is 28.1% lower than the 2020 target of 2.33 million tons. Decreased rock concentrate intake at the Foskor Acid Division compared to 2019 resulted in the lower dispatches from the mine.

Total product railed to the Acid Division was 1.08 million tons (2019: 1.303 million tons) compared to the 2020 target of 1.69 million tons.

Phosphate railed to Maputo harbour for export was 190 649 tons (2019: 335 417 tons) compared to 2020 target of 260 000 tons. Lower distribution cost through the Richards Bay port resulted in reduced distribution through Maputo.

Product railed to Richard Bay for export was 353 568 tons (2019: 302 728 tons) compared to a target of 260 000 tons. Phosphate railed to other local customers was 58 534 tons (2019: 28 128 tons) compared to 2020 target of 120 000 tons.

The Division dispatched none of its own magnetite in 2019 via train. The magnetite dispatches from the Division on behalf of other companies a per agreement was 1 313 024 tons. The majority of magnetite stockpiled is kept for future magnetite beneficiation and sales at better profit margins.

Addressing production challenges

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

Lower production throughput as a result of a shortfall in loading capacity and reliability of aging mining fleet, improving fragmentation	CAPEX to the value of R47 million has been spent in the 2019/20 financial year to continue the previously approved aging mining fleet replacement programme. The first of the primary loader replacement was completed with the delivery of a new loader in October 2019. Replacement of the aging fleet continues with the focus on support equipment and loaders. To minimise CAPEX requirements rental of certain mining equipment will also be considered for the new financial year. Specific focus will also be fragmentation improvement through drilling and blasting optimisation.
Reliability of the crushing circuits due to age of the infrastructure	The crusher replacement and renewal programmes are continuing and projects has been identified and CAPEX allocated for the 2020/21 financial year as part of a three-year renewal programme. Critical spares have been sourced and various crusher equipment and components have been replaced. Risk and condition based maintenance programmes will continue to be a key focus to stretch the life of current equipment while projects are implemented to ensure sustainability.
South Pit Haul Road closure due to PMC pit subsidence impact	The detail design to reinstall buffer stockpile capacity between the South Pit mine and secondary crusher train has been completed. This project will form part of the crusher replacement and optimisation programme.
Efficiency improvements	Production efficiencies has improved from 73.84% to 75.97% through a reduction in process losses. The focus now will be process stability through consistent supply of material from the mine. Circuit changes to further improve recoveries is considered although this is currently only in concept phase and a project for the medium term.
Performance of outsourced functions	Underperformance of key outsourced operational functions negatively impacted production. The Division has reviewed the vendor selection process and changed procedures to include a much more robust risk assessment step in the technical review and adjudication steps of the procurement processes. A project was initiated in Q4 of the 2019/20 year to review all key outsourced contracts and performance to contract conditions.

Mine and mineral content quality

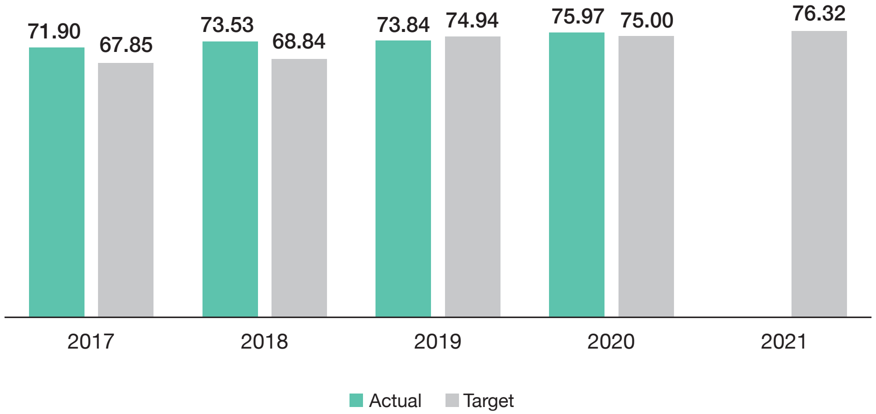
Run-of-Mine (ROM) feed grades remained constant at 6.81% 2019: 6.82%).

Total weighed phosphate rock recovery for the year was 75.97%, compared to 73.84% in 2019. This is expected to improve in the 2020 financial year due to further improvement initiatives to be implemented.

The combined stripping ratio (the amount of waste material required to be mined in order to extract ore) for the two mines was 0.80 (2019: 0.68) compared to a target of 0.87.

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

TOTAL P_20_5 RECOVERY (%)



Production performance

Production* performance per stream

STREAM	Product grade % P_2O_5	2018 (tons)	2019 (tons)	2020 (tons)	Targeted (tons)	% of target
F-Bank concentrate		1 052 805	1 050 705	**903 178**	1 139 562	79.26
DSF concentrate		542 143	523 791	**477 090**	559 907	85.21
Extension 8 concentrate		546 234	422 147	**270 092**	562 532	48.01
Other recoveries		–	–	**343**	–	–
Total Palfos B production		2 141 182	2 004 219	**1 650 703**	2 262 001	72.98
Palfos R		–	–	**–**	–	–
Total production	**36.99**	**2 141 182**	**2 004 219**	**1 650 703**	**2 262 001**	**72.98**

** Calculated weighted production per stream.*

Production of final product decreased by 17.64% to 1.650 million tons (2019: 2.004 million tons).

Occupational health and safety

ZERO fatalities were recorded in the Mining Division during the financial year. One of the five lost time injuries resulted in partial disability of the injured after a falling from height incident. One lost time injury was as a result of a security employee assaulted by copper thieves.

The Department of Mineral Resources (DMR) conducted 15 safety audits of which 12 resulted in localised section 54 instructions of which two resulted in direct production loss. Foskor continues to foster a positive relationship with DMR and supports the goal of ZERO harm. In quarter four of 2020 Foskor re-launched its Life Saving Rules initiative to improve the safety culture and create safety awareness.

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

The number of injuries recorded for the year was 16 (2019: 27). The All Injury Frequency Rate (AIFR) was 0.83 (2019:1.19). Trackless Mobile Machinery (vehicle-related) incidents have increased to 33 (2019: 27). No injuries resulted from any vehicle related incident. Five (5) Lost Time Injuries (LTIs) occurred compared to the six (6) in 2019. The LTIFR was 0.20 (2019: 0.22) calculated based on the 200 000 man-hour method of calculation.

The division retained the SANS 16001 AIDS management certification and successfully converted OHSAS 18001 to ISO 45001 safety management during the annual Management System audits.

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

SHREQ focus for 2020/21 will be promoting the 7 Life Saving Rules, Risk Assessment & Clearance Certificates, working at Heights, Lifting Operations, Confined Space Entry, Positive

Energy Isolation and Lock Out, Moving Machinery, Personal Protective Equipment.

The occupational health of our employees is high priority and through annual medical surveillance, monitoring employee health status ensures proactive management and reduction of risks, health awareness focus will continue to focus on diabetes and hypertension. The increase in diabetes cases has reduced while that for hypertension has increased. Number of employees diagnosed with hypertension has increased to 51 (2019: 47) and those with diabetes increased to 39 (2019: 37). New noise induced hearing loss cases for the year was two with a total of 19 employees diagnosed with noise induces hearing loss.

The divisional safety goal remains zero harm to all stakeholders.

Environmental management

Biodiversity and environmental management

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

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

The Mining Division has retained both its ISO 9001 Quality and ISO 14001 Environmental certification. Our environmental management system is externally audited on an annual basis. The Mining Division operates with an up to date and approved Environmental Management Programme that is reviewed annually for compliance. As required by section 41 of the MPRD, Foskor has provided sufficiently for both scheduled and unscheduled mine closure and is implementing changes to ensure compliance to the new rehabilitation requirements as per the National Environmental Management Act, due in February 2021.

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

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

Fresh water usage

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

Water seepage is an unavoidable aspect of open-cast mining. In order to regulate the impact of our mining activities on underground water, continuous monitoring of underground water resources is done. All plant surface run-off water is captured and stored for re-use onsite Van Ryssen catchment dam. The current construction of a silt recovery pond will further improve water quality and reduce seepage. The project will be completed in Q2 of the next financial year.

Effluent and tailings dams

More focus has been placed on Tailings Dam management during Q4 of the year subsequent to significant rainfall during the 2019/20 rain season that has resulted in wash-aways on the lower levels of the Foskor Selati tailings dam.

Water levels on all tailings dams are still within safe operating margins and the freeboards on the dams are more than adequate to satisfy mandatory requirements. Gullies left on lower levels of the dam are currently being repaired after heavy rains. The independent quarterly review of the Foskor tailings dams was completed in Q4 of the financial year and the dams were found to be safe to operate while priority should be given to fill the gullies created by the recent heavy rain.

Air quality

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

Reportable environmental incidents

There were no major reportable environmental incidents during the financial year that resulted in consequential damages or penalties.

Sustainability performance data

Performance Data – Human, Natural and Social capital

	2020 Actual	2020 Target	2019	2018	2017	2016	2015	Level of assurance
People								
Employee numbers	**1 346**		1 348	1 381	1 381	1 338	1 311	
Recruitment	**67**		32	61	44	72	61	
Unionised labour	**92.9%**		90%	92.5%	93.4%	81.0%	88.1%	
Employee turnover	**4.5%**		6.1%	5.4%	6.7%	6.3%	5.5%	
Skills development								
Training and development (R)	**3 754 980**	**5 430 533**	4 579 169	7 975 035	2 197 744	2 807 017	7 532 399	
Learnerships (number)	**233**	**303**	212	183	175	147	68	
Learnerships (R)	**3 693 558**	**5 251 473**	9 211 665	4 325 373	5 090 640	2 110 000	4 189 888	
Bursaries (R)			1 001 057	165 000	920 000	1 162 864	1 405 832	
Bursaries	**19**	**19**	21	3	9	15	4	
Safety								
Fatalities	**0**	**0**	0	0	1	0	0	High
Lost time injuries	**5**	**–**	6	4	6	4	10	High
Lost Time Injury Frequency Rate (LTIFR)	**0.2**	**0.4**	0.22	0.14	0.27	0.17	0.37	High
Occupational diseases (Hearing loss)	**–**	**–**	2	9	2	3	10	High
Man-hours without any lost time injury (millions)	**0.122**	**–**	0.33	0.35	0.44	0.6	0.2	High
Number of section 54 notices issued by the DMR	**12**	**–**	8	4	3	–	4	High
Greenhouse gases energy								
Consumption (kg of CO_2e)	**54 245**		75 480	68 245	52 104	68 929	71 920	Moderate
(Scope 1)[1]	**31 781**		37 228	41 927	55 557	40 546	45 894	Moderate
Diesel (Scope 1)[1]	**141**		179	214	269	230	337	Moderate
Petrol (Scope 1)[1]	**12 187**		633	12 199	11 726	11 326	12 036	Moderate
Water (Scope 1)[2]	**332 955**		412 326	434 666	359 877	375 107	440 057	Moderate
Electricity (Scope 2)[2]								
Total greenhouse gas (CO_2 equivalent)	**419 123**		525 846	557 251	479 533	496 138	570 244	
Water								
Potable water (Municipal) m^3	**398 187**		370 372	369 441	296 219	326 241	262 867	High
Industrial water (Lepelle) m^3	**6 446 320**		5 694 600	6 425 600	6 440 240	6 308 640	6 788 198	High
Total fresh water consumption	**6 842 507**		6 064 972	6 795 041	6 736 459	6 634 881	7 051 065	
Waste management (tons)								
General refuse and waste – registered landfill	**978**		746	550	661	336	380	Moderate
Disposal Uncontaminated steel – scrap sales disposal	**482**		747	759	1 562	1 560	1 439	Moderate
Radiation-contaminated steel – stockpiled onsite disposal	**23**		650	650	710	660	746	Moderate
Hazardous material – registered Enviroserve landfill disposal	**50**		369	55	65	72	62	Moderate

	2020 Actual	2020 Target	2019	2018	2017	2016	2015	Level of assurance
Air quality stations (mg/m²/day)								
Background	**150**	**300**	180	142	120	115	168	High
Residential receptor	**250**	**600**	200	166	147	160	317	High
Industrial receptor	**850**	**1 200**	800	855	613	464	1 137	High
Source monitoring	**1 750**	**2 400**	1 800	1 650	1 243	1 788	2 350	High
Mine rehabilitation								
Closure costs – scheduled (R millions)	**570**		546	589	565	526	478	High
Closure costs – unscheduled (R millions)	**720**		693	684	642	616	596	High
Mineral reserves (million tons)	**1 374**		1 343	1 356	1 376	1 388	1 405	High
Mining area (km²)	**23**		23	23	23	23	23	High
Legal compliance								
Fines, penalties and settlements (number)	**0**		0	0	0	0	0	Moderate
Fines, penalties and settlements (Rands)	**0**		0	0	0	0	0	Moderate
Procurement spend (%)								
Local	**72**	**–**	60	62	59	61	63	High
Other provinces	**27**	**–**	38	36	37	38	37	High
International	**1**	**–**	2	2	4	1	–	High
Procurement spend against mining targets (%)								
Local procurement of capital goods	**80**	**40**	81	57	70	30	35	Moderate
Local procurement of services	**71**	**70**	84	72	66	67	41	Moderate
Local procurement of consumables	**23**	**80**	64	31	62	27	44	Moderate
B-BBEE rating level	**6**	**5**	5	3	5	5	4	High

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

[1] Scope 1 = Direct energy consumption.

[2] Scope 2 = Indirect energy consumption.

Mine resources and ore reserves

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

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

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

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

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

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

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

Resource estimates for the South and North Pyroxenite deposits based on our current geological and resource models shows minerals reserves (proved) as at 31 March 2020:

- **225.3 million tons in the North Pyroxenite deposit (2019: 200.7 million tons)**
- **1 149.3 million tons in the South Pyroxenite deposit (2019: 1 142.4 million tons)**

A Reserve, Resource assessment and classification was conducted by SRK Consulting and the final report issued in March 2020. Reserve and Resource Classification is in line with mining tons for 2018/19.

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

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

Based on current geological and resource models reviewed by SRK Consulting, resources and ore reserves are presented in the table below:

Proven and probable mineral reserves

		2020		2019	
GEOLOGICAL AREA	**Reserves category**	**Reserves (Million tons)**	**% P_2O_5**	**Reserves (Million tons)**	**% P2O5**
North Pyroxenite Pit	Proven	**225.3**	**7.11**	200.7	7.16
	Probable	**0.2**	**6.95**	20.1	6.91
South Pyroxenite Pit	Proven	**1 149.3**	**6.83**	1 142.4	6.78
	Probable	**216.7**	**6.33**	137.8	6.47

Mineral resources

		2020		2019	
GEOLOGICAL AREA	**Reserves category**	**Reserves (Million tons)**	**% P_2O_5**	**Reserves (Million tons)**	**% P2O5**
North Pyroxenite Pit	Measured	**788.2**	**7.16**	781.2	7.13
	Indicated	**203.1**	**6.99**	690.9	6.94
	Inferred	**202.2**	**6.71**	742.1	6.52
South Pyroxenite Pit	Measured	**2 010.3**	**6.55**	2 569.3	6.46
	Indicated	**867.3**	**6.15**	1 317.1	6.15
	Inferred	**1 713.6**	**6.28**	1 713.6	6.11
PMC Active Tailings Dam	Measured	**–**	**–**	238.3	6.70
	Indicated	**–**	**–**	48.8	6.60
	Inferred	**297.0**	**6.40**	9.9	6.40

As a result of changes in the SAMRAC rules for resource classification in so far that there must be reasonable prospects that a recourse can be mined, a portion of the 2019 resource and reserve had to be removed due to the current presence of mine infrastructure on top this resource and hence the reduction in the 2020 classification from 2019.

Mining rights

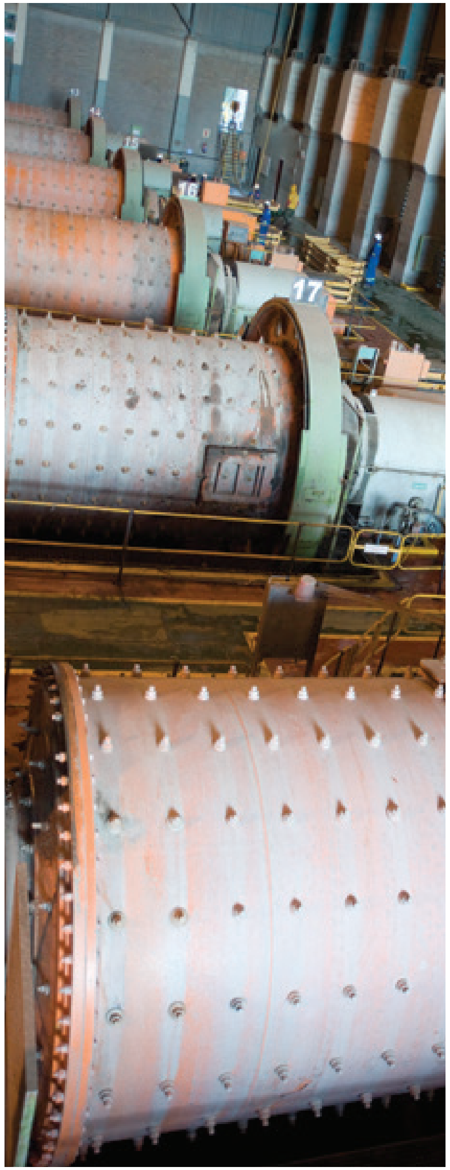
Foskor has been issued all the required mining rights and converted all old order rights as required. Only one new right is still pending approval by the Department of Mineral Resources (DMR). The DMR has confirmed that the Foskor applications are now receiving attention. The outstanding approvals, however, do 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 currently under review by the DMR and confirmation of the review process was received and we are awaiting approval.

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 as per the revised NEMA Act. Golder Associates was appointed by Foskor to review the requirements and submitted a working document to guide Foskor to implement the changes. Currently a separate environmental rehabilitation trust fund and bank guarantees are in place to rehabilitate land in the event of either scheduled or unscheduled mine closures. Closure costs are evaluated annually and sufficient provision has been made for closure cost. Rehabilitation cost provision is made in line with the current requirements of the MPRDA Act, Section 41 and is currently reviewed as per requirements in NEMA Act that becomes enforceable February 2021.



ACID DIVISION

Key achievements

Maintained quality management

- ISO certifications (9001 and 14001) retained. OSHAS 18001 also retained with the transition to ISO 45001 under way.

Asset replacement programme progressing well

- C1 Phosphoric Acid Tank rebuilt completed and the tank taken in use
- 812 Phosphoric Acid Maturation Tank major refurbishment in progress and at 98% completion
- E8 Phosphoric Acid Export Acid Tank major refurbishment completed and the tank taken in use
- Phosphoric Acid Concentration Line 1 new heat exchanger installed
- Phosphoric Acid Concentration Line 2 new heat exchanger delivered
- Sulphuric Acid A Plant replacement Burner fabrication completed and awaiting installation
- Sulphuric Acid B Plant replacement Burner installation completed
- Sulphuric Acid B Plant replacement Cold Heat Exchanger installation completed
- Sulphuric Acid C Plant replacement Cold Heat Exchanger fabrication completed and awaiting installation

Challenges

Major equipment and failures

- Water restrictions remained at Level 3 due to drought conditions
- Major power outages experienced throughout the year
- Failure of C-Plant waste heat boiler tubes
- Poor performance and failures of the Demineralised Water Plant
- High pressure drop across Sulphuric Acid A-Plant converter
- Failure of the reactor in the Old Reaction and Filtration Plant
- Failure of digestion tanks
- Frequent failures of the sea water pump

Industrial action

- Members of NUMSA were on strike from 15 March 2019 to 29 April 2019

Overview

The Acid Division has three sulphuric acid plants, two streams of phosphoric acid plants and a granulation plant to make granular fertiliser products. Major raw materials used in Richards Bay are phosphate rock which is produced at our Mining Division and transported to the Acid Division through rail while sulphur is imported via the port of Richards Bay.

Sulphur is converted into sulphuric acid in the Sulphuric Acid Plant and transferred to the Phosphoric Acid Plant where it is used to digest the phosphate rock to convert it 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

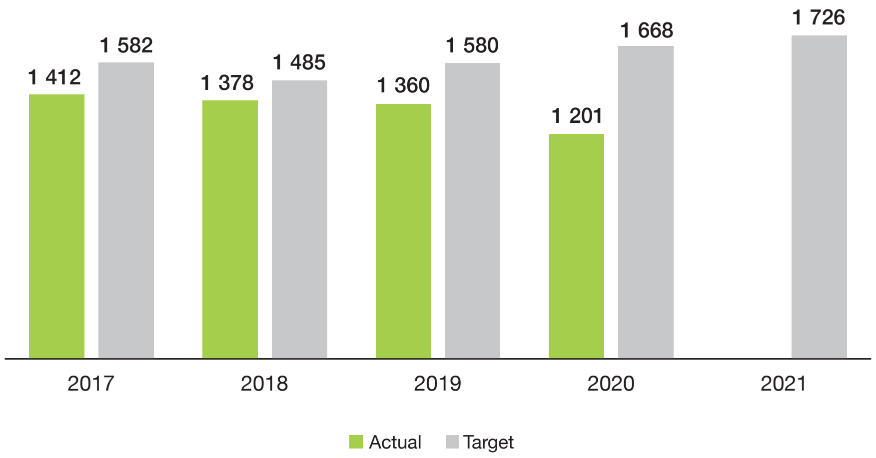
Sulphuric acid

The Sulphuric Acid Plants produced 72% of their target (1 201 214 tons against the target of 1 667 757 tons) for the period ended March 2020. The production was lower than the previous year (2019: 1 359 789 tons).

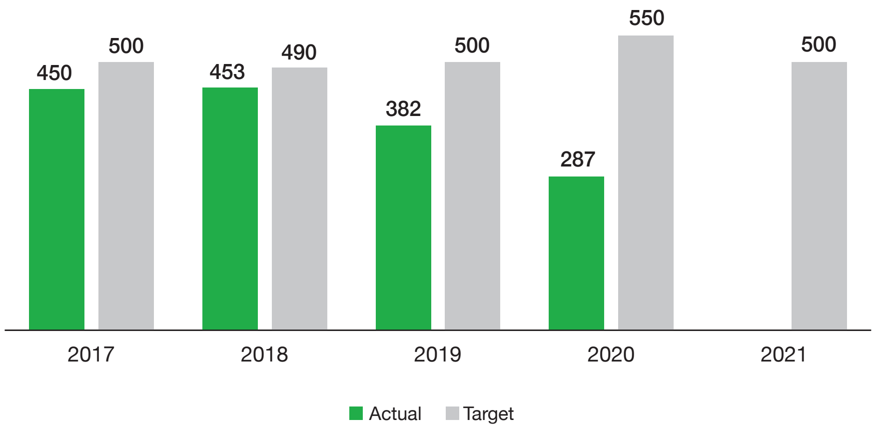
The Sulphuric Acid Plant's capacity was restricted due to mainly, poor performance of the demineralised water plant, power failures, failure of C-Plant Waste Heat Boiler due to high silica in the incoming potable water, extended maintenance shutdown of B- Plant due to industrial action, statutory maintenance shutdown of C-Plant, screening shutdown of A-Plant, high sulphuric acid stocks within the financial year 2019/20, resulting in limited steam supply to the phosphoric acid plant. The risks to the sulphuric acid plant include the original converters and their common stack as well as acid coolers. The plant ran with frequent stoppages due to high stack visibility requiring frequent stoppage to clean the troughs on A & B absorption towers.

During the maintenance shutdown on B-Plant in March/April 2019 a new cold heat exchanger and sulphur burner was installed. A statutory maintenance shutdown was performed on C-Plant in June 2019. The replacement of the Cold Interpass Heat Exchanger was not performed during this shutdown since the unit was still in good condition. The C-Plant Waste Heat Boiler failed in October 2019 and an unplanned shutdown was taken to conduct the tube repairs. Poor performance of A-Plant, resulting from a high pressure drop across the converter, resulted in an unplanned catalyst screening shutdown in January 2020. The performance of the demineralised water plant has been addressed in the procurement of a degasifying tower. The fabrication is in an advanced stage and installation is expected to take place in Quarter 2 of 2020/2021.

SULPHURIC ACID
(K TONS PRODUCED)



PHOSPHORIC ACID
(K TONS PRODUCED)



Phosphoric acid

The phosphoric acid plant produced 287 238 tons against a target of 550 000 tons – this represents 52% of the target. In 2018/2019, the plant produced 382 035 tons of phosphoric acid.

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

- **Reaction and Filtration.** The main restrictions were due to industrial action, frequent failures of the seawater pump, insufficient raw water volume, leaks on the gypsum disposal pipeline, power failures, electrical failures, major leak on the reactor, filter availability and high weak phosphoric acid stocks.
- **Concentration.** Frequent failures of graphite heat exchanger tubes restricted production. However, the main restrictions were caused by shortage of steam due to power failures and restrictions in the Sulphuric Acid plant.
- **Storage Tanks.** The availability of storage tanks improved and repairs to four storage tanks were completed and the tanks returned to service in 2019/2020.
- **Steam Availability.** The power failures, failure of the C-Waste Heat Boiler, delayed B-Plant shutdown due to the industrial action, catalyst screening shutdown on A-Plant and low demineralised water levels at the Sulphuric Acid Plant contributed immensely to the unavailability of enough steam to meet the concentration section demand.
- **Water restrictions.** Due to the drought experienced in the country, especially the Richards Bay area, the Department of Water and Sanitation and the local authority implemented water restrictions to all industries. Despite amending Level 4 water restriction to Level 3, the impact of insufficient levels of water remained a constraint.

Production efficiency

The production efficiency rate for the year was 75.91% against the budget of 91%. Last year, the efficiency achieved was 85.22%.

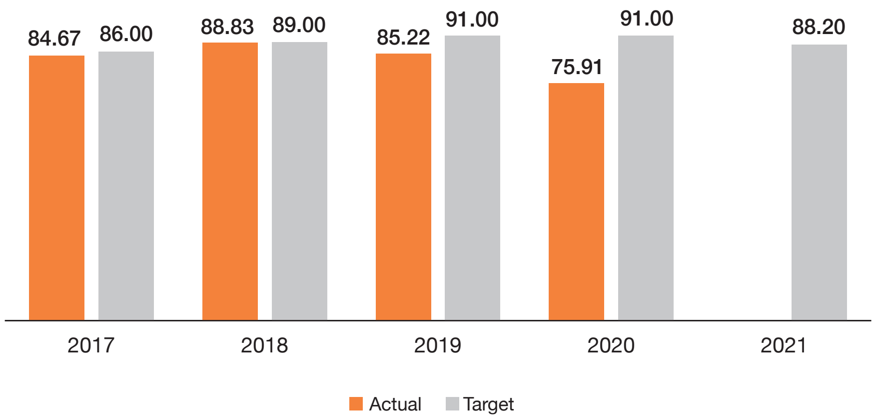
Frequent stopping and starting of the filters and the absence of digestion tanks are the main contributors towards the low efficiency. Rebuild of one digestion tank is 80% complete and another has been demolished for rebuild in 2020/2021.

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

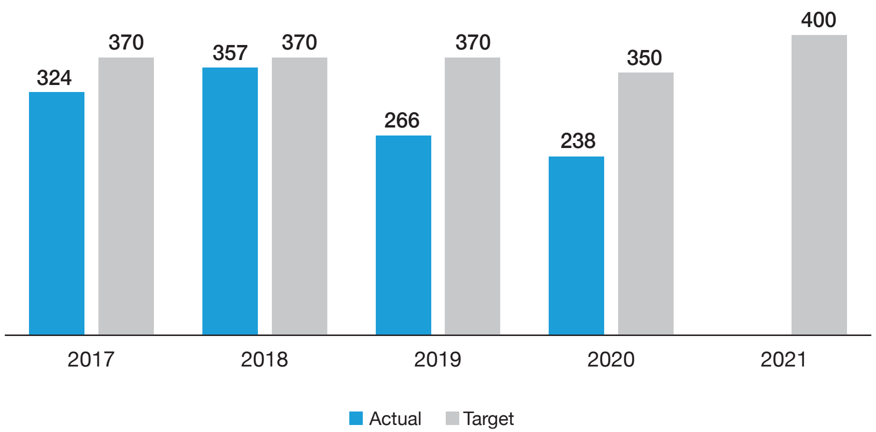
Granulation

Granulation plant production volume gets governed by Phosphoric Acid availability after meeting local supply of the product. Based on the Phosphoric Acid availability, the granulation plant was able to produce 237 718 tons of granulated fertiliser product against the budget of 350 000 tons. The limited supply of Phosphoric Acid to Granulation, strategic marketing decision not to produce granular product, unavailability of steam and power due to power failures as well as industrial action in April 2019, were the main reason for lower production of granulation fertiliser.

P_2O_5 EFFICIENCY (%)



GRANULATION (K TONS)



Asset replacement

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

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

In the Sulphuric Acid Plant priority was the replacement of the Cold Heat Exchangers for both A and B plant and the sulphur burners. The burner and Cold Heat Exchanger in B-Plant replacement was completed in 2019/2020.

In the Phosphoric Acid Plant, the following were completed: 1) Refurbishment of E8 Tank, 2) Repair of E3 Tank, 3) Repair of 831 Tank and 4) Rebuild of C1 Tank.

During the financial year 2020/2021, emphasis will be given to complete the capital projects pertaining to tank repairs and refurbishment and replacement of the burner for A Sulphuric Acid Plant.

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

Asset replacement items	Description	Planned timeline
1 **Replace both pan filters in the old Phosphoric Acid Plant**	The old phosphoric acid plant utilises two pan filters which have passed their useful lifespan and are due for replacement. Major refurbishment of Pan Filter 1 was completed in 2017.	Refurbishment of Pan Filter 2 commenced in the final quarter of the 2018/2019 financial year and was completed in 2019/2020.
2 **Install an additional Phosphoric Acid Clarifier**	Our existing infrastructure consists of two acid clarifiers; a 1 800m^3 clarifier in our old plant and a 3 500m^3 clarifier in our new plant. We recently revised our acid plant configuration in both weak and strong grade phosphoric acid sections. Due to the reconfiguration, we need to improve our clarifier capacity to improve sludge handling and minimise associated acid losses.	The current challenges in the Acid Plant indicated that the requirement for an additional in-process storage tank is of higher priority than an additional clarifier. Construction of the tank was completed in July 2019.
3 **Replace key equipment in the Sulphuric Acid Plants**	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 was completed in December 2017. Depressed market conditions do not warrant full implementation of the feasibility study and a decision was made to request postponement of compliance to 2025 from the authorities.	Key equipment, approaching the end of its life, were identified for replacement to sustain stable plant performance. Fabrication of the Cold Heat Exchanger for C-Plant was completed in May 2019. Installation of the Burner and Cold Heat Exchanger for B-Plant took place during the maintenance shutdown in April 2019. Installation of the Cold Heat Exchanger for C Plant is planned to take place during the maintenance shutdown in 2021. Phase 1 of the repair to the steel structure to the A and B Plant common stack commenced in the third quarter of 2018/2019. The postponement application towards the 2020 air quality compliance was submitted to the authorities in February 2019. Postponement was received in February 2020.

Asset replacement items	Description	Planned timeline
4 **Replacement of heat exchangers in the Phosphoric Acid Concentration Plants**	The aggressive conditions in which the heat exchangers operate require regular maintenance. However, maintenance can only be performed a number of cycles after which the thermal efficiency of the Heat Exchanger requires the replacement of the heat exchanger.	A new heat exchanger for Line 1 was delivered in February 2019 and installation completed in April 2019. A second unit, ordered for replacement of the Line 2 heat exchanger, was delivered in November 2019. Commercial transactions for two units for the Old Phosphoric Acid plant were completed. Orders were placed and delivery is expected in May 2020.
5 **Replace the majority of acid storage tanks**	The majority of our acid storage tanks for sulphuric and phosphoric acid are quite old and have been repaired numerous times. All the old tanks are earmarked for major refurbishment or phased replacement.	Demolition of a molten sulphur tank was completed in March 2018, and construction of a new replacement tank is planned to commence in 2021/2022. The rebuild was postponed due to financial constraints. Refurbishment of one phosphoric acid export storage tank was completed. The refurbishment of a maturation storage tank is 98% complete. Rebuild of a concentrated phosphoric acid storage tank was completed. Repairs to four phosphoric acid tanks were completed in 2019/2020.
6 **Replacement of asbestos roof sheeting**	When the plant was built in the mid-1970s, asbestos was an acceptable material of construction. All roofs of stores and buildings in the plant were covered with asbestos containing roof sheeting due to the corrosive nature of the plant processes and the coastal environment. Health hazards associated with asbestos resulted in legislative requirements to replace asbestos containing materials.	The asbestos replacement programme commenced in 2008 with the replacement of the roof sheeting of the Phosphate Rock Store. The project was completed in December 2009. Replacement of the roof sheeting of the Granular Product Store and Main Workshop followed with completion dates of March 2013 and July 2018 respectively. The roof sheeting of the largest store on site, the Sulphur Store, was completed in December 2018. Replacement of the roof and side sheeting of the Granulation Plant is in progress with 67% completion at end March 2020.

Occupational health and safety

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

Our annual LTIFR of 0.51 was in our target range of less than one, but compared to last year's LTIFR of 0.63, signals a decrease in the number of injuries which indicates a positive trend.

There were four (4) Section 24 incidents reportable to Department of Labour in terms of the OHS Act 85 of 1993.

- The injured climbed down from the pump base of Line 2 new plant concentration. He made impact with his elbow on the floor as he slipped on oil that was on the floor.
- Whilst a contractor employee opened the suction valve flange of 831 Tank, acid sprayed on his face resulting in acid burns to both eyes.
- Whilst a contractor employee was in the process of feeding filter cloth on Belt Filter No. 3, his feet got caught between the belt and dam roller, resulting in an injury.
- The employee injured his left elbow when he slipped and fell in the area of the Incline Conveyor No. 1.

The OHSAS 18001 certification is in place 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
- Insufficient illumination since we operate 24/7 including the night-time
- Biological hazards (Bacteria, fungi and other pathogens).
- Thermal (heat) stress
- Noise
- Poor indoor air quality

Excessive exposure to these hazardous substances and other mentioned stressors may lead to negative health issues and impaired fitness for work. However, we conduct surveys and monitoring for the stressors so risks, if any, are identified at an early stage which in turn enables us to introduce various control measures including engineering control systems, such as gas extraction units. We also do area monitoring to identify the areas of concerns so that we can eliminate the hazards from the source of exposure. The results from the monitoring are shared with management as well as employees. As a final line of defense, it is compulsory for all employees and contractors to wear their full Personal Protective Equipment (PPE) and carry escape respirators inside the plant.

We conduct Baseline Risk Assessments on employee exposure to various biological, chemical and physical stressors in order to establish updated and accurate risk profiles. This is done both qualitatively and quantitatively. Both assessments enable us to identify problem areas and implement suitable controls as required.

The Occupational Medical Practitioner and Occupational Hygiene Technician 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. Furthermore, the reports of the surveys done in the plant are also communicated to the plant section heads responsible for the various departments.

Environmental management

The concept of a carbon footprint captures the interest of businesses, consumers, and policy makers alike. Investors watch the carbon footprint of their portfolios as an indicator of investment risks. Increasing greenhouse gaseous concentration in the atmosphere is perturbing the environment to cause grievous global warming and associated consequences.

This is our eighth 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.

South Africa experiences an increase in energy demand year after year. Hence there is an increased need for business and individuals to decrease their energy intensity potential by development of energy efficient programmes which would ultimately decrease per capita carbon footprint and the carbon footprint of each organisation. Foskor carbon reduction is largely dependent on the effective use of the turbine generator and heat energy efficiency.

Energy consumption and greenhouse gas equivalent emissions per source – 2019/2020

SOURCE	Scope	Annual consumption	Monthly average consumption	Conversion factor kg CO_2e	kg of CO_2-e	% total
Sasol gas – CH4 (GJ)	Scope 1	47 384	3 949	50.1	2 373 938	0.03
Diesel (L)	Scope 1	317 504	26 459	2.67	847 736	0.22
Grid electricity (kWh)	Scope 2	137 395 795	11 449 650	1.03	141 517 669	94.75
Water (Kl)	Scope 3	7 000 534	583 378	1.78	12 460 951	4.83
General Waste (Kg)	Scope 3	249 910	20 826	2.94	734 735	0.17
Recycled waste (Kg)	Scope 3	–	–	1.84	–	0.00
Total		**145 011 127**	**12 084 261**		**157 935 030**	**100**

Scope 1 = Direct emissions.

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

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

Water use

An important concern in the world today is to improve overall management of water resources. One of the main objectives of water management is to provide clean water in the quantity and quality that is required for all users, manage it sustainably and provide sanitation and wastewater management services for all. In increasing incidents of drought in South Africa, water authorities will increase regulatory requirements aimed at water conservation.

Foskor operations are heavily dependent on water hence Foskor should continuously employ systems aimed at achieving high levels of water use efficiency. Foskor obtains all its water requirements from the uMhlathuze Municipality in two grades: potable water and clarified water. Historical water use as supplied by the municipality is shown below.

There is a significant decrease in the amount on water used between 2019 and 2020. The decrease can be attributed mainly to internal quality use efficiency programmes and the Phosphoric Acid Plant shut experienced in the financial year.

Fresh water consumption (m^3)

WATER TYPE	2014	2015	2016	2017	2018	2019	2020
Potable water	3 196 644	5 528 217	3 953 376	2 494 389	2 619 318	3 112 068	**3 192 650**
Clarified water	4 160 662	2 528 708	1 538 147	3 360 984	3 155 859	6 332 587	**3 807 884**
Total	**7 357 306**	**8 056 925**	**5 491 523**	**5 855 373**	**5 775 177**	**9 444 655**	**7 000 534**

Alternative water supply

A stormwater dam situated on the south-east boundary of the site collects the majority of stormwater run-off from the site. The water is reused in our two Phosphoric Acid Plants. We also have an agreement with a neighbouring industry, South 32, to recycle their stormwater as additional water supply to our own municipal raw water intake.

The Acid Division will endeavour to reuse and recycle water from within the site and from other industries wherever practically possible. These efforts reduce the need to abstract water from uMhlathuze Municipality hence improving water conservation on site.

Effluent management

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

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

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

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

Groundwater remediation

Groundwater contamination on site is still a concern, however, there are measures and controls in place to prevent further contamination. These include but not limited to:

- Biannual Groundwater Monitoring
- 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 acid 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 100% compliant with the New AEL.

The Department of Environmental Affairs promulgated new emission limit to be enforced from March 2020. The limits are very stringent and would require plant modifications and capital outlays to reconfigure the plant to meet the new limits

Foskor embarked on a multi-prong approach to deal with the stringent limits, these include amongst others:

- Identifying process improvement projects aimed at improvement of atmospheric emissions
- Involving the original equipment manufacturer (OEM) to audit the plant and recommend improvement project geared at meeting the new limits
- Asking for the postponement of the implementation of the limits from the Department of Environmental Affairs

Foskor was granted postponement of the implementation of the new limit for sulphur dioxide (SO_2) on the 18th February 2020 until 2025 as per the table below:

		Maximum Limit (mg/Nm^3)		
	Pollutant	Current	2020	New 2020
A and B stack	SO_2	1 600	350	**1 000**
C stack	SO_2	1 200	350	**1 000**

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^3) per plant.

Reportable incidents

There were no Section 30 Reportable Incidents in terms of the National Environmental Management Act, 107 of 1998.

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 three broad categories – hazardous, general and recyclable waste. The amount of waste disposed, and the form of disposal is presented in the Sustainability Performance Data Table.

Radiation monitoring

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

The National Nuclear Regulator conducted a full audit at the Acid Division in August 2019 and one minor non-conformance was raised with a compliance index of 97%. Over thirty-three management system points were covered. The non-conformance report has been closed and evidence submitted to the regulator to review and close.

As part of improved waste management programmes, a special safety assessment and case study was conducted and completed in 2019 for the alternative industrial use of Phosphogypsum by-product emanating from the Phosphoric Plant production. Possible uses include but are not limited to agricultural, road construction, cement production etc. The safety assessment report and application for exemption to sell Phosphogypsum for various uses was submitted to the National Nuclear Regulator for review and approval in May 2019. The authorisation/approval was received in August 2019 with additional exemption of potential buyers to implement radiological controls in their facilities. The Commercial Department is currently engaging potential clients that are interested in buying Foskor Phosphogypsum for application in the cement and agricultural sectors.

Annual dose reports for the sites are up-to-date and have been submitted to the NNR for review. All exposure limits were below 10 mSv/annum against a legal limit of 20mSv/a per individual.

Sustainability performance data

Performance Data – Human, Natural and Social capital

	2020 Actual	2020 Target	2019	2018	2017	2016	Level of assurance
People							
Employee numbers (including contractors)	**604**		624	595	603	665	
Recruitment	**35**		37	17	26	49	
Unionised labour	**90.27%**		91.02%	92.5%	76.5%	75.3%	
Employee turnover	**4.4%**		3.7%	5.3%	13.1%	5.0%	
Skills development							
Training and development (R)	**10 195 377**	**10 566 215**	11 899 263	3 631 936	2 783 240	1 612 363	
Learnerships (number)	**68**	**68**	61	63	48	63	
Learnerships (R)	**2 292 260**	**2 207 073**	2 319 819	183 030	645 000	1 457 500	
Bursaries (R)	**960 000**	**960 000**	225 000	400 000	300 000	839 422	
Safety							
Fatalities	**0**	**0**	1	0	0	0	High
Lost time injuries	**6**	**–**	8	6	3	3	High
Lost Time Injury Frequency Rate (LTIFR)	**0.51**	**0.5**	0.63	0.44	0.22	0.24	High
Total Injury Frequency Rate (TIFR)	**3.41**	**4.5**	3.38	1.99	2.45	4.96	High
Occupational diseases (reported to COID)	**–**	**–**	–	–	–	1	High
Greenhouse gases energy consumption (kg of CO_2-e)							
Diesel (Scope 1)[1]	**847 736**		1 022 682	853 179	826 322	721 642	Moderate
Gas (Scope 1)[1]	**2 373 938**		3 485 356	3 902 990	2 157 757	3 927 289	Moderate
Water (Scope 1)[2]	**12 460 951**		18 374 941	10 283 858	10 426 663	9 774 911	Moderate
Electricity (Scope 2)[2]	**141 517 669**		153 636 267	123 284 245	136 268 222	131 110 198	Moderate
General waste (Scope 3)[3]	**734 735**		648 034	785 000	913 975	953 374	Moderate
Recycled waste (Scope 3)[3]	**–**		54 464	153 647	1 372 782	854 744	Moderate
Total greenhouse gas (CO_2 equivalent)	**157 935 030**		177 221 744	139 262 919	151 965 721	147 342 159	Moderate
Water							
Potable water (Municipal) m^3	**3 192 650**		3 112 068	2 619 318	2 494 389	1 538 147	High
Clarified water (Municipal) m^3	**3 807 884**		6 332 587	3 155 859	3 360 984	3 953 376	High
Total freshwater consumption	**7 000 534**		9 444 655	5 775 177	5 855 373	5 491 523	
Waste management (tons)							
Hazardous material – registered landfill disposal	**18 728**		18 495	13 344	13 880	11 909	Moderate
General material – registered landfill disposal	**249 910**		220 420	256	311	667	Moderate
Recyclable material – registered landfill disposal	**–**		29 600	84	680	794	Moderate
Legal compliance							
Fines, penalties and settlements (number)	**0**		0	0	0	0	Moderate
Fines, penalties and settlements (Rands)	**0**		0	0	0	0	Moderate
Procurement spend (%)							
Local	**63**		61	37	64	64	High
Other provinces	**20**		7	4	7	8	High
International	**17**		32	59	29	28	High
B-BBEE rating level	**6**	**5**	6	5	3	5	High

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

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

OUR PEOPLE

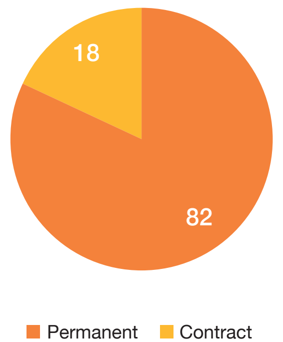
TOTAL EMPLOYEES	2020	% change	2019	2018	2017	2016
Foskor Group (including contractors)	**1 950**	(1.1)	1 972	1 976	1 984	2 003

EMPLOYEES PER CONTRACT TYPE	2020	Location Split	2019	2018	2017	2016
Permanent	**1 607**	82.4	1 656	1 677	1 689	1 778
Contract	**343**	17.6	316	299	295	225

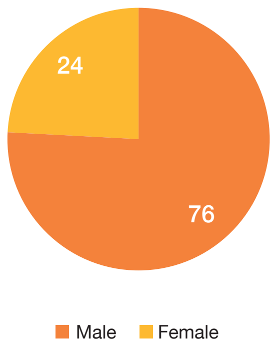
EMPLOYEES PER GENDER	2020	Gender % Split	2019	2018	2017	2016
Male	**1 487**	76.3	1 527	1 561	1 595	1 640
Female	**463**	23.7	445	415	389	363

EMPLOYEES PER LEVEL	2020	% change	2019	2018	2017	2016
Top management	**12**	9.1	11	11	12	11
Senior management	**20**	(20.0)	25	24	21	29
Middle management	**110**	(4.3)	115	118	125	126
Skilled	**544**	(0.7)	548	542	551	567
Semi-skilled	**621**	(3.7)	645	662	661	708
Unskilled	**300**	(3.8)	312	320	319	337
Contractors	**343**	8.5	316	299	295	225
Foskor Group	**1 950**	(1.1)	1 972	1 976	1 984	2 003

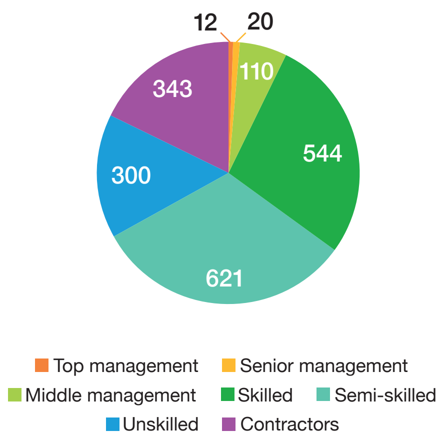
CONTRACT TYPE
(%)



GENDER PROFILE
(%)



EMPLOYEES PER LEVEL



Recruitment

Foskor hired 41 new permanent employees during the year, and our permanent employee complement decreased by 2.96% to 1 607 (2019: 1.25% decrease). All skill levels, except top management, reduced in numbers.

The size of our senior and top management team decreased to 32 this year, while our overall female representation increased by 4.0% (2019: increased by 7.2%).

Contractors increased to 343 (2019: 316), representing 17.6% of our total workforce, although the majority are learnership programmes and graduates in training.

The average age of our entire workforce is around 42.4, which leaves 22.6 years on average working life until retirement. Average annual staff turnover is 5.5% (2019: 5.3%) of which retirees make up 1.8%. A system whereby some of the retirees are appointed as mentors and coaches for the engineers in our training programme is in place.

PERMANENT EMPLOYEES RECRUITED	2016	2017	2018	2019	2020
Foskor Group	121	70	78	69	**41**

RECRUITMENT PER DIVISION	2016	2017	2018	2019	2020
Phalaborwa and Midrand	72	44	61	32	**23**
Richards Bay	49	26	17	37	**18**

RECRUITMENT PER GENDER	2016	2017	2018	2019	2020
Male	95	48	60	47	**31**
Female	26	22	18	22	**10**

RECRUITMENT BY AGE	2016	2017	2018	2019	2020
<30	69	34	39	28	**15**
30 – 40	41	24	28	23	**16**
40 – 50	8	10	11	18	**6**
50 – 60	3	2	–	–	**1**
>61	–	–	–	–	**3**

% EMPLOYEE TURNOVER	2016	2017	2018	2019	2020
Foskor Group	6.2	9	5.4	5.3	**5.5**

% TURNOVER PER DIVISION	2016	2017	2018	2019	2020
Phalabora and Midrand	6.3	6.7	5.4	6.1	**5.4**
Richards Bay	5.0	13.8	5.3	3.7	**5.8**

% TURNOVER PER GENDER	2016	2017	2018	2019	2020
Male	6.2	9.4	5.6	5.8	**5.4**
Female	4.2	7.2	4.2	2.9	**5.8**

% TURNOVER BY AGE	2016	2017	2018	2019	2020
<30	3.5	6.1	3.7	3.1	**3.1**
30 – 40	5.7	6.0	3.9	3.3	**3.0**
40 – 50	4.9	6.1	3.5	4.8	**5.1**
50 – 60	4.2	8.2	3.7	3.3	**3.5**
>60	24.5	45.6	28.8	23.6	**24.6**

Training and development

Learning and development is one of the key ways we maintain and improve our intellectual capital, and the quality of an organisation's training affects its value. The Company at all times tries to ensure 100% execution of the Workplace Skills Plan, in line with the Skills Development Act. Knowledge and skills development remain vital to the health of our organisation. Training initiatives bolster employee retention and we view them as a vitally important investment. Special emphasis was placed on the development of women and various initiatives were introduced during the year aimed at training women in the workplace. The job profile review project was initiated, as part of the talent management process. Talent management process is the proactive design and implementation of integrated talent-driven organisational strategy directed at attracting, deploying, developing, retaining the appropriate talent requirements as identified in the workforce plan to ensure a sustainable organisation.

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.

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. Management is responsible for succession planning and the identification of potential successors for key positions. All critical skills have been identified and a specific succession program is in place to ensure the continuous availability of multi-skilled candidates at all times.

Bursaries, learnerships, internships and other technical training opportunities are provided in order to address the shortage of skills, especially critical skills. The mining division provided 153 learnerships, few of them were recruited after successfully completing their learnerships. 80 apprentices were trained at the technical training centre.

Our bursary programme offers deserving candidates the opportunity to study engineering, geology, chemistry, environmental science, law and accounting at a university or a university of technology. However, we continue funding the old bursars. We currently have 19 bursars at the Mining Division and 14 at the Acid Division. This brings the total number of bursars for the Foskor group to 33. A total amount of R2 469 744.60 was spent on bursaries for both Acid and Mining Division. In order to address the challenge of national shortage of critical skills, the company's study assistance scheme is provided to cater for bursaries granted to employees. There are currently 23 employees currently on this scheme in the Mining division. A total amount of R296 330.40 was invested on study assistance in the Mining Division.

Our graduate development programme aims to develop a strong technical foundation and blends academic theory and practical exposure. Every participant has a mentor who supervises their formal training and work exposure. A total of 19 graduates are currently participating in this programme 14 in the Mining Division and six in the Acid Division. There are 17 Interns in various fields in the Acid division. There is also one Diploma student completing his P1/P2 in the Mining Division. In the Acid Division, there are eight employees who are doing P1/P2 Diploma and two Technicians in training. Foskor also has an agreement with the MQA to assist with a development programme for MQA graduates and currently there are three MQA graduates being hosted by the Mining Division in the following disciplines, Electrical, Mining and Occupational Hygiene. There is also one MQA funded Intern completing her P1/P2 in Chemistry. MQA grant cost is R2 361 512.09. This shows commitment on Skills Development and uplifting of the skills level in the country, which directly have an impact into the community.

The Adult Education Training programme presented at the Mining Division currently hosts 29 employees in this programme.

Forty-five 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

	Actual head-count	Disadvantaged		Advantaged		Race and gender composition							
OCCUPATIONAL LEVELS		**Total**	**%**	**Total**	**%**	**AF**	**AM**	**CF**	**CM**	**IF**	**IM**	**WF**	**WM**
Top management	12	8	66.7	4	33.3	3	3	–	–	–	2	–	4
Senior management	20	17	85.0	3	15.0	3	10	–	1	1	1	1	3
Professional and middle management	110	87	79.1	23	20.9	31	41	–	1	1	8	5	23
Skilled	544	467	85.8	77	14.2	84	344	1	2	6	16	14	77
Semi-skilled	621	601	96.8	20	3.2	81	512	1	–	–	4	3	20
Unskilled	300	298	99.3	2	0.7	71	227	–	–	–	–	–	2
Total	**1 607**	**1 478**	**92.0**	**129**	**8.0**	**274**	**1 168**	**3**	**4**	**8**	**35**	**29**	**135**

Processing (Metallurgy) and Mineral Excavation Skills Programmes. An amount of R19 936.48 was spent in the programme.

In partnership with Mopani FET College and the LGSETA, the Mining Division is hosting 57 Interns in the fields of Management Assistant, Business Management, Finance Management and HR. The purpose is to assist the learners in gaining workplace experience to enable them to qualify for diplomas at the end of the 18-month training programme.

An apprenticeship programme is run at the Acid Division in partnership with CHIETA for the development of 14 artisan learners. The Acid Division further hosted 14 apprentices also in partnership with Umfolozi FET College. There were also 27 Chemical Operations L-2 Learners registered with CHIETA. Acid Division Also had 24 employees who received study Assistance. R2,57 million was spent on study assistance, career advancement training interventions for employees in the Acid Division.

Trade union representativeness

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

There are presently five trade unions representing a total of 1 469 employees (out of 1 607 total employees), which equates to approximately 91.4 % of the total permanent staff complement as at 31 March 2020.

NUM which operates at the Mining Division, continued to command a majority membership status with 56.54% of the total union membership in the Group. The National Union of Metalworkers of South Africa (NUMSA) represents 15.07% whereas the Chemical Energy Paper Printing Wood and Allied Workers Union (CEPPWAWU) represents 11.59%. Both CEPPWAWU and NUMSA are based at the Acid Division in Richards Bay. Solidarity at the Mining and Acid divisions has a combined membership share of approximately 7.38%, non-unionised employees account for 8.68% and United Association of South Africa (UASA) has a support base of 0.74%.

Substantive conditions of employment

Owing to the expiry of the substantive conditions of employment agreements which were concluded in 2017 at both Mining and Acid divisions respectively the majority trade unions in both divisions submitted their respective wage proposals.

The company and trade unions have already started wage negotiations, however, at the time of compiling this report it was evident that the parties were far apart in terms of their respective mandate. The outbreak of the COVID-19 dictated that the wage negotiation was put on hold in both divisions in order to mitigate the spread of COVID-19.

NUM and NUMSA in both divisions challenged the implementation of pay progression through CCMA/NBCCI. In both divisions the collective agreement was concluded with the effect that qualifying employees within the bargaining unit that were below median will be moved to the median. In mining division, it was further agreed that due to the company's financial situation the movement of qualifying employees to the maximum will be suspended at the time and will be dealt with during the wage negotiations. In contrast to the mining divisions, in the Acid divisions it was agreed the qualifying employees who were on the median of the company's salary scale will get salary increase of 3% and no further adjustment until the forthcoming wage negotiations.

Short-term incentive scheme agreement elapsed at the end of March 2019. However, the parties agreed to continue paying bonuses in terms of the company's bonus procedure while negotiating the new terms of the bonus scheme. In terms of the aforesaid agreement, employees within bargaining unit will be paid provisional bonus in December of each year upon achieving 85% of the progressive production target. However, in December 2019 both divisions did not achieve 85% progressive target hence the provisional bonus was not paid. Both NUM and NUMSA referred separate dispute to CCMA/NBCCI respectively. NUMSA referred the matter as mutual interest and the dispute was settled on the bases that the issue will form part of the forthcoming wage negotiation. Meanwhile NUM referred the matter as interpretation and application of collective agreement and the dispute is due to be arbitrated by the CCMA.

Dispute resolution

During the year under review (2019/2020 financial year), 29 CCMA/NBCCI and labour court cases as reflected below were reported, of which 14 were finalised and 15 are still outstanding at the time of compiling this report. Altogether 23 of the cases related to individuals while six were collective in nature.

The cases were concluded as follows:

Favourable outcomes	6
Lost cases	–
Settlements	8
Total finalised cases	14
Outstanding cases	15

It is also worth mentioning that of these finalised cases, five relate to allegations of unfair labour practice (ULP), three of alleged unfair discrimination, two mutual interest matters, three for interpretation and application of collective agreement, two of section 73A of BCEA, one disclosure of information, nine dismissals for misconduct, two operational requirements, one incapacity relating to ill-health and one constructive dismissal.

Restructuring exercise

There was no restructuring exercise during the period under review.

General industrial relations climate

The IR climate was bit tense, as employees were expecting to be paid progressive production bonus in December 2019. However, resulting from the settlement agreement reached regarding bonus scheme with NUMSA and the pending arbitration in Mining Division made the IR climate a bit stable.

SOCIAL

Sustainable integrated business model. People impact focused. Delivering value to all stakeholders

Introduction

Foskor believes in the long-term integrated sustainable development of communities in our areas of operations. This fundamental belief is premised on the spirit of Ubuntu and it is enabled by our pursuit to implement the Broad-Based Black Economic Empowerment Act and the Mineral and Petroleum Resources Development Act.

Accordingly, our overall approach in doing business looks beyond just complying with the regulatory frameworks. Our commitment to transformation is resolute and we view people empowerment being the only right way to conducting sustainable business.

While Foskor experienced productivity, costs and profitability challenges during the Financial Year 2019/2020, we have ensured that our unwavering commitment to transforming our people weathers the storm.

Our communities of operations

Foskor main business activities are located in two communities, in Ba-Phalaborwa, Limpopo province, where the Mining Division is situated and in Richards Bay, where the Acid Plant Division is based, in the KwaZulu-Natal province. These communities form an integral part of our labour sending areas and are impacted by our day to day running of our business.

The Richards Bay community comprise of vast industrial areas with mining and manufacturing companies, as well as some mixed settlements in rural villages, large township and urbanised suburban dwellings. The Ba-Phalaborwa area comprise rural villages, semi-townships and one main town with two mining companies being the largest employers in the area. The poverty levels and unemployment in both these communities are vast and job creation has subdued in the previous few years.

As Foskor, we take into account these socio-economic realities and incorporate them in our strategy as part of our social obligations. We understand that for the people in these areas, we represent hope and a world of possibilities.

Our programmes

Our training and development programmes, the enterprise and supplier development initiatives, our community social investment, education (training and skills development), our enterprise and supplier development, local economic development projects and sponsorship initiatives are all aimed creating a lasting legacy for our people.

Foskor is about impacting people positively. We create value for all stakeholders.

Our 2019/2020 FYI programme structure illustrated in the graphic below

Mineral and Petroleum Resources Development Act (MPRDA)

The Financial Year 2019/2020 presented Foskor with an opportunity to further redefine and enhance the nature of its impact in the communities. The Mineral and Petroleum Resources Development Act (MPRDA), promulgated in 2018, and gave effect to the newly amended Mining Charter, which came into effect across the mining sector in 2019, coincided with the final year of our Social and Labour Plan (SLP) 2013-2018. An SLP is a condition that Foskor as a mine right holder must develop, through stakeholders' consultative forum, and have it approved by the Department of Mineral Resources and Energy and is thus a legal document.

Under the new Mining Charter, more stringent and rigorous reporting and compliance mechanism were introduced. In response to ensuring that our business remain compliant with the MPRDA, Foskor developed an all-embracing Social and Labour Plan 2019-2023. The SLP is critical to ensuring the development of mining communities and is at the heart of a harmonious co-existence between Foskor and our invaluable stakeholders.

Of the challenges experienced under the year being reported was the non-completion of three projects, which are reported below, due to financial challenges the business has experienced.

Broad-Based Black Economic Empowerment

During the financial year 2019/2020 Foskor was rated Level 6 Broad-Based Black Economic Empowerment company. The business was impacted negatively by the lack of formalised enterprise and supplier development programme with clear targets to be achieved. We have also remained challenged with the ownership element which remains with significant equity debt exacerbated by the continuity of Foskor making losses over the past few years. Our skills development was impacted negatively as it requires the availability of funding in order fully execute and comply.

Foskor B-BBEE Scorecard for FIY 2019/2020

	Total points scored	Total possible points
Ownership	17.79	25
Management Control	13.95	19
Skills Development	8.57	25
Enterprise and Supplier Development	33.01	44
Socio-Economic Development	5	5
BBEE Procurement Recognition Level	60.00%	
Black Ownership	VR 27.66% / EI 27.66%	
Black Female Ownership	VR 11.69% / EI 11.69%	
Black Designated Group Ownership	10.12%	
Modified Flow-Through Applied	No	
Empowering Supplier	Yes	
Qualifying ESD Beneficiary	No	
Applicable Scorecard	Generic	
Measurement Period	1 April 2017 to 31 March 2018	
B-BBEE Status Level	Level 6	
Expiry Date	27 June 2020	

Sustainable development

As a partner in leading sustainable development in our communities, Foskor, through its social and labour plan has committed R40 million for period 2019-2023. The SLP is a mining requirement which dictates that the company must invest in amongst other things, local economic development projects (LED), skills and training development, in consultation with various host community stakeholders at Mining Division. Amongst the challenges faced for the year under reporting was the unavailability of funding to execute these LED projects. This was also impacted by the incompletion of the 2013-2018 LED projects which further required funding resources to be made available in order to conclude the projects.

In 2019/2020 Financial Year, Foskor invested approximately R7 million in various community empowerment initiatives through LED, CSI and training and development.

The LED projects in particular, were selected from the Integrated Development Plan in conjunction with the Ba-Phalaborwa Municipality, which is the custodian of ensuring monitoring and evaluation of the project implementation. It is important to report that due to financial challenges the business experienced, the focus of the LED was on the outstanding projects for the SLP 2013-2018. The LED projects concerned were the construction of the Makatikele Primary School, the fencing of the new landfill site which are both reported in the SLP section of this report.

Social and Labour Plan 2013-2018 – Mining Division

Construction of Makatikele Primary School

Located in Makhushane Traditional Authority, in Ba-Phalaborwa, the Buelang section of the village is a rapidly fast-growing community. As a result, children walk vast distances to access the nearby community schools while at the same time exposed to many social ills such as crime, rape and related other cruelties. This critical project remains under construction (approximately 85% complete) and was impacted negatively by the business financial non-performance. As an integrated sustainable business, the projects execution was done by the SMMEs mainly from the Makhushane Traditional Authority making it a benchmark in the model of executing community based projects through empowerment. The project is earmarked for completion and handover to the Department of Education during the financial year 2020/2021.

Project impact

The project is a legacy project for Foskor the brand as it provides infrastructure that is at the heart of driving education and development of our most disadvantaged and vulnerable members of our society, the children. The project construction was done by 100% HDSA BO/BWO companies which created an impactful change for the community of Makhushane Traditional Authority in terms of SMMEs and jobs created.

The newly constructed Makatikele Primary School is Located in Makhushane Traditional Authority, in section a called Boelang, in Ba-Phalaborwa

Construction of the new landfill site

The lifespan of the old landfill site in Ba-Phalaborwa Town has reached an end. As a result, Foskor, in consultation with the Ba-Phalaborwa Municipality and the Integrated Development Plan, included in the previous SLP 2013/2018 the fencing of the new landfill site located on the R40 just outside town. Approximately 3.5 kilometre of fencing was completed during the year under review with some 400 metres earmarked for completion in 2020.

Newly erected concrete blocks fence at the Landfill Site which span approximately 4 kilometres adjacent to the R40 road in Ba- Phalaborwa

Impact of the initiative

Once completed the landfill will enable the municipality to collect refuse across all the rural communities which will create a much cleaner and better environment for these communities. The project has already made some significant inroads with the purchase of the refuse collection truck handed over to the Municipality in 2018.

The Porthole Repair Project

The project was identified as one of the continuous LED initiative aimed at ensuring continuous routine road maintenance in Phalaborwa town. Implemented in partnership with the municipality, which provides the resources required in order to maintain the roads, Foskor has been funding the employment of the 12 people responsible for the execution of this initiative. During the year under review, Foskor invested approximately R500 000.

Impact of the initiative

The Porthole Repair Project is a continuous initiative which employs 12 highly experienced road maintenance personnel and has significantly contributed to the good upkeep of the roads which are our economic arteries.

Social and Labour Plan 2019-2023

Foskor has submitted a new Social and Labour Plan (2019-2023) following an end of the 2013-2018 SLP. Under the new SLP we have identified the following Local Economic Development Projects:

- The High-Mast Lights Project, to be installed around the Ba-Phalaborwa Townships (R7 million)
- The upgrading of roads projects across various areas in Ba-Phalaborwa Villages (R9 million)
- The continuation of the Construction of the New Landfill Site (R24 million)

With Foskor having experienced serious financial setbacks for the year under reporting, the projects have not yet started due to funding availability. It is critical that Foskor provide a means to fund these initiatives as they are at the heart of our social licence to operate and there is a legal obligation attached to our mining rights that we implement the projects. It is also important to note that the SLP has not yet been approved by the Department of Mineral Resources Pending.

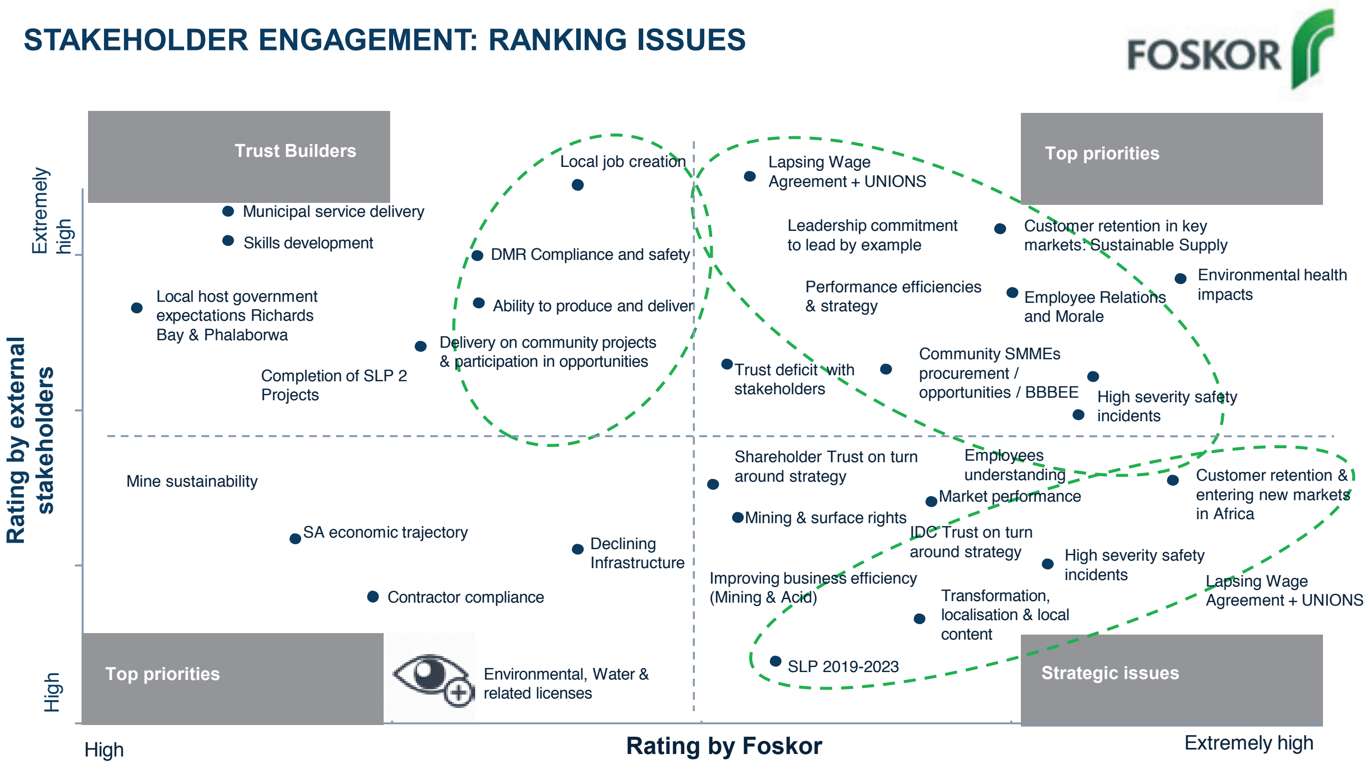
Enterprise and supplier development programme

As part of increasing our impact in SMMEs development, Foskor has introduced during the final quarter of the year 2019/2020, an enterprise and supplier development programme aimed at empowering local community entrepreneurs. The programme is known as Foskor 51 and will be implemented over the next five-year period. The name of the programme was derived from the year in which Foskor was established, in 1951. Over the five-year period, Foskor intends to directly impact on 51 SMMEs through procurement opportunities across the business.

Stakeholder engagement

Foskor continues to place stakeholder engagement at the heart of continuous and uninterrupted sustainable operation. We are guided by our values of respect and belief in the mutual co-existence with our multiple stakeholders. Our stakeholder engagement approach is based on the modern AA1000 Stakeholder Engagement Framework that we have adopted as a standard. Accordingly, we have thoroughly researched our critical stakeholders, understand their views and issues, conducted a risk ranking matrix and developed programmes that are aligned to both the stakeholders and business needs. We engage our stakeholders and the nature and frequency of the engagements is guided by issues and the anticipated impact of the issues to stakeholders and the business.

STAKEHOLDER ENGAGEMENT: RANKING ISSUES

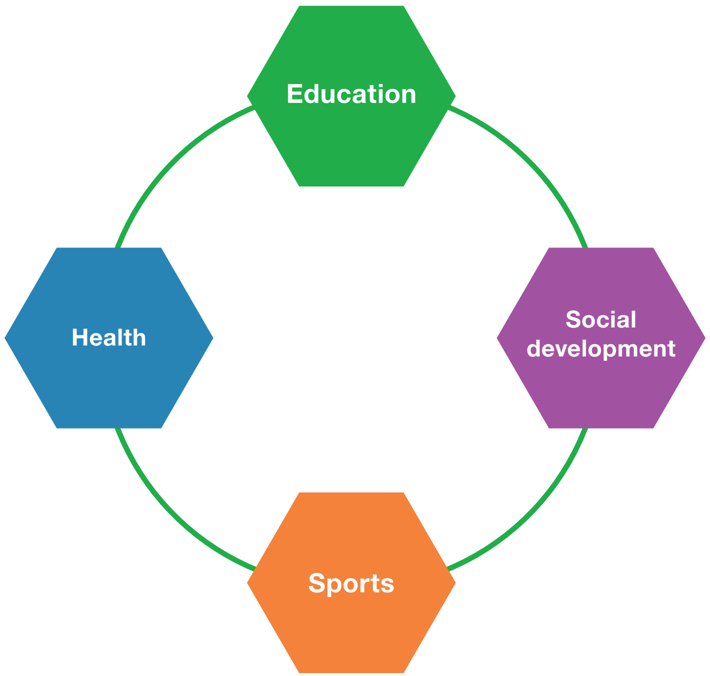


Our programmes such as the Social and Labour Plan from which Local Economic Development Project are born, our bursaries and skills development initiatives, quarterly reporting with the municipalities and to the Department of Mineral Resources and Energy, the Foskor 51 Enterprise and Supplier Development, the Community Social Investment and sports and recreation programmes are all aimed at empowering our stakeholders and creating mutual co-existence.

Community social investment

Community Social Investment (CSI), in accordance with the B-BBEE Act, requires that a company commits a portion of its Net Profit After Tax towards advancing social good. It must be noted that Foskor has not made profit for the past few years. However, we understood that we have a moral obligation to our communities and our business will not be sustainable without putting needs of the vulnerable people first. Accordingly, Foskor is to proud have invested approximately R2 million in various community empowerment programmes.

Our CSI programmes focused in the following key areas:



Sports and recreational programmes

We believe in a healthy leaving community and our commitment to initiating programmes that encourage employees and community participation have continued. Our belief is that a healthy leaving employee is a productive employee.

F21 Marathon

Accordingly, Foskor in July 2019, hosted the F21 Marathon in Ba-Phalaborwa. The renown marathon attracts over 20 000 people who directly and indirectly participate in the activities. The F21 Marathon is considered the 2nd largest economic event in Ba-Phalaborwa after and one of the largest marathons in Limpopo province. The event involves both the employees of Foskor participating in the various running and walking categories and professional runners within and outside the community of Ba-Phalaborwa. Over the years the F21 Marathon has proven to be an impactful initiative to local businesses both formal and the informal traders.

Open Pit Marathon

In partnership with Foskor Athletic Club, Foskor hosted the Annual Open Pit Race on 12 October 2019, in Ba-Phalaborwa. The event attracted approximately 400 participants from the local communities of whom about 20% were Foskor employees. This initiative remains critical to promoting Foskor to our communities. The Open Pit Race starts at our Mining Division allowing communities to see where Foskor mining business starts and is thus an important stakeholder engagement method and brand awareness and reach initiative. The race is also central to promoting the wellbeing of our employees, contractors and our communities.

Foskor Sporting Clubs

Our support to employees' wellness through the funding of the Foskor Employees Club which participates in netball and soccer leagues within the Limpopo mining regions has continued. We have continued to provide the teams with the resources required such as the soccer and netball kits, transport and refreshments, including club participation fees because we understand this creates a better networking and ideas exchange environment for our people.

Education programmes

The Learner Support Centre

The Learner Support Centre is one of the Foskor's Corporate and Social Responsibility initiatives that is geared towards assisting learners with access to Information Technology through making internet access easy to our disadvantaged rural village pupils. Local learners are presented with an opportunity to research their learning material and be able to prepare and submit their well-presented portfolio of evidence at their respective schools. We have also made this centre accessible to our equally disadvantaged aspiring entrepreneurs in the communities.

Arethuse Information Support Centre

Arethuse Information Support Centre is a community facility based in the deep rural village of Mashishimale, which assists learners and emerging businesses with free internet access. The Centre also assists small businesses access to look for new opportunities as well as registering on public and private businesses' database.

Annual Ba-Phalaborwa Top Performers Education Awards

The Namakgale circuit annually presents awards to top performing learners, teachers and schools. The aim of this awards is to inspire both the teachers and leaners to do the best they can and to give recognition to these top performers. Over the years Foskor remained a key contributor to this important inspirational recognition ceremony through the donation of trophies, medals, laptops and related resources.

Back to School Campaign

Knowing the understanding that our business is operating in the most rural disadvantaged communities, Foskor has once again donated uniforms to the needy and destitute children and schools in Ba-Phalaborwa.

Better Infrastructure for Learners in Richards Bay

In Mpembeni Primary School, in Richards Bay, the ablution facilities of these children were dilapidated, making it extremely unhealthy and unsafe for these special little people to use. As part of Foskor's CSI, we have refurbished these facilities and today the children have far better facilities to use.

Youth skills development programme - Kwa-Bhejane Traditional Authority

Empowering young people with skills that makes them employable is at the centre of Foskor's empowerment initiatives. In Kwa-Bhejane Traditional Authority, in Richards Bay, we have provided Basic Welding Training as part of the Youth Skills Development Programme of the Acid Plant Division.

GLOSSARY

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

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

FOSKOR