

# INTEGRATED

## ANNUAL REPORT 2021



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## Icons used in the report

### Refer to page



### The six capitals:

-  Human capital
-  Financial capital
-  Manufactured capital
-  Intellectual capital
-  Natural capital
-  Social and relationship capital



# About this report

## Our approach to integrated thinking

Being in business for 30 years has indicated that value creation does not happen in a silo. True value creation exists at the interface of strategy, material issues, stakeholders, and operational activities. A deep understanding of the linkages and relationships shared between these elements is key to creating sustained value. Botswana Ash (Pty) Ltd (Botash) looks to promote integrated thinking in its business, considering the following factors:



## How we determine materiality

In taking an integrated approach to conducting its business and creating value, Botash strives to report on the outcomes that are most material to the business and the expectations of its stakeholders. The company identifies key issues to report on in its Integrated Annual Report by undertaking an annual materiality assessment. The assessment explores the operating and sector environment, the key issues expressed by stakeholders through various engagement efforts, and the risks and opportunities that impact its performance. This exercise determines a set of material issues, that are categorised as follows;



Material matters are prioritised according to their significance and potential impact on Botash's ability to achieve and deliver on its strategic objectives.

The Executive Management team manages this process with support from the Board of Directors. Refer to page 32 for more information on the material issues and strategic response.

## Scope of the report

Botash's 2021 Integrated Annual Report covers the 12 months from 1 January 2021 to 31 December 2021. This report may, however, include some elements from the pre- and post-reporting periods which were deemed appropriate, relevant, and significant enough to warrant inclusion.

Deploying the principles of integrated thinking, the report covers the operations in Botswana undertaken at Sua Pan. The report provides an account of the strategic outcomes achieved by the company and commentary on how these outcomes impact the company's six capitals.

The principles of stakeholder inclusiveness, sustainability, materiality, and completeness were considered in the assessment of the information included in the 2021 Integrated Report. Priority was given to providing accurate, reliable, accessible, transparent, and balanced information that allows readers to make an informed assessment of Botash's ability to create value. The following frameworks and standards were applied in the preparation of this report;













## A note on the disclosures

Botswana Ash (Pty) Ltd affirms the following terms concerning its Annual Integrated Reporting strategy:











- Disclosure of confidential data such as granular data on remuneration, yields, and margins is not undertaken where the information is deemed to be competitively sensitive.
- Individual customer contractual agreements, product pricing and margins are not disclosed as we deem this to be sensitive information.
- Infographics are used to report various metrics while retaining proprietary information.
- Any official and direct enquiries are encouraged in relation to any aspect of the company's competitively sensitive operations that may not have been publicly disclosed.
- All monetary figures used in the report are in Botswana Pula (BWP).
- Botswana Ash (Pty) Ltd is a commercial entity whose liability is limited by shares.

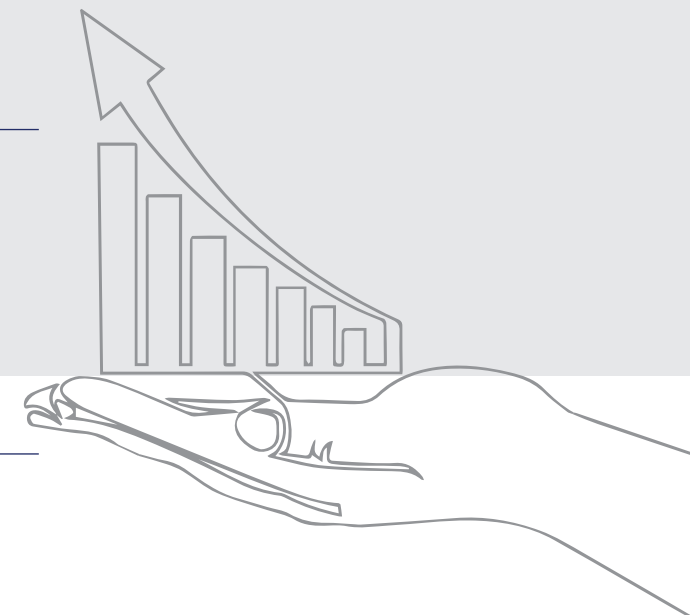
# Our highlights for 2021

## Financial highlights (Financial indicators are in Pula thousands)

 <b>Turnover (P)</b> <b>1 186 778</b> <small>(2020: 1 067 937)</small>	 <b>Profit before Tax (P)</b> <b>250 632</b> <small>(2020: 206 867)</small>	 <b>Total Sales (tonnage)</b> <b>643 708</b> <small>(2020: 625 661)</small>	 <b>Return on Equity</b> <b>16.6%</b> <small>(2020: 17.4%)</small>	 <b>Return on Assets</b> <b>10,9%</b> <small>(2020: 12,6%)</small>
 <b>Net asset value per share (P)</b> <b>8.68</b> <small>(2020: 7.25)</small>	 <b>CAPEX Spend (P)</b> <b>74 091</b> <small>(2020: 98 570)</small>	 <b>OPEX Spend (P)</b> <b>375 538</b> <small>(2020: 349 121)</small>	 <b>Local Procurement Spend (%)</b> <b>71,7%</b> <small>(2020: 65%)</small>	 <b>Number of Customers</b> <b>382</b> <small>(2020: 345)</small>

## Non-financial highlights (Financial indicators are in Pula thousands)

 <b>CSI Spend (P)</b> <b>16 659</b> <small>(2020: 18 435)</small>	 <b>Training Spend (P)</b> <b>1 933</b> <small>(2020: 1 010)</small>	 <b>Contribution to Education (P)</b> <b>8 484</b> <small>(2020: 13 349)</small>	 <b>Women in the Workforce</b> <b>15,2%</b> <small>(2020: 15,0%)</small>	 <b>Contribution to Biodiversity Conservation (P)</b> <b>502</b> <small>(2020: 407)</small>
 <b>Total Staff Trained</b> <b>361</b> <small>(2020: 148)</small>	 <b>Total Full-Time Employees</b> <b>433</b> <small>(2020: 441)</small>	 <b>Total Part-Time Employees</b> <b>176</b> <small>(2020: 80)</small>	 <b>Local Employees as% of total</b> <b>97,9%</b> <small>(2020: 98%)</small>	 <b>Local SMEs supported</b> <b>37</b> <small>(2020: 15)</small>





# Chairman's address



2021 brought about unique challenges for us as a business. A volatile macroeconomic environment and a persistent health crisis have once again posed significant strategic and operational challenges in the markets we serve. However, we took our experience garnered in 2020 to build resilience and adapt in a way that enables business continuity.

**NL Sowazi**  
Board Chairperson

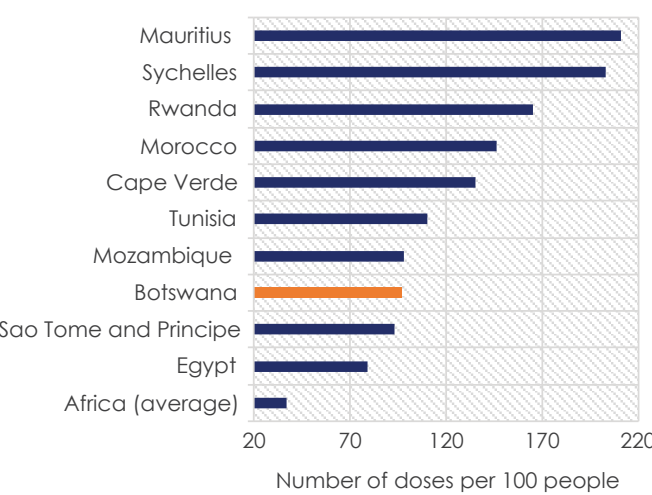
As a Board, we took a keen interest to monitor the impact of commodity fluctuations and Covid-related restrictions on our business. We also looked to support our management team in driving our strategic pillars and managing the expectations of our stakeholders and shareholders. Bearing in mind our performance outcomes over the last few years, we were encouraged by our steady and stable financial recovery this year, a solid foundation to pursue growth and expansion moving forward.

## Global and regional macroeconomic outlook

Rising political tensions in Eastern Europe have continued to stifle global economic recovery following the Covid-19 pandemic. With tensions between Russia and neighbouring eastern European states and their western allies reaching a fever pitch, global commodity prices continued to be volatile for much of 2021. This market volatility has influenced fuel and food prices, destabilised supply chains and increased inflation over the year, the effects of which are likely to be felt by emerging market economies including Africa.

The IMF projects global economic growth to slow down from an estimated 6.1% in 2021 to 3.6% in 2022. Employment is projected to remain below pre-Covid levels until at least 2026, with the pandemic affecting emerging markets like Africa disproportionately due to limited policy support and slow vaccination rates.<sup>1</sup> These global macroeconomic trends will have a material impact on our operations and our ability to create value over the long term. Looking closer to home, the Southern African economy was projected to grow by 3.2% in 2021, and 2.4% in 2022, lower than projections at a global level.<sup>2</sup> Slow GDP growth in South Africa, the region's largest economy and the biggest market for Botash's products, has reduced positive externalities in other countries throughout the region.

Top 10 vaccinated countries in Africa <sup>3</sup>



The region's recovery is in many ways contingent on how the Covid-19 pandemic evolves. As mentioned earlier, vaccination, which is considered the best way to achieve community immunity, is compromising the region's economic outlook as lockdown restrictions continue to be implemented in many countries. In Botswana, there was a significant wave of the virus midway through 2021, which resulted in various government-imposed restrictions on movement and economic activity to break the chain of transmission. Given the relatively low caseload registered in the country in 2020, this was a stark reminder of the aggressiveness of the virus and its many mutations. As a company, Botash was pleased to record zero positive cases in 2020, with positive cases only recorded at the start of 2021. However, given the mining industry's categorisation as an essential service by the Government of the Republic of Botswana, we were given a license to operate during periods of high national positive cases. We also contributed significantly to the response to Covid-19 in the community we operate in. Botswana ended 2021 as a country with one of the highest vaccination rates in Africa, with Botash supporting this by reaching a staff vaccination rate of 92% at the end of the year. We will continue to monitor how the pandemic evolves both at a national and company level and implement responses accordingly.

## Supporting our national development ambitions

Given the global and regional macroeconomic outlook and material impact on how we operate, we will continue to support efforts to create a stable and economically viable domestic economy. The Government of the Republic of Botswana's (GRB) Vision 2036 of transforming Botswana from an upper-middle-income to a high-income country by 2036 is one we take considerable interest in. Of the four pillars that underpin the Vision, stable economic development is an area that we have identified to be a critical enabler of our growth and that of our surrounding communities, specifically, developing small and medium enterprises (SMEs) as a catalyst to stimulating entrepreneurship at a community level. In supporting this area, we have continued our partnership with the Supplier Development Programme (SDP), under the United Nations Development Programme (UNDP), an ongoing programme which supports and grows local SMEs. This year, we were proud to register 22 new suppliers to the programme, to close the year with 37 suppliers. These suppliers will assist us and render various services including on construction projects we undertake and gain valuable skills and economic opportunities as a result.

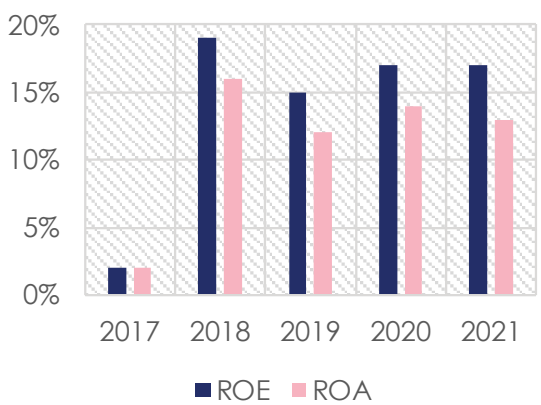


Moreover, we are contributing to Vision 2036's other pillars. Our work in the community, particularly around the Sua Pan, taps into the Human and Social Development and Sustainable Environment pillars. We were pleased to engage with various indigenous community structures over the year and to get a sense of their most pressing socio-economic needs. Common areas of concern expressed were limited economic opportunities, water scarcity and a lack of interaction with our mine facilities. Recognising the criticality of supporting these communities, we have defined a set of priorities moving forward including prioritising local communities when sourcing labour, managing water scarcity issues through our Water Stewardship Protocol and continuing to support the local football team. We will also explore new ways to support the Flamingo International School, which will include conducting further infrastructure upgrades and looking to employ skilled educators to maintain the standard of learning at the school.

The sustainable environment pillar is also one we have done considerable work around in line with our ambition of deepening sustainability into our operations and strategy. Over the past year, we continued to fulfil our biodiversity conservation mandate through the management of the Sua Game Park. Key initiatives included donating culled wildebeest meat to surrounding communities, providing financial support to the Government's anti-poaching unit, and employing conservation officers in the Park.

## Reflecting on our financial performance

The value we create for our communities and suppliers is a by-product of our ability to create favourable financial returns through our operations and business practices. We were pleased with the results we registered in 2021. Our turnover improved by 11% to P 1 186 777 048, largely due to the improvement in revenue generated in South Africa. Consequently, we also registered an improvement in our profit margins, with profit before tax improving by 21% due to the key non-essential cost-cutting interventions we committed to in our Covid-19 response framework. Looking ahead, we have undertaken feasibility studies to expand our operations, with a specific focus on bitterns beneficiation and a sodium bicarbonate plant.



<sup>1</sup> World Economic Outlook (imf.org)  
<sup>2</sup> Southern Africa Economic Outlook 2021 | African Development Bank - Building today, a better Africa tomorrow (afdb.org)  
<sup>3</sup> Source: <https://www.statista.com/statistics/1221298/covid-19-vaccination-rate-in-african-countries/>



# Chairman's address

We will continue to explore ways to diversify our products and meet the needs of a dynamic and fluid market.

## Commemorating our proud history

As a Board and the leadership team, we took great pleasure in celebrating Botash's 30th birthday. This year provided us with an opportunity to reflect on the work we have done in growing the salt and Soda Ash markets in the region through the durable relationships we have developed with suppliers and members of the community. We hosted a range of events over the year to commemorate the company and its history including functions with members of staff, media engagements and radio campaigns. Our history and longevity, despite challenging circumstances, are a testament to the organisational sustainability we have built into our operations and culture.

The positive financial performance and sustainability impact we have achieved this year would not be possible without the ongoing support and strategic input of my fellow Board members. I would like to extend my gratitude as Board Chair to each member of our Board for the guidance they have provided toward the ongoing development and growth of our business. Without robust and honest discussions, we would not have been able to navigate our way through the year as successfully as we have.

To our valued stakeholders, including our employees, customers, and public and private partners, on behalf of the Board, I would like to thank you all for the support you have shown us as a business and the commitment and resilience you have displayed through an incredibly turbulent operating environment.

Looking ahead, we are cautiously optimistic about the economic recovery of the region and specifically in the markets we operate. Despite Covid-19 still being a reality for us all, there has been a profound resilience shown by our consumers on the ground which bodes well for continued economic activity and our continued growth and sustainability. We hope to harness the positive performance this year and use it as a springboard to achieve even better results in 2022 and beyond.



**NL Sowazi**  
Board Chairperson





# Who Botash is and what Botash does

Botswana Ash (Pty) Ltd (Botash) is a minerals beneficiation and manufacturing company located on the Sua Pan in the north-eastern part of Botswana. The company has a nameplate production capacity of 300 000 tonnes per annum for Soda Ash, and 650 000 tonnes per annum for salt.

**Vision:**  
Africa's leading supplier of natural sodium and related products.

**Mission:**  
Manufacture and market products for industrial and human consumption sustainably.



## Values



## Our strategic pillars

Botash's vision is supported by its strategic pillars. Forming an indelible part of the company's corporate strategy, the pillars ensure that it makes focused and material business decisions that turn its vision into a reality.



Reliable and predictable production



Growth and defence of market share



Diversified product offering



Stakeholder and Community Impact

For more information on the strategic pillars refer to [32](#)



## Our products and services

Botash currently produces variants of Soda Ash and salt which are distributed and sold to countries and markets across Southern Africa.



### Salt products

Salt plays a crucial role in maintaining human health as the main source of sodium and chloride ions in the human diet. It is also an essential component in the production of cleaning and detergent products.

Refer to [44](#) for more information

#### Chemical-grade coarse salt



- Used primarily for the manufacturing of caustic soda and chloride.
- Contains 98.75% sodium chloride.

#### Coarse salt



- Made up of large-grained salt crystals suitable for food preparation and industrial applications.
- Contains 98.5% sodium chloride

#### Fine salt (table salt)



- Made up of fine granules suitable for food preparation, and other industrial applications.
- Contains 99% sodium chloride.

### Soda Ash products

The company's Soda Ash products serve as a valuable input to the glass, chemical and detergent value chains.

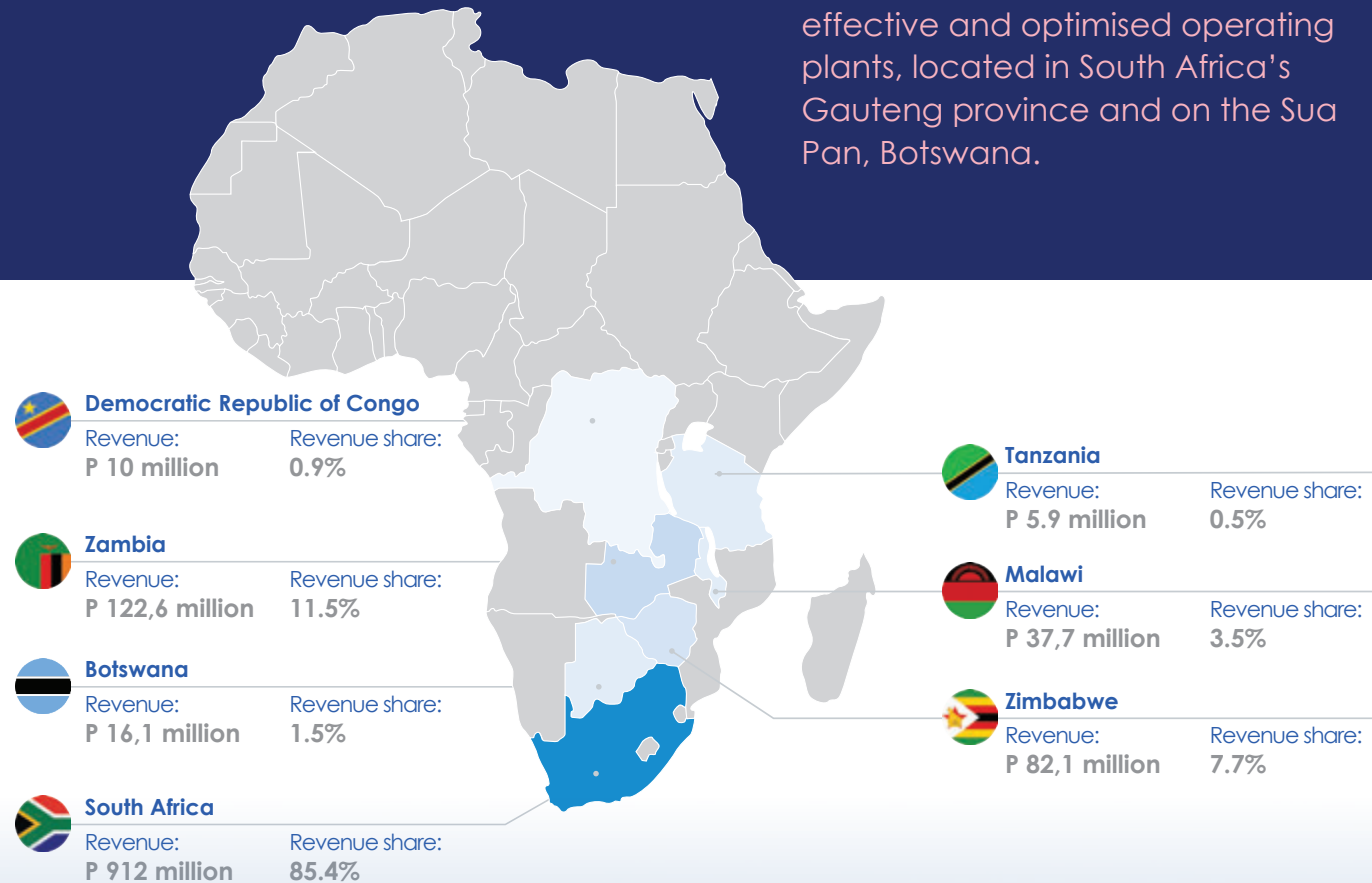


- Soda Ash lowers the melting temperature of pure silica, thus reducing energy requirements.
- Glass production represents the largest application of dense Soda Ash.
- Both dense and light Soda Ash is used in a range of different applications such as silica production, and pulp and paper manufacturing.
- Light Soda Ash is used in powdered, paste and soap detergents.
- Beneficiation and processing of metals in the mining industry.
- Refining, bleaching, and acting as a cleaning agent in the textile agent.
- Water treatment.



# Botash footprint

Botash distributes its products to seven countries in the Southern African region, supported by two effective and optimised operating plants, located in South Africa's Gauteng province and on the Sua Pan, Botswana.



# Botash journey

## Our formation

**1955:** The Roan Selection Trust conducts a prospecting programme where the brine resource of the Sua Pan is established.

**1980s:** British Petroleum (BP) Chemicals Limited operates a technology testing pilot on the Sua Pan

**1990:** Sowa Town is officially opened

**1991:** The plant is commissioned

**1988:** An agreement is signed to build a Soda Ash and salt plant at Sua Pan. Sowa Town is built at a cost of P100 million to house SAB employees.

**1988:** Soda Ash Botswana (SAB) is established with shareholders including the Government of the Republic of Botswana, AECL, Anglo American Corporation and De Beers.

## Reshaping ourselves

**1995:** SAB is liquidated and restructured as Botswana Ash (Pty) Ltd. The Government of Botswana also becomes a 50% major shareholder, while Anglo American, AECL and De Beers hold 42%, with the 8% balance held by a consortium.

**1996:** Sua Pan flooding interrupts production for seven months.

## Growing and evolving our business

**2017:** Sua Game Park is established.

**2017:** A five year (2018-2022) corporate strategy is developed.

**2010:** Chlor Alkali Holdings Pty Ltd (CAH) acquires 50% of Botash. Shareholder structure becomes a 50-50 split between Chlor Alkali Holdings and the Government of the Republic of Botswana.

**2019:** Botash Board of Directors approve product diversification feasibility studies.

**2020:** A review of the company's Shareholder Agreement is commenced with no anticipated changes in shareholder structure.

## Entering a new era

Refer to page 16 for more on our **30th year of existence.**

**2021:** Botash celebrates its 30th year of existence.



## CASE STUDY: Sustainability in Practice

Botswana Ash's 30th year in existence: A testament to organisational sustainability



"Sustainability is at the heart of the Botash business model. Our employees will drive the efficiencies and innovation needed to retain our relevance and scale in our current and future markets, even when our product offerings become ever more diversified."

**K. Phatshwane, Managing Director; Botswana Ash (Pty) Ltd**

2021 saw Botswana Ash celebrate its 30th year in operation. Since the official opening of the plant on June 7th 1991, the company has diversified its product variants to meet an array of consumer and industry needs including the production of glass, chemicals, metals and food processing.

Over the years, the company has looked to embed complex technologies that readily respond to the demands of its customers, guided by manufacturing industry best practices. This has been dovetailed with an emphasis on creating non-financial, community-centred value for all stakeholders. This value has taken many forms, from funding the Flamingo International School and its key operational and infrastructural needs to engaging with indigenous communities on issues of resource scarcity and shared value, sustainability has been a catalyst for Botash's ongoing existence.



"The Sua Pan investment is a good investment, one that will go some way to enable us to sustain the pace of development to which we have become accustomed and extended the range of our economic activities."

**Hon A. M Mogwe, Minister of Mineral Resources and Water Affairs; June 7th 1991**

**Embedding three decades of experience in community stewardship into the community**

A total of **P 53 892 458** spent on education initiatives between 2018 and 2021

A total of **P 12 415 434** spent on sports and recreation initiatives between 2018 and 2021

A total of **P 5 517 095** spent on environmental conservation initiatives between 2018 and 2021



# Managing Director's address



2021 saw us make important strides in executing our strategy. Following the turbulent operating environment experienced over the last two years, we made some important breakthroughs in growing our sales and revenue levels across our markets. This was achieved through a thorough exploration of the operational factors and bottlenecks that have hampered our performance in the past, and by developing tailored solutions to improve our productivity and customer relationships.

**Mr. Kangangwani Phatshwane**  
Managing Director

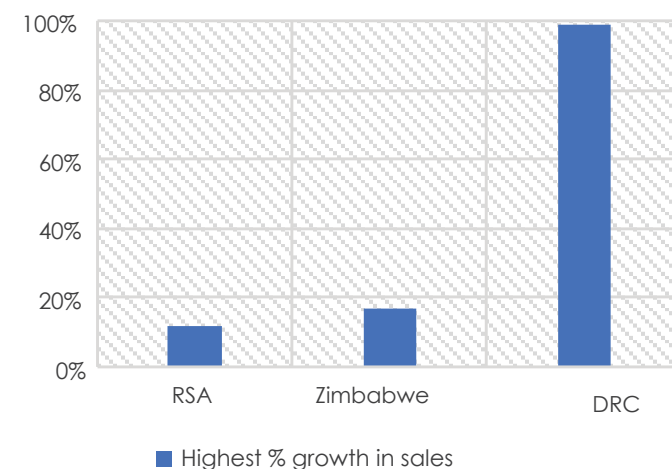
## Our proactive response to Covid-19

With Botswana and our communities experiencing severe waves of the virus, driven by new mutations and variants, we had to proactively act to ensure that our people, communities, and operations were safeguarded. The Covid-19 response strategy we developed and implemented last year served as a key guide to frame our actions. We intensified our safety controls by diligently implementing countermeasures including temperature screening, demarcating zones, and closely monitoring compliance at our plant.

Despite the company's best efforts to minimise the impact of Covid-19 on the business, the travel restrictions in place and disrupted supply chains meant that the company was not able to import the requisite skills and materials to undertake the annual shutdown for 2 years (2020 and 2021). The effect of the shutdown postponement was felt in 2021 with reduced plant reliability and availability, and despite an increase in production from 2020, we did not achieve budgeted production. We closed the year with low stock levels, which was exacerbated by an increase in demand in the South African market owing to difficulties to import from other countries. Plans for the annual shutdown commenced in 2021 for it to be undertaken in March-April 2022.

However, despite not achieving budgeted production, we were pleased to grow our turnover in several markets. South Africa, our largest market, grew by 12% with Zimbabwe also registering an encouraging growth rate of 17%. We were buoyed by the revenue generated in the Democratic Republic of Congo, markedly increasing after the challenges we experienced in that region in 2020.

## Highest revenue growth %



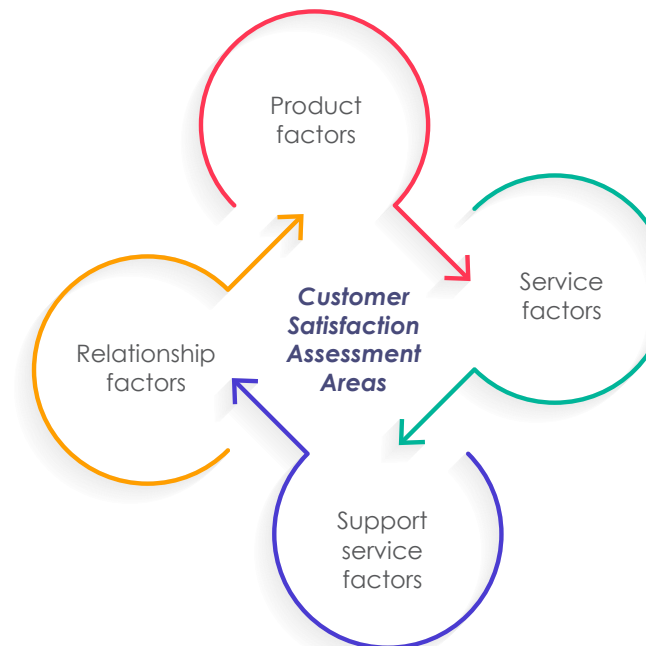
## Shareholder agreement review

Last year, our two shareholders, GRB and CAH, expressed the need to revise and modernise the Shareholders Agreement that has been in place since 1996 (CAH signed a Deed of Adherence to the Agreement in 2010 when it came on board). The purpose of the review was to infuse new thinking by the shareholders into various

aspects of the Agreement and to keep up with modern best practices and the current regulatory and legislative frameworks. A draft of the Shareholders Agreement was distributed, and we expect it to be adopted in 2022.

## Our performance against our strategic pillars

The corporate strategy we developed in 2018 has been instrumental in helping us navigate an uncertain and challenging operating environment. This year, we looked to ramp up our efforts to create and protect value for our stakeholders and build resilience in our business. An important aspect of this was us investigating areas of inefficiency in our production and customer-facing functions. We commissioned a third-party run customer satisfaction survey that asked our customers to rate us according to several dimensions spanning from product quality, and administration to invoicing and customer service.



This was an extremely illuminating exercise. Key areas that were identified as potential gaps were product delivery and product value/quality. A similar theme emerged with the customer complaints we recorded in our complaints register. This also coincided with one case of product contamination reported by one of our customers. To improve the delivery of our products, and their relative quality, we launched a range of controls that ensure that customers are satisfied and serviced in a timely fashion and that incidents of contamination do not reoccur.

We also set strict targets concerning product loading turnaround times, limited to 24 hours for trains and 4 hours for trucks. As an enabler to providing reliable and predictable production for our customers, we continued to manage an unpredictable public power grid by increasing self-generation to 79.1% of our power requirements, made possible by the coal supplied by the Morupule Coal Mine. From a water perspective, we looked to mitigate an unstable supply by commencing the Dukwi Wellfield Numerical Groundwater project.

Recognising the importance of building the capability of our local suppliers in conducting uninterrupted operations, we took a proactive stance to increase the number of local suppliers by streamlining the registration process for suppliers participating in the Supplier Development Programme (SDP). We also increased our total supplier spend to P 741 416 915, of which 72% was on our local suppliers.

## Safeguarding and developing our employees and communities

In 2021, we took a considerable focus on developing our people. We believe that training and capacitation will serve as an important input into the successful execution of our strategy and our ability to pivot as the market changes. We increased our staff training expenditure significantly in 2021, going up by 48% to just under P 2 million. We also engaged our employees through various collective bargaining structures to explore other areas they may need assistance. Chief among the issues raised were housing maintenance and leave encashment. We resolved to engage with our staff accommodation provider the Botswana Housing Corporation and agreed on a plan to carry out maintenance on the staff houses.



As a company with entrenched relationships within the community, we continued to invest in interventions that align with the socioeconomic needs of people on the ground. We framed our investments and initiatives against our key priority areas of protecting the community, enabling essential services, facilitating sustainable mining, and providing community support. With the pandemic spreading rapidly through Botswana and our communities of interest in 2021, we donated hygiene products to two local schools, Nxakato Junior Secondary and Nata Secondary School, along with flood relief services to Sepako village. We also reiterated our commitment to funding Flamingo International School, an important institution that provides holistic education to our employees' children and those of



# Managing Director's address

surrounding communities. A total of P 6 783 516 was provided to pay for staff salaries and to service the operational requirements of the school.

## Acknowledging long service

As the company celebrated its 30th year in existence, we were proud to honour employees who have been with us since our inception. We had a total of 32 employees who were engaged in 1991, our year of origination, and we duly paid homage to these employees alongside our broader drive to commemorate this key milestone in the company's history. The lifeblood of any organisation is the men and women that drive its mission and values, our long-standing employees have played an instrumental role in entrenching organisational sustainability across every area of our business. Their institutional knowledge is a key enabler of the value we create for our customers and community.

2021 has indeed illustrated that through active collaboration, tireless dedication to our mission and striving toward sustainability, Botash can perform optimally despite challenging externalities. Despite the setbacks we experienced in 2020, we adapted well to a new reality in 2021, driving operational efficiencies, and taking a keen focus on creating impactful outcomes across seven countries. Moving forward, we will be sharpening and refining our strategy and further positioning our business as a champion for sustainability in the sector, and local and national economies.



**Mr. Kangangwani Phatshwane**  
Managing Director



From left to right: Dumani Mashumba, Nicholas Lenyatso, Godfrey Gondo, Pius Chite and Brown Gabosebiwe

































# Botash value creation model

## Resources and relationships

Given the nature of Botash's business, the company relies on resources and relationships to continue operating and delivering value to customers and clients. The Covid-19 pandemic has shown that these resources are certainly not fixed as they, over time, decrease or increase as market and industry conditions change. The company takes great care in managing its stock of resources to ensure it continues to operate sustainably.

The company's business performance is inextricably linked to how it manages and utilises its financial and non-financial resources. Over time, Botash has categorised these resources against the six capitals model, and in turn, identified the nuances and interconnections between these various resources. To drive sustainability across its operations, the company continuously invests across six capitals and manages emergent risks in these capitals timeously.

Resource	Effect on other capitals
<b>Human capital</b>  Employees, contractors, and the company's base of suppliers are invaluable to its value creation. Their competencies, capabilities and experience serve as key components to how products are produced and taken to market. <ul style="list-style-type: none"> <li>- 433 full-time employees.</li> <li>- 176 temporary employees.</li> <li>- 10 long-term contractors with 178 employees.</li> <li>- 15,2% permanent female staff contingent.</li> </ul>	  Financial capital decreases from staff salary payments   Diverse and skilled workforce   Ability to operate
<b>Financial capital</b>  Botash relies on the pool of funds available for use in the production of its products. These funds are made available from profits generated through the company's operations, investments, and shareholder funding. <ul style="list-style-type: none"> <li>- Turnover of P 1,19 billion</li> <li>- ROE 16.6%</li> <li>- ROA 10.9%</li> <li>- Profit before tax P 250.6 million</li> <li>- Net assets value P 8,865 per share</li> </ul>	  Ability to operate   Staff salaries paid   CSI investment
<b>Manufactured capital</b>  The company's physical assets are key to transforming its financial resources into tangible salt and Soda Ash product outputs. These resources are at the heart of Botash's production process. <ul style="list-style-type: none"> <li>- Two operating plants</li> <li>- Mining rights and leases</li> <li>- OPEX spend P 376 million</li> <li>- CAPEX spend of P 74,1 million</li> </ul>	  Operational expenses   Use of natural resources
<b>Intellectual capital</b>  The decisions made at the Board, Executive Management and employee level are all driven by organisational, knowledge-based intangibles. This includes all the tacit knowledge, systems, procedures, and protocols that have been built over 30 years. <ul style="list-style-type: none"> <li>- Shared vision, mission and purpose.</li> <li>- Board charter</li> <li>- Company constitution</li> </ul>	  Ability to innovate

Resource	Effect on other capitals
<b>Natural capital</b>  All of the company's renewable and non-renewable environmental resources form a critical part of its salt and Soda Ash product outputs. These resources support the past, current and future prosperity of the business. <ul style="list-style-type: none"> <li>- Mineral reserves with a wellfield of approximately 400 km<sup>2</sup></li> <li>- Water consumption of 559 786 m<sup>3</sup></li> <li>- Electricity consumption of 112 101 MWH</li> </ul>	  Ability for staff to operate   Natural resources shared with communities
<b>Social and relationship capital</b>  The institutions and relationships within and between the company's communities, groups of stakeholders and industry bodies are key to its license to operate. <ul style="list-style-type: none"> <li>- Total CSI spend P 16,7 million</li> <li>- Donations made towards sports and recreation P 6 million</li> <li>- Total contribution towards education P 8,5 million</li> <li>- Participant in the Towards Sustainable Mining (TSM) Programme</li> </ul>	  Financial investment into initiatives

## Resources and relationships

### Strategic Pillars

The strategic pillars ensure that resources are used in a way that strengthens the company's ability to achieve its goals and targets.

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### Sustainability

Identifying and mitigating sustainability risks, investing in initiatives and activities that create stakeholder value.

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### Effective and Ethical Leadership

The Board and Executive Management team, guided by Botash's vision and mission, leverage their unique skills and expertise to drive the company's operations through its resources

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Effective and Sustainable allocation of the six capitals into the production process

## Production activities

Botash deploys its six capitals into its production process which produces outputs in the form of Soda Ash and salt. As a minerals beneficiation and manufacturing company, the company's activities are focused on brine extraction, surface operations, processing, and selling of products to the market for industrial and human consumption.

## Primary activities

Extraction		
Alkaline brine is extracted from under the pan through wells		Brine is concentrated through evaporation on shallow ponds, precipitating salt as a result.
Crystallisation and Filtration		
Concentrated brine is then pumped to large tanks where it reacts with carbon dioxide to form sodium bicarbonate	Sodium bicarbonate slurry is cooled, allowing it to crystallise out.	Slurry leaving crystallisers is thickened by 19%, then fed onto belt filters where sodium bicarbonate crystals are washed



### Outputs and products

Soda Ash Preparation		
The washed sodium bicarbonate is then heated, causing it to be converted into sodium carbonate or light Soda Ash.	The light Soda Ash is then compacted in the "nip" of two rollers to produce Soda Ash flakes, which are milled and screened to produce dense Soda Ash.	Effluent bitterns are evaporated until dry. Crystallised salt is not harvested and builds up, with ponds constructed on the pan surface to minimise seepage.

Salt Preparation
Crystallised salt is harvested and hauled to the salt plant where it is washed. The washed salt is screened into fine and coarse salt.



### Capital outcomes

Resource	Stakeholders impacted	
<b>Human capital</b> 	<ul style="list-style-type: none"> <li>- P 1,9 million spent on skills training.</li> <li>- 361 employees trained.</li> <li>- Ongoing recruitment with a focus on women and localisation.</li> <li>- Continued implementation of rapid response to Covid-19: Covid -19 response team and framework.</li> <li>- A total of P 1,6 million was spent on Covid-19-related safety measures.</li> </ul>	<ul style="list-style-type: none"> <li>- Employees</li> <li>- Shareholders</li> </ul>
<b>Financial capital</b> 	<ul style="list-style-type: none"> <li>- Turnover of P 1,19 billion.</li> <li>- Profit before Tax of P 250 million.</li> <li>- Tax payments to the Government.</li> <li>- Regular Board meetings to provide oversight over the operations of the business.</li> <li>- Regular communication of critical issues through the management and escalated to relevant Board committees.</li> <li>- Financial statements are externally audited.</li> </ul>	<ul style="list-style-type: none"> <li>- Shareholders</li> <li>- Customers</li> <li>- Government and regulators</li> </ul>
<b>Manufactured capital</b> 	<ul style="list-style-type: none"> <li>- Soda Ash production of 257,040 tonnes.</li> <li>- Coarse salt production of 357,534 tonnes.</li> <li>- Fine salt production of 89,860 tonnes.</li> <li>- OPEX spend P 376 million.</li> </ul>	<ul style="list-style-type: none"> <li>- Employees</li> <li>- Supply chain</li> <li>- Customers</li> </ul>
<b>Intellectual capital</b> 	<ul style="list-style-type: none"> <li>- A total of 361 staff members were trained.</li> <li>- Data security and protection.</li> <li>- The company is developing a new strategy for the period from 2023 - 2027.</li> <li>- An Airport Security Programme was developed for the Sua Pan Airfield.</li> <li>- Security officers were also trained and completed mandatory Aviation Security training.</li> </ul>	<ul style="list-style-type: none"> <li>- Employees</li> <li>- Shareholders</li> </ul>
<b>Natural capital</b> 	<ul style="list-style-type: none"> <li>- Granted a license to operate a new landfill by the Department of Waste Management and Pollution Control.</li> <li>- Water efficiency 3.0 (m3/t Ash).</li> <li>- Energy efficiency 0.44 (MWh/t Ash).</li> </ul>	<ul style="list-style-type: none"> <li>- Communities</li> <li>- Government and regulators</li> </ul>
<b>Social and relationship capital</b> 	<ul style="list-style-type: none"> <li>- Contribution made toward public health P 1,6 million.</li> <li>- P 157, 290 spent towards upgrading Flamingo International School.</li> <li>- 8 apprenticeships were awarded at a value of P 1, 1 million.</li> <li>- Ongoing engagements with indigenous communities and farmer's associations.</li> <li>- Adherence to regulatory and sector requirements.</li> </ul>	<ul style="list-style-type: none"> <li>- Supply chain</li> <li>- Customers</li> <li>- Supply chain</li> </ul>




























# How Botash measures value

Botash's value creation model and its outcomes rely on the ability to diligently define and measure success. In addition, with sustainability becoming a bigger concern to the company both operationally and strategically, sustainability-related considerations are actively incorporated into its measures of success.

Products that come out of the production process allow for the generation of sustained outcomes for all stakeholders. These outcomes, however, must be material to the company's broader strategy and guiding mission. The measures of success allow for an analysis of the outcomes and their relevance to the company's strategic pillars over the short- and long-term horizons.

### Strategic measures of success

	Objective	Capitals leveraged	Our progress
Short-term	Growth in production		
	Growth in customer numbers		
	Growth in sales		
Medium-term	Growth in market share		
	Product diversification		
	Year-on-year EBITDA growth by 15 %		
	Year-on-year reduction in total costs by 5%		
	No loss of a major customer in over 5 years		
Long-term	Enhanced value for shareholders		
	Enhanced value for stakeholders		
	Measurable impact on communities		

-  Early stages
-  In progress
-  Meeting objective

### Sustainability measures of success



The strategic adjustments made to Botash's operations to ramp up efficiencies, the company's employee and community initiatives, nature and conservation donations as well as education sponsorships all contribute to several Sustainable Development Goals (SDGs). The contribution that the company makes to the SDGs is measured following the underlying goals and targets that have been by the United Nations for each of the 17 global SDGs.

SDG	Key sections of the report
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	 Page 46
	 Page 22
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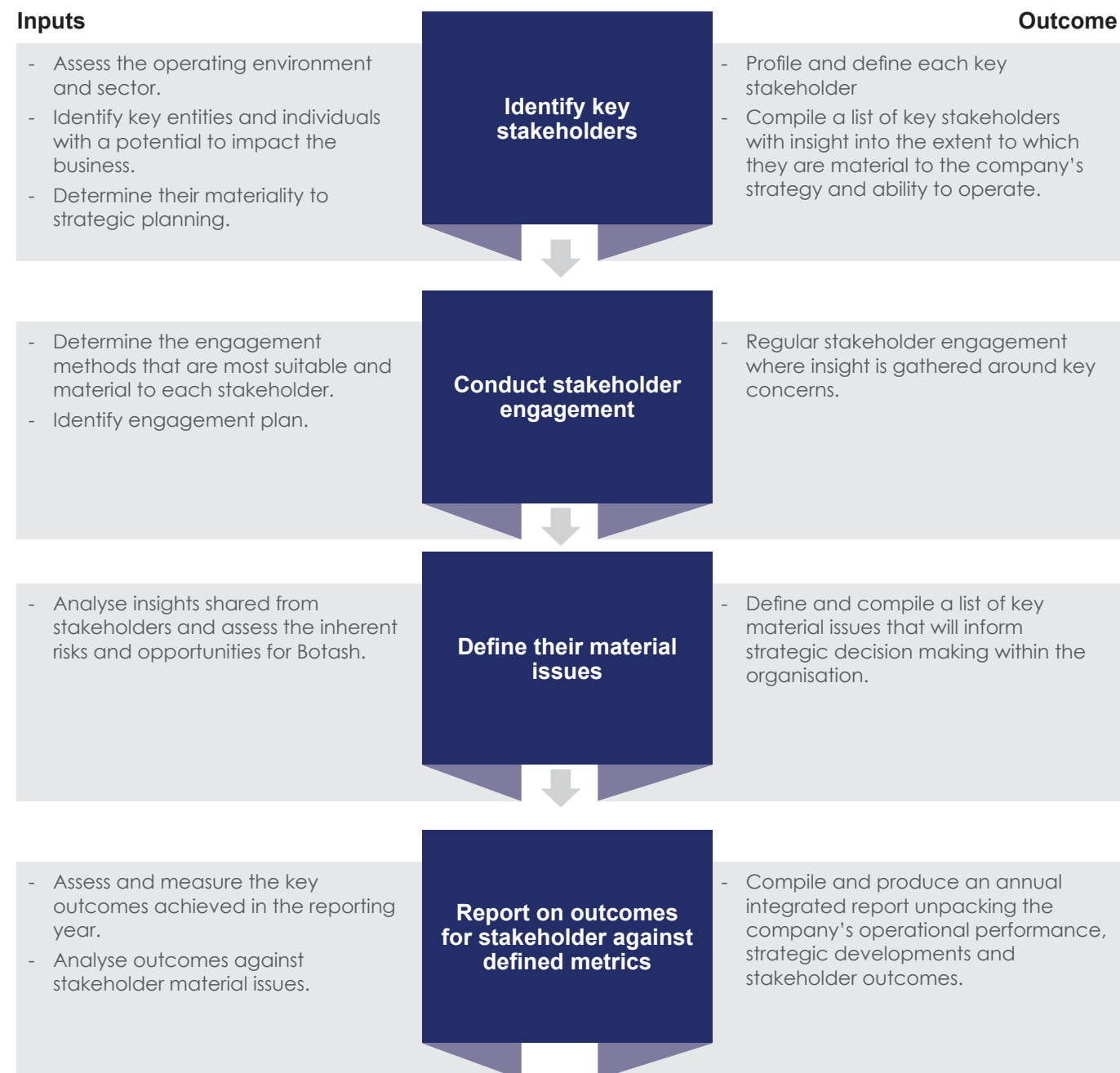


## Botash stakeholders

Botash's stakeholders are those individuals, groups, institutions, and bodies that can materially influence how the company operates. As such, they are an inseparable part of the value creation process.

The company actively looks to integrate its stakeholders and their key needs, concerns and expectations into strategic decision-making. To do so, it is imperative to understand who specifically sits within a constantly changing stakeholder landscape and what their key issues are. The company does this through a comprehensive stakeholder mapping and materiality exercise, a collaborative process between internal and external role-players.

## The stakeholder mapping and materiality process



### Key stakeholders







	Shareholders	Employees	Supply Chain	Customers	Government & Regulators	Communities	Media
Formal council and public meetings							
Site tours and audits							
Surveys and announcements							
Presentations and toolbox talks							
Phone, emails, and website							
Statutory reporting							





## Material issues

The diverse methods of stakeholder engagement allow for the gathering of a range of insights into their needs, concerns, and expectations. This is an important step in continually reviewing and updating the company's risk register and training protocols and guiding in the design and development of new products required by the market. Stakeholders' insights are a barometer of how effective and relevant the company's strategy is. Therefore, it is imperative that the company responds to the issues raised and incorporates the insights expressed into how operations and processes are optimised.

Stakeholder	Material issue	Strategic Response
 <b>Shareholders</b>	<ul style="list-style-type: none"> <li>- Progress made toward updating the Shareholder Agreement.</li> <li>- Ensuring business continuity amid the Covid-19 pandemic.</li> <li>- The impact of the amendments to the Companies Act.</li> <li>- Product diversification, growth and expansion.</li> </ul>	<ul style="list-style-type: none"> <li>- An update to the Shareholders Agreement has been drafted, with shareholders invited to provide their feedback.</li> <li>- The company continued implementing its Covid-19 framework to manage Covid-19 related disruptions.</li> <li>- The company constitution was drafted to align with new Companies Act requirements.</li> <li>- Feasibility studies have been conducted to determine whether capital should be allocated to new projects.</li> </ul>
 <b>Employees</b>	<ul style="list-style-type: none"> <li>- Provision of housing with amenities.</li> <li>- Health and working safely at the plant.</li> <li>- Covid-19 safety.</li> <li>- Impact of organisational review on employment security.</li> </ul>	<ul style="list-style-type: none"> <li>- The Executive Management team engaged employees on the issue of housing. On-going repairs to the housing facilities rented by the company have been prioritised.</li> <li>- Health and safety protocols were strengthened, with a focus on reducing the lost time injury and severity rates.</li> </ul>
 <b>Suppliers</b>	<ul style="list-style-type: none"> <li>- Stability of the transport system.</li> <li>- Progress made towards ensuring that suppliers are developed to meet requisite product quality standards.</li> </ul>	<ul style="list-style-type: none"> <li>- Additional financial resources have been allocated to supplier development.</li> </ul>
 <b>Customers</b>	<ul style="list-style-type: none"> <li>- Product quality.</li> <li>- Availability of stock.</li> <li>- Security of supply.</li> <li>- High truck turnaround times.</li> <li>- Rail inefficiencies.</li> </ul>	<ul style="list-style-type: none"> <li>- A customer satisfaction survey was undertaken to obtain more detailed insights into product quality concerns.</li> <li>- A 24-hour response time has been put in place to manage customer concerns.</li> <li>- Product procurement has been expanded to other territories. Soda Ash is now being procured from suppliers across the world.</li> <li>- A system has been put in place to communicate plant breakdowns to customers in a timely fashion.</li> <li>- Due to the collapse of the rail transport services, depots have been retrofitted to allow for delivery by road trucks.</li> <li>- Botash is engaging with both Transnet Freight Rail, Botswana Rail and customers.</li> </ul>
 <b>Government and Regulators</b>	<ul style="list-style-type: none"> <li>- Compliance with changing regulatory frameworks.</li> <li>- Covid-19 impact on sourcing of labour.</li> </ul>	<ul style="list-style-type: none"> <li>- The government has been engaged with the company constitution being drafted to align with regulatory changes.</li> <li>- The government was also engaged on licenses to operate during Covid-19 restrictions.</li> </ul>
 <b>Communities</b>	<ul style="list-style-type: none"> <li>- Job opportunities.</li> <li>- Indigenous community relations.</li> <li>- Access to water as a precious resource.</li> <li>- CSI initiatives and biodiversity.</li> </ul>	<ul style="list-style-type: none"> <li>- Sustainable mining initiatives continued in 2021.</li> <li>- Artisans were trained, through a range of South African companies, as part of the ongoing skills development initiatives.</li> <li>- Indigenous communities were engaged, with political and community leaders used as proxies.</li> <li>- Wildebeest were culled at the Game Park and the meat was donated to communities and staff.</li> <li>- A partnership was signed with the University of Botswana to conduct various Biodiversity studies on the Sua Pan.</li> </ul>



# Strategic pillars

While Botash's corporate strategy was conceived before the Covid-19 pandemic, its underlying objectives, together with the Covid-19 response framework, have enabled the company to successfully navigate the pandemic, building operational resilience and sustainability in the process. The strategic priorities bring together the company's business model, allocation of resources, stakeholders, and a broader mission to guide in the creation of sustainable long-term value.

## Our mission



Africa's leading Supplier  
of Natural Sodium and  
Related Products

## Strategic Pillars

### Reliable and Predictable Production

Ensuring that manufacturing assets can deliver optimal yields of products reliably

More on  
 page 44

### Growth and defence of market share

Driven by a strong marketing and sales function, using market intelligence/research and a compelling business case as a basis for expansion into new markets or sectors

More on  
 page 51

### Diversified product offering

As a way of minimising risk, new products and lines of business will be developed to diversify the company's revenue streams

More on  
 page 51

### Stakeholder and community impact

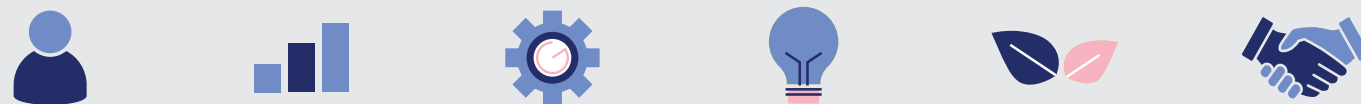
To build strong impactful relations with the community by committing to the company's sustainability agenda.

More on  
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## Sustainability Measures of Success



## Resources and Relationships



# CASE STUDY: Sustainability in Practice

## Building sustainable communities through education



Botash has invested in various initiatives that improve educational outcomes in surrounding communities. In turn, young people have had the opportunity to build critical learning and skills that will facilitate future employment, gain valuable life skills and foster a sense of social cohesion with fellow community members.

Of the **P 53 million** we spent on education between 2018 and 2021, we invested a total of **P 9 054 859** on upgrading the school's infrastructure and a total of **P 29 738 019** on funding staff salaries and operating costs.

The company has had an ongoing partnership with Flamingo International School, an important institution that provides high-quality education to the employees' children and those of surrounding communities. To maintain a high quality of learning at the school, Botash has consistently looked to recruit experienced and qualified staff. This has led to the development of a learning curriculum comparable to that of The International General Certificate of Secondary Education (IGCSE) schools.

To create a holistic and healthy learning environment, the company has also looked to improve the school's infrastructure, upgrading classrooms, the school's guard house and the administration block. It is believed that providing young people with a high standard of learning is an investment not only into their future as professionals but into the sustainability and future prosperity of the community at large.



# Botash leadership

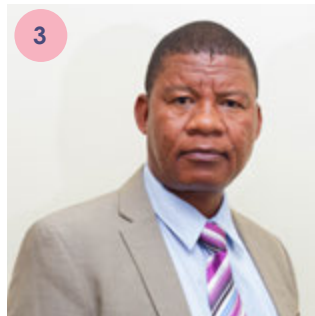
## Board of directors



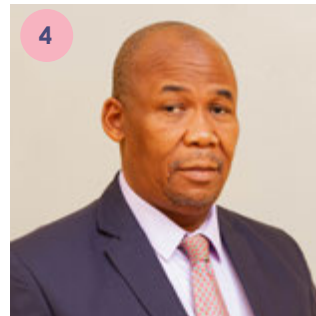
**1 Nkululeko Leonard Sowazi** <sup>57</sup>  
Chairman,  
Non-Executive Director



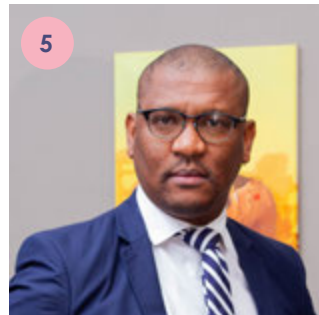
**2 Sebele Molalapata** <sup>57</sup>  
Independent,  
Non-Executive Director



**3 Ofentse Ditsele** <sup>49</sup>  
Independent,  
Non-Executive Director



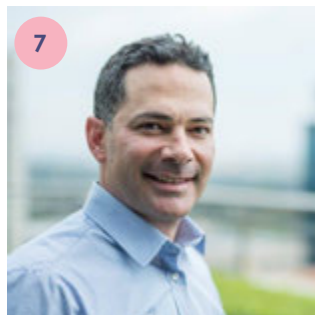
**4 Harry Pheko** <sup>54</sup>  
Independent,  
Non-Executive Director



**5 Opelo Tiro Motswagae** <sup>40</sup>  
Independent,  
Non-Executive Director



**6 Kago Galeeme Moshashane** <sup>68</sup>  
Independent, Non-Executive Director



**7 Gregory Hirschowitz** <sup>43</sup>  
CA(SA)  
Non-Executive Director



**8 Steven Leon Louw** <sup>48</sup>  
CA(SA)  
Non-Executive Director

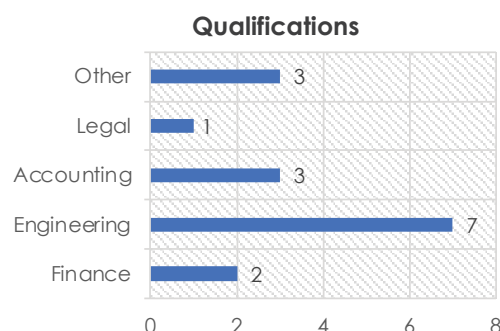
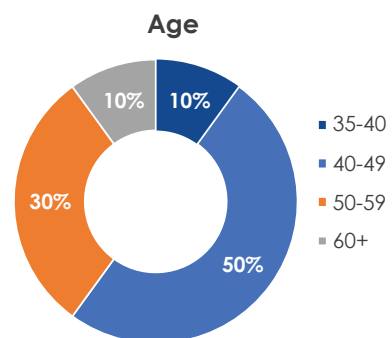


**9 Victor Ramalepa** <sup>43</sup>  
Independent Non-Executive



**10 Lara Ann Grieve** <sup>35</sup>  
CA(SA)  
Non-Executive Director

### Board skills and experience



Member	Experience
<b>1. Nkululeko Leonard Sowazi (57)</b> <b>Chairman, Non-Executive Director</b> <i>BA and Masters's Degree – University of California, Los Angeles</i> <i>Nationality: RSA</i> <b>HR T</b>	<ul style="list-style-type: none"> <li>Chairman of leading South African investment holding company, Kagiso Tiso Holdings</li> <li>Chairman of BudChem and currently a director of private and JSE listed companies including Grindrod Ltd, MTN Group Ltd, Bud Group, IQ Holdings, Bayport Financial Services and Tiso Blackstar Group (United Kingdom).</li> <li>20 years of senior executive experience in investment management and leadership.</li> </ul>
<b>2. Sebele Molalapata (57)</b> <b>Independent, Non-Executive Director</b> <i>BEng (Mining Engineering), and other certificates and diplomas</i> <i>Nationality: BW</i> <b>HR A</b>	<ul style="list-style-type: none"> <li>Managing Consultant at Marung Development Services.</li> <li>Previously held the position of General Manager and Mining Manager at Mowana Copper Mine.</li> <li>Served on several boards, including Botswana Housing Corporation.</li> </ul>
<b>3. Ofentse Ditsele (49)</b> <b>Independent, Non-Executive Director</b> <i>BSc and MSc (Mining Engineering)</i> <i>Nationality: BW</i> <b>A T</b>	<ul style="list-style-type: none"> <li>Director at the Department of Mines.</li> <li>Serves on Boards, including Debswana's Technical Committee.</li> <li>Member of Institute of Directors Southern Africa (IoDSA) and Mining, Metallurgy and Exploration (SME) of United States of America.</li> </ul>
<b>4. Harry Pheko (54)</b> <b>Independent, Non-Executive Director</b> <i>MSc (Operations Management) and BEng</i> <i>Nationality: BW</i> <b>HR T</b>	<ul style="list-style-type: none"> <li>Managing Director at Outsourced Engineering Services.</li> <li>Director at New-Tech Investments (Pty) Ltd.</li> <li>Served as a former Director, Technical and Operations Director, and a lecturer at various corporations and institutions.</li> </ul>
<b>5. Opelo Tiro Motswagae (40)</b> <b>Independent, Non-Executive Director</b> <i>Bachelor (Civil Engineering) and MSc (Strategy Management)</i> <i>Nationality: BW</i> <b>A</b>	<ul style="list-style-type: none"> <li>Executive Director at a supply chain financing and investment advisory firm, Ticano Group.</li> <li>Experience in corporate strategy and management.</li> <li>Worked for companies such as Stanbic Botswana, Standard Chartered, First National Bank and Geoflux.</li> </ul>
<b>6. Kago Galeeme Moshashane (68)</b> <b>Independent, Non-Executive Director</b> <i>BEng and MSc (Mining Engineering)</i> <i>Nationality: BW</i> <b>SE T</b>	<ul style="list-style-type: none"> <li>Retired (former Permanent Secretary - Ministry of Works &amp; Transport, former Deputy Permanent Secretary - Ministry of Minerals, Energy and Water Resources, former director (BCL Limited, TNMC, LKB, DNB and TMC).</li> <li>Current Board member at Debswana.</li> <li>Worked at the Department of Mines as an inspector.</li> <li>Represented the Government of Botswana at SADC Mining Sector meetings.</li> </ul>

**HR** Human Resources

**T** Technical

**A** Audit

**SE** Social & Ethics



## Board of directors

Member	Experience
<p>7. Gregory Hirschowitz CA(SA) (43) <b>Non-Executive Director</b> <i>BCom and BAcc – University of Witwatersrand</i> <i>Nationality: RSA</i></p> <div> <div>A</div> <div>HR</div> <div>T</div> </div>	<ul style="list-style-type: none"> <li>Chief Executive Officer (CEO) for the BudChem Group.</li> <li>Previously a senior executive at Investec Equity Partners (IEP).</li> <li>15 years as a private equity specialist for Investec Principal Investments (IPI).</li> </ul>
<p>8. Steven Leon Louw CA(SA) (48) <b>Non-Executive Director</b> <i>BCom (Honors) - University of Johannesburg</i> <i>Nationality: RSA</i></p> <div> <div>A</div> <div>SE</div> </div>	<ul style="list-style-type: none"> <li>Chief Financial Officer of the Bud Chemicals and Minerals Group since May 2020.</li> <li>15 years as a partner at KPMG, a Big Four professional services firm.</li> <li>Previously served as Chief Operating Officer and risk partner on the South African firm's executive committee.</li> </ul>
<p>9. Victor Ramalepa (43) <b>Independent Non-Executive Director</b> <i>Bachelor of Laws (LLB)</i> <i>Nationality: BW</i></p> <div> <div>SE</div> </div>	<ul style="list-style-type: none"> <li>Currently Managing Partner of Ramalepa Attorneys.</li> <li>Serves on various Boards; Botswana Bureau of Standards Tender and Procurement Committee, Human Resources and Remuneration Committee and Kweneng Development Ventures.</li> <li>Member of Botswana Law Society.</li> <li>Patron - Lady Mitchison Primary School through the Adopt-a-school Presidential initiative.</li> </ul>
<p>10. Lara Ann Grieve CA(SA) (35) <b>Non-Executive Director</b> <i>Bachelor of Business Science (Finance) – University of Cape Town</i> <i>Nationality: RSA</i></p> <div> <div>A</div> <div>SE</div> <div>T</div> </div>	<ul style="list-style-type: none"> <li>Joined Bud Chemicals &amp; Minerals at end of 2019 and currently serves as the Business Development Executive.</li> <li>Joined a private equity business, Coast2Coast Capital, in 2014 where she concluded various M&amp;A transactions and later focused on corporate finance and equity capital markets.</li> <li>Headed up the Business Development and Strategy at the Youth Employment Service at the start of 2019, where she led a team who created over 28,000 jobs in South Africa in 10 months.</li> </ul>

HR

 Human Resources

A

 Audit

T

 Technical

SE

 Social & Ethics



## Executive management team



**Kangangwani Phatshwane**  
Managing Director



**Keenlord Dube**  
General Manager  
(Maintenance and Projects)



**Lesego Makubate**  
Finance Manager



**Motse Mokgosi**  
Production Manager



**Othusitse Seokamo**  
Process and Product  
Development Manager



**Sabelo Matikiti**  
Human Capital Manager



**Ishmael Moatshe**  
Company Secretary



# Botash leadership

## Executive Management

Member	Responsibility
Kangangwani Phatshwane <b>Managing Director</b>	<ul style="list-style-type: none"> <li>Accounts to the Board of Directors for the overall operation and performance of the company.</li> <li>Develops and executes the company's strategy and creation of shareholder value.</li> <li>Ensures Botash maintains a high social responsibility for the sustainability of the business.</li> <li>Holds the statutory appointment for overall responsibility for safety, occupational health, and the environment.</li> </ul>
Keenlord Dube <b>General Manager (Maintenance and Projects)</b>	<ul style="list-style-type: none"> <li>Responsible for the formulation and execution of the Botash project portfolio to realise the business strategy.</li> <li>Responsible for management and improvement of engineering and maintenance capabilities to sustain high levels of safety, legal compliance, plant availability, reliability and integrity. This includes management of annual shutdowns.</li> <li>Entrusted with the implementation of Botash's sustainability initiatives and programs under the Towards Sustainable Mining initiative.</li> </ul>
Lesego Makubate <b>Finance Manager</b>	<ul style="list-style-type: none"> <li>Responsible for developing and implementing the company's financial and investment strategy by overseeing accounting and financial reporting, budgeting, cost control, taxation, cash flow management, and audit functions.</li> </ul>
Motse Mokgosi <b>Production Manager</b>	<ul style="list-style-type: none"> <li>Responsible for overseeing production processes to ensure product reliability and efficiency.</li> <li>Planning and organising production schedules, assessing resource requirements, and determining and ensuring quality control and safety standards.</li> </ul>
Othusitse Seokamo <b>Process and Product Development Manager</b>	<ul style="list-style-type: none"> <li>Responsible for process engineering and product development functions.</li> <li>Oversees design and performance of strategic projects, including research and development.</li> </ul>
Sabelo Matikiti <b>Human Capital Manager</b>	<ul style="list-style-type: none"> <li>Responsible for the formulation and execution of the HR strategy and initiatives aligned with the overall business strategy and employment legislation.</li> <li>Drives the critical functions of workforce planning, talent management, and employee engagement.</li> </ul>
Ishmael Moatshe <b>Company Secretary</b>	<ul style="list-style-type: none"> <li>Responsible for governance and all secretarial duties per the Companies Act.</li> <li>Leads the Legal and Administration functions.</li> <li>Drafts and reviews company contracts.</li> <li>Responsible for insurance, facilities management, contract management for the cleaning, catering, and accommodation service providers, and licensing.</li> </ul>

# Building resilience in a new reality



The Covid-19 pandemic has become a way of life globally. In 2021, recurring waves and variants of the virus affected the company's markets more significantly than ever before. Encouragingly, the Botash strategy of managing and mitigating its impact on its labour force while ensuring continued operations bore fruit.

## Putting the pandemic into context

The Covid-19 pandemic, or coronavirus disease, has severely impacted global health systems and economies since the outbreak was first identified in Wuhan, China, in December 2019. Rapidly spreading throughout the world in the preceding months, social and productive activity was brought to a halt by various government-imposed restrictions on movement. This has had far-reaching economic consequences, with the world experiencing the second-largest global recession in recent history. Various sectors were adversely affected. The global retail sector faced reductions in operating hours, tourism collapsed in various regions due to travel restrictions, and supply chains across sectors slowed, affecting consumer patterns.

Botswana was relatively unscathed by the initial global surge in Covid-19 cases in 2020, with daily cases peaking at 2,023 in October of that year<sup>4</sup>. Despite the Government of the Republic of Botswana (GRB) instituting lockdown regulations to curb the spread of the virus in those initial stages, the relatively low caseload in the country meant that the lockdown restrictions were less stringent than in other regions<sup>5</sup>. Botash was also afforded essential service status by the government and was, therefore, allowed to continue operating.

<sup>4</sup> Botswana: WHO Coronavirus Disease (COVID-19) Dashboard With Vaccination Data | WHO Coronavirus (COVID-19) Dashboard With Vaccination Data

<sup>5</sup> Botswana Tightens COVID-19 Restrictions Amid Rising Death Toll (voanews.com)



## Managing a severe wave in Botswana

In 2021, the country experienced a spate of severe waves. In August of that year, a record number of 15,551 cases were recorded in the country, with the government announcing new restrictions which included an extension of the night-time curfew, and a ban on public gatherings.

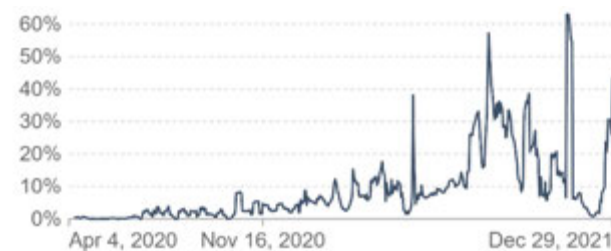
This wave of Covid-19 became a critical concern for Botash, especially in the context of its ability to source contractor services from the country, protect the company's existing employees and meet its obligation to customers.

The Covid-19 Risk Management Strategy, a pandemic response mechanism formulated in 2020, became an important framework to guide how the company mitigated the negative impact of the pandemic on its operations and people.

The framework, developed in consultation with the government's District Health Management Team, outlines a set of measures and countermeasures that were taken within the business.

Through its implementation, the company effectively identified, evaluated, and ranked potential risks associated with Covid-19. This includes managing the risk of exposure to staff, managing supply chain disruptions across the company's markets, preserving revenue in the face of rising shutdowns, and adjusting and re-allocating essential operational requirements.

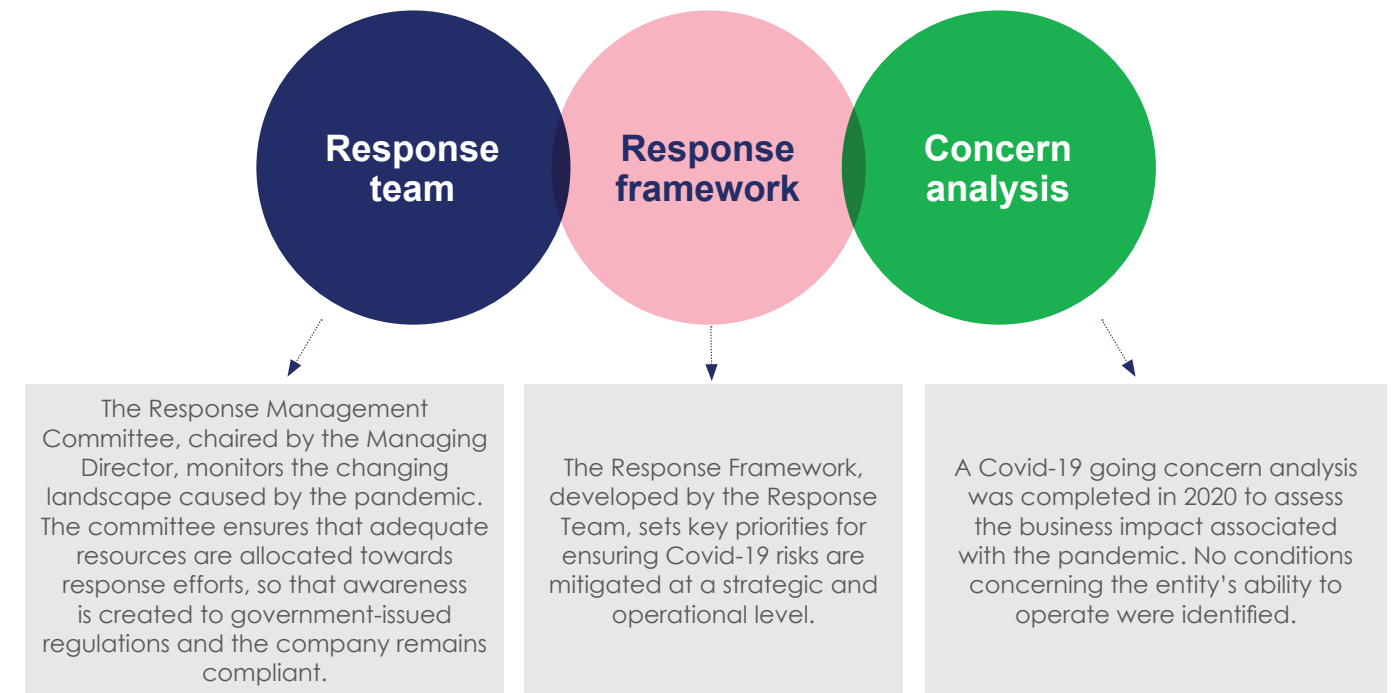
**Covid-19 test positivity rate Botswana 2021**



Source: <https://covid19.who.int/region/afro/country/bw>



## Covid-19 response strategy



### Counter Measures

Demarcation of zones	Access control	Suspend Alcohol testing	Temperature screening	Handwashing and sanitisation stations	Search protocols
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### Response Framework Priorities

<b>Protect Employees and operating assets</b>	<ul style="list-style-type: none"> <li>Implement personal hygiene and physical distancing guidelines</li> <li>Monitor and communicate regional and national developments</li> <li>Prepare management protocols in the event of a Covid-19 case on site</li> <li>Stabilise supply chains</li> <li>Implement contingency plans to protect operations in the event of an outbreak</li> <li>Correct Soda Ash stock deficit at the depot in South Africa</li> </ul>
<b>Preserve revenue</b>	<ul style="list-style-type: none"> <li>Proactively contact customers</li> <li>Improve service to remaining revenue lines</li> <li>Explore new or accelerated revenue streams</li> </ul>
<b>Conserve cash</b>	<ul style="list-style-type: none"> <li>Reduce discretionary spend</li> <li>Postpone non-essential capital spend, while carrying out key capex projects</li> <li>Match debtors to creditors</li> </ul>
<b>Prepare for upturn</b>	<ul style="list-style-type: none"> <li>Maintain customer relationships</li> <li>Use period of low demand to correct ash stock imbalance between Sua Pan &amp; Natspruit</li> </ul>



# Covid-19 response strategy



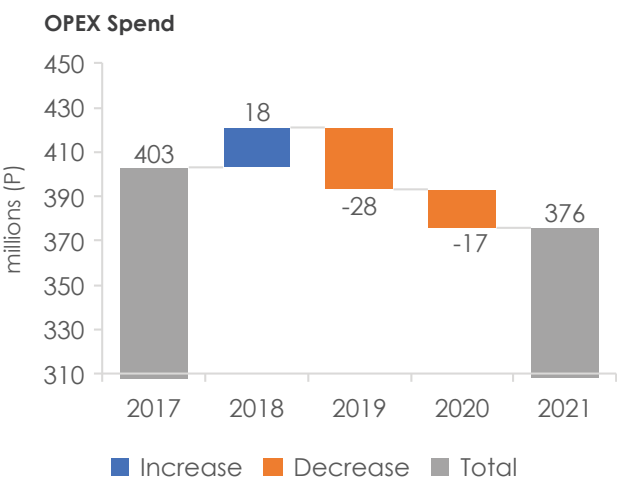
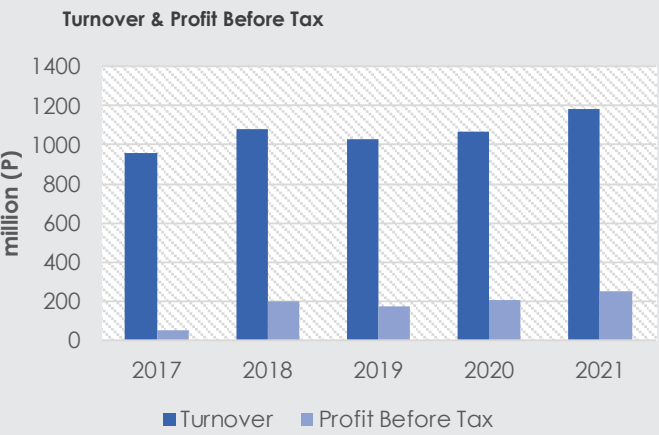
## Protecting employees and operating Assets

In 2021, Botash continued to prioritise its employees' well-being through various non-pharmaceutical interventions. Social distancing protocols and health and safety measures continued to be implemented in the year, with the provision of sanitisers to direct and contracted staff, temperature screening at the mine gatehouse, and access control carried out to limit direct contact.

Travel was once again restricted between Botswana and South Africa. This continued to stifle the company's ability to import critical skills and undertake its annual planned shutdown. However, the company continued to utilise the intermittent lockdowns and stoppages to undertake essential maintenance, with a full annual shutdown scheduled for 2022. The company increased its OPEX spending by 15.7% to P 399,591,882.

Despite the surge in Covid-19 cases throughout the region, the company engaged with government officials to continue operating and transporting products to its various markets by road and rail. This

translated into a significant recovery in the company's turnover, recovering to higher than pre-Covid levels. Revenue generated from the South African market, Botash's largest, recovered from the decline registered in 2020, increasing by 12.2% to P 912 072 085. Profit levels also increased by 17.5%, a considerable achievement under the circumstances.



Moving forward, management will continue to implement measures that safeguard and futureproof the company against further pandemic-related risks and stoppages. This will include looking at more ways to cut and defer non-critical expenditure, maximising supplier credit terms and improving debtors' collections through close monitoring by the Executive Management team. The company will also explore cost-effective ways to run plant operations, including optimising staff levels at Sua Pan and completing the organisational review exercise. Customers will also be engaged proactively, with further measures put in place to cushion them from future lockdowns and restrictions on economic activity. Logistics activities will also be carefully monitored in conjunction with system improvements to continue meeting customer demand.





# Botash strategic outcomes

## Reliable and predictable production

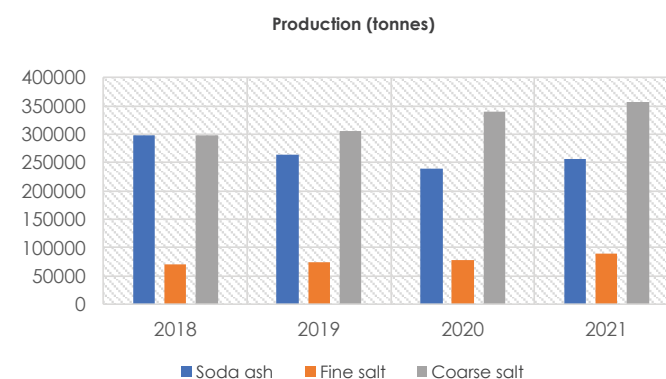


Botash was pleased to record an increase in fine and coarse salt production, by 12.6% and 5% respectively, with market demand continuing to create a favourable operating environment. The company also recorded a 7.2% increase in the production of Soda Ash over the 2021 financial year. This was a rebound from the 9% decrease registered in 2020, indicating the stabilisation of the Soda Ash market and a rise in customer demand. The upswing in customer demand has also been the result of the curbing of production capacity in China, creating a global supply shortage.

This supply shortage has meant that demand for the company's product has in some cases surpassed production capacity. As a short-term solution, Botash continued engaging with suppliers from other international markets to meet the supply shortfall. The company has also undergone feasibility studies to increase and expand capacity as customer demand levels continue to rise with the increased activity of the glass sector.

### Identifying bottlenecks in production

As customer demand rose for Botash's products in the 2021 financial year, the company undertook a customer satisfaction survey to identify bottlenecks or pain-points customers may experience in receiving products. It was necessary to conduct the study as the entity sought to drive efficiencies in its operating model to continue to provide reliable production in accordance with its strategic priorities.

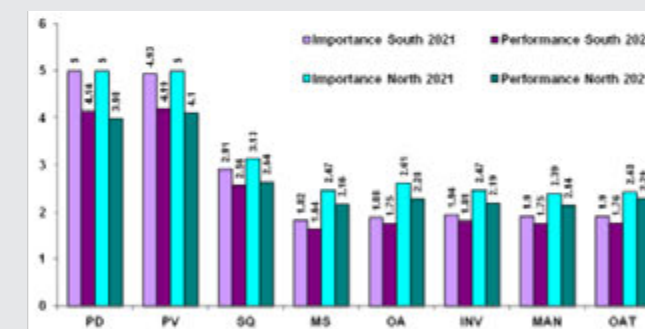


### Factors examined



The client satisfaction survey sought to engage customers along 4 factors, with each factor having sub-dimensions. Customers were asked to rate the company's performance in each factor to gauge if there were potential bottlenecks or risks in providing reliable and predictable production.

The sub-dimensions that were rated by customers were product delivery(PD), product value (PV); service quality (SQ); marketing and sales (MS); order administration (OA); invoicing (INV); Management (MAN); and overall attitude (OAT) towards clients. Customers across the Southern region (South Africa) and northern region (Botswana, Zimbabwe, Zambia, Malawi, Tanzania and the Democratic Republic of Congo) participated in the study.



### Point system

A CSI = 1.0 represents a perfect balance between performance and importance of specific dimension

A CSI of less than 1.0 represents opportunities for improvement

Product delivery and product value were undoubtedly the most important dimensions in the survey. These two areas were also identified as the company's biggest operational gaps, according to customers in both the North and the South. The feedback gained from customers proved to be essential in framing how Botash responded to the concerns to continue providing reliable and predictable production, a core strategic priority.

### Safeguarding product quality

A significant product quality incident experienced in 2021 was that of contamination. A customer reported that contamination had been found in products sourced from the plant. Once notified of the contamination by the client, the company undertook to cease activity on the plant and launched an investigation into the potential source of the contamination. The investigation involved removing visible contaminants, assessing for the source of the contaminant, and putting quality and management controls in place to prevent future contamination. In this case, the contamination was found to come from blasting grit, welding splatter and rust in the piping network. In response, the company cleaned the factory of blasting grit, instituted a cleaner approach to welding and commenced a project to replace the aged pipes with stainless steel, which does not rust. While only a single customer was affected in this instance, it was crucial to proactively investigate and curb issues in product quality as a key mechanism to continue to deliver reliable and predictable products for customers.

To prevent a similar incident happening in future, the following measures have been put in place; any future structural corrosion protection work shall be carried out in a manner that minimizes the spread of blasting material, and allows for a thorough process cleaning prior to start-up, and following the maintenance work, analysis of insoluble particles will be conducted across the process and on the final product, and lastly, start-up material in the warehouse will be segregated until contaminants are undetectable.

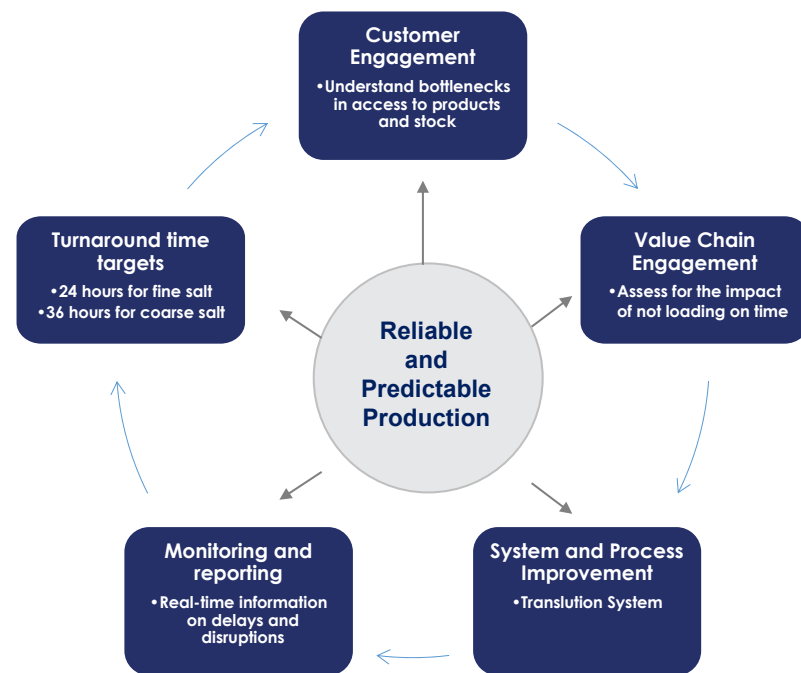
### Improving operational and process efficiency

A recurring theme over the last few years has been that of truck transport turnaround times on-site and delays in deliveries. While this was cited in the 2020 financial year, it remained a key theme for customers in 2021. In response, the company took the findings of 2020's process review and sought to make improvements in the logistics process to enhance truck transportation times at the site.

In 2021, the company implemented a system that provides real-time tracking information. In addition, various stakeholders were engaged in the value chain to get better alignment around the negative impact of not loading on time. With these insights taken on board, the company finetuned the new Translution System that was implemented in 2020 to enhance the management, control, and weighing of dispatches. The system, which assists in locating and assessing the cause of delivery delays, was a key mechanism to optimise the supply chain. In addition, strict boundaries and targets were set for product turnaround times, with a limit of 24 hours for train loading and 4 hours for truck loading.



## Reliable and predictable production

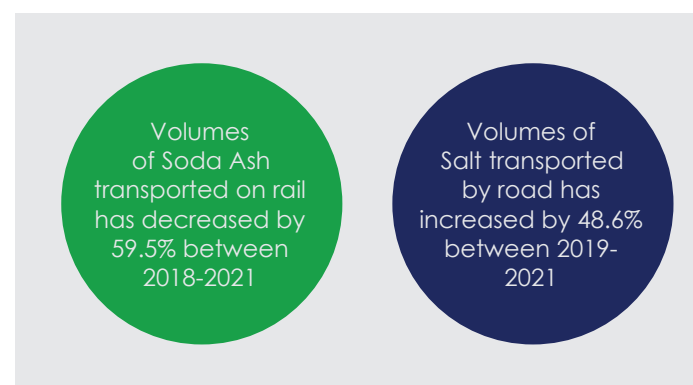
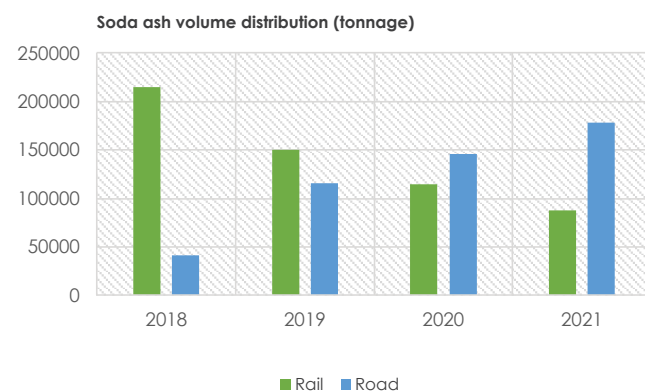


Another area that was focused on in 2021 was improving the response times to customer queries and quotation requests. After identifying bottlenecks in timely responding to customers, the company implemented a system that reduced query turnaround times to 24 hours. Daily system reviews were initiated that investigated customer queries more holistically, and rapid response to queries of all kinds ranging from quotation requests to proof of payment copies.

### Addressing product distribution difficulties

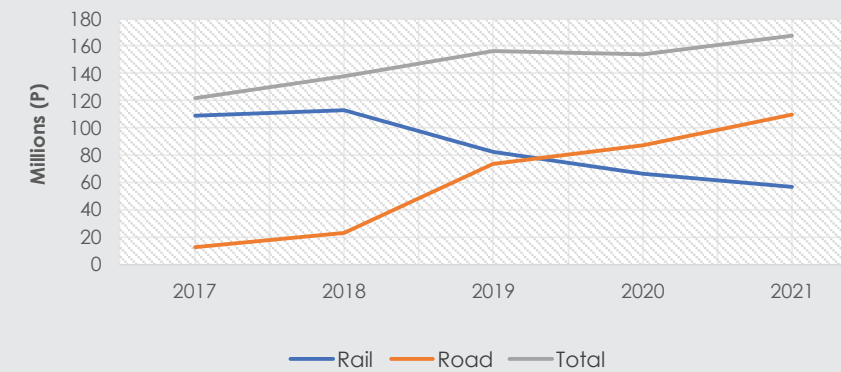
A key component to providing reliable and predictable production is effectively distributing products to customers in different markets. Botash has had a long-term strategic partnership with rail operators in the region for the distribution of products. With the company's operations in Sua Pan in north-eastern Botswana, a landlocked country, a reliable and efficient route to market is critical to ensure consistency of supply. Rail has been an attractive mode of transport due to its lower costs compared to alternatives, with 1500 tonnes of product being transported in a single consignment, compared to tankers or trucks that only move a maximum of 35 tonnes per consignment.

The company transfers Soda Ash on rail to its depot in Natspruit to distribute to customers in South Africa. In the North, Botswana Railways (BR) delivers salt to different markets in Zimbabwe through the National Railways of Zimbabwe (NRZ). BR is also a strategic supplier in moving coal from Morupule Coal Mine (MCM). The newly commissioned Kazungula bridge, a gateway to the Zambian and northern markets, is planned to be connected to Botash through a rail line, increasing the company's ability to supply to those regions. However, a significant reduction in rail efficiency has been observed in the region over the years, significantly impacting profitability. Transnet, the region's largest rail transport provider, continued to experience significant operational inefficiencies and infrastructure stripping. This has meant that the proportion of Soda Ash moved by rail has generally declined.



In response to these operational inefficiencies in the rail sector, the company has had to invest a considerable amount of capital in retrofitting the depot to receive products on trucks and road tippers instead of rail. Customer sites, which are configured for a rail system offloading and not trucks, have also presented logistical challenges when rail transport is unavailable. This has resulted in the company incurring increased transport costs, particularly in transporting Soda Ash to Belville by road.

**Total transport cost for Soda Ash transfers**



**Road as a proportion of total transport surpassed rail in 2019 and accounted for 65.8% of total transport costs in 2021.**

### Providing stable energy to drive production

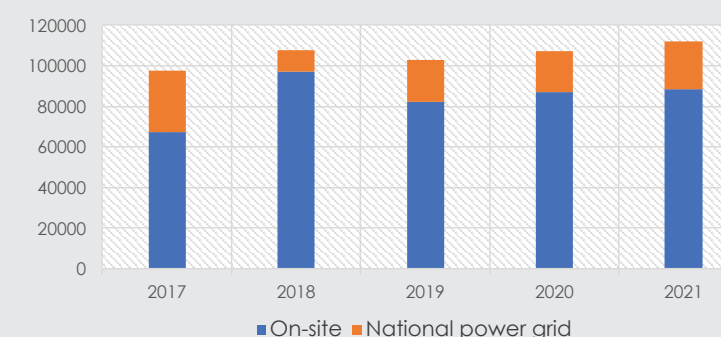
Botash relies on a stable supply of energy to ensure reliable and predictable production for customers. Although coal supplied by MCM in 2021 assisted the company to meet 79.1% of its requirements through self-generated power, Botash is also connected to the national power grid. The national grid provides standby power in the event of interruptions experienced by the company's power generation. However, ageing infrastructure and energy insecurity in the region have meant that the supply of electricity has become increasingly unreliable. This has also coincided with the rising costs of electricity supplied by the Botswana Power Corporation. Botash has thus had to explore additional ways to maintain a stable and reliable source of energy, and closely consider how it can curb the environmental impact of its energy use.

Electricity consumption			
	2019	2020	2021
	102 727 MWH	107 288 MWH	112 101 MWH

Greenhouse gas emissions - million metric tonnes			
	2019	2020	2021
Direct from owned generation	0.072	0.075	0.214
Indirect from purchased energy	0.010	0.189	0.045

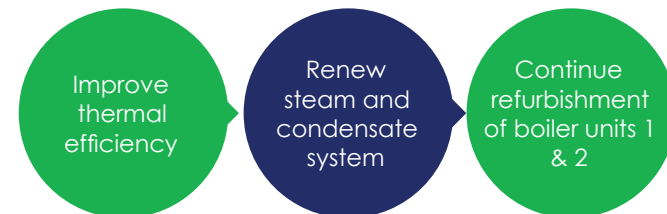
**Electricity Consumption: produced onsite vs national power grid (MWH)**



**Electricity consumption increased by 4.3% in 2021.**



Botash's electricity consumption at Sua Pan increased by 4.3% to 112 101 MWH. Of this, 79.1% was from the company's onsite generation, and the balance thereof was supplied by the BPC. Considering the power supply challenges and their impact on production, three initiatives have been investigated that are geared towards promoting energy reliability and efficiency to promote energy security.



#### Managing crucial water resources

Water serves as an important input to the company's production capabilities and is crucial to both the production of Soda Ash and salt. Botash sources most of its water from its boreholes which supply two-thirds of its water requirements. The balance of water supply is provided by the Water Utilities Corporation (WUC). The WUC supplies Botash with potable water for domestic purposes and raw water which is treated for use as boiler feed. As highlighted in previous years, WUC has struggled to provide a reliable supply of water to its clients due to challenging access conditions to the corporation's wellfield. In curbing the shortfall of water supply to the operations, the company is working in collaboration with WUC on two projects.

- **Dukwi Wellfield Numerical Groundwater Model:** The Contract for Consultancy Services for the review and updating of the Dukwi Wellfield Numerical Groundwater model was signed on the 10th of January 2022, marking project commencement. Field reconnaissance activities started on 18th January 2022 and a draft Inception Report was published on 26th February 2022.
- **WUC: Sowa Nata Water Supply Upgrading Design:** A detailed Design Report was released on the 23rd of November 2021. Construction tender processes started in January 2022 with a conclusion expected at the end of April 2022. Construction is then expected to start in May 2022.

To further mitigate the risk that water supply could have on business continuity, a three-tier water stewardship protocol was developed to reduce the risk of disruption by diversifying sources of water supply. In addition, the company participated in the development of the Botswana National Water Conservation and Demand Strategy which emphasises the reduction of water consumption.

Potable Water Consumption (m³)		
2019	2020	2021
537 971	566 673 ↑	559 786 ↓

Water efficiency (m³/t Ash)		
2019	2020	2021
3.4	3.9 ↑	3.0 ↓

Botash was pleased to record a 2.3% reduction in its water consumption in 2021. Having addressed the operational challenges that led to high water usage at the sodium bicarbonate filtration unit in 2020, water efficiency also improved in 2021 as the company continued its drive to embed sustainable resource practices throughout its production processes.

#### Expanding and securing the supplier base

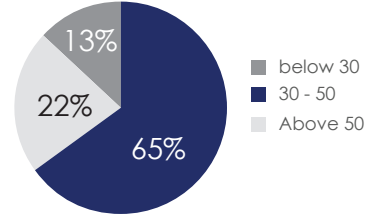
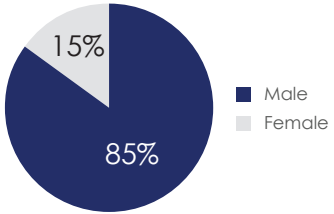
Suppliers are inseparable from Botash's production activities. From the supply of raw materials to key operational services, suppliers are essential to business continuity and operations. In ensuring that profitability is safeguarded, and customers are serviced with products, the company has taken a two-pronged approach to maintain a secure and effective supplier base;



The SDP programme, under the United Nations Development Programme (UNDP), provides a unique upskilling opportunity for participating suppliers by improving their competitiveness and profitability, market access and products and services. As a participatory SDP buyer, the company registered 37 suppliers, an increase of 47% from the fifteen suppliers registered in 2020. Participating suppliers assisted on various construction projects for ablution, transport services and maintenance activities.

The company plans on increasing the number of SME suppliers supported through this programme in the long term. The investment in SDP suppliers will reduce vulnerability to restricted supply of skills and materials that arise from additional waves of Covid-19 or any other pandemics in the future.

2021 supplier overview			
Total supplier spend	Total local supplier spend	% of spend on local suppliers	Local procurement spend has increased by 49.9 % between 2017-2021 ↑
P 741 416 915	P 532 262 125	72%	

2021 human capital overview			
Full-time employees	Full-time employee demographics	Full-time employee nationality	Full-time employees by gender
433		97.9% Local (Botswana citizens)	

The total workforce amounted to 433 at the end of the 2021 financial year with 78% of the total workforce below the age of 50. Moving forward, the company will actively look to increase the proportion of the workforce that is in the youth segment below 30. From a gender perspective, 15.2% of the workforce is female representing a slight increase from 2020.

	2019	2020	2021
% full-time female employees	14%	15%	15.2%
Total training spend (P)	976 297	1 010 294	1 933 316
Total staff trained	192	148	361

Botash took a considerable focus on staff training in 2021. As the company enters a new strategic period in 2023, training and capacitation has increased throughout the operations. Training spending increased by 48% to just under P 2 million. The share of staff trained also increased significantly, with just over 83% of staff undergoing some form of training in 2021.

Staff attrition for 2021 was at a level of 10.80%, a slight increase from 2020 but still below benchmark rates in the sector. From a health and safety perspective, the Total Recordable Injury Frequency Rate (TRIFR) decreased in 2021 to 0.35. Regrettably, 2 lost-time injuries were recorded, along with 1 medical treatment injury and 12 first aid injuries. Moving forward, more investment will be made into the health and safety of employees and in maintaining adherence to the zero-harm vision.



In terms of employee engagement, various employee issues were raised and addressed through the relevant collective bargaining structures. Pertinent issues that were raised, among others, were housing maintenance and leave encashment. For the former, the company is looking at various mechanisms to prioritise proactive maintenance including working together with the landlord, Botswana Housing Corporation to ensure amenities provided in employee houses are adequate. Further, management and employee unions negotiated and signed off the 2021/2022 Wage Agreement. At the time of reporting, mindful of the effect that increased inflation has had on employee wages, management and the union were engaged in a wage review for the 2022/2023 period.



#### Bolstering aviation security

The Botswana Aviation Security Act states that "a person shall not operate an airport serving civil aviation in Botswana without an Aerodrome Operator Security Programme (ASP)". Given that the company operates an aerodrome and owns an 8-seater jet, an Airport Security Programme was developed to meet the following objectives;

- Documenting how the requirements of International Civil Aviation Organization are complied with.
- Setting aviation security standards and clearly defining the responsibilities of individuals and entities involved with or in charge of the implementation of the security measures described in the National Civil Aviation Security Programme (NCASP) at Sua Pan.
- Describing routine airport security-related processes and procedures which are necessary to safeguard the operations of Sua Pan.
- Identifying training needs for individuals implementing security controls to ensure uniform application of security procedures to safeguard civil aviation operations against acts of unlawful interference.



## Growth and defence of market share

An important component of the corporate strategy is the ability to remain resilient and high performing in a changing and unpredictable environment. In doing this, it is important that Botash continuously finds innovative ways to preserve value and market share and grow its footprint through strategically diversifying the product offering.



#### Strategic Pillars

##### Reliable and Predictable Production

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##### Growth and defence of market share

Driven by a strong marketing and sales function, using market intelligence/research and a compelling business case as a basis for expansion into new markets or sectors.

##### Diversified product offering

As a way of minimising risk, new products and lines of business will be developed to diversify the company's revenue streams.

##### Stakeholder and community impact

Page 53



The company's two principal product diversification projects are for sodium bicarbonate and bitterns beneficiation to produce potassium chloride (SOP) both of which are inherent in the brine that Soda Ash and salt are extracted from. Both these projects will serve the strategic pillars positively while promoting sustainable resource use.



### Bitterns beneficiation

Bitterns are a waste stream that results from the extraction of Soda Ash and sodium chloride (salt) from the feed brine. Botash has, since inception, disposed of this stream. However, bitterns contain commercially recoverable quantities of other commodities such as potassium chloride, sodium sulphate, bromine, salt and iodine. The company has thus embarked on a project to develop SOP and sodium sulphate production facilities. This has come after feasibility studies suggested that the market for these products both in Southern Africa and abroad is sizable. As the global population continues to rise, SOP is a product that will be crucial to the production of various food products.

The tender for the project design was awarded to K-Utec Corporation based in Germany. There is also ongoing Phase 2 Solar Evaporation Tests in Quasi Continuous Mode to test the behaviour of the brine when exposed to different weather conditions. Process Design for SOP production was completed to a cost accuracy of ±30% with further studies required to optimise the process economics through raw materials reduction and process route changes. A project brief was submitted to the Department of Environmental Affairs (DEA), which has also advised that an Environmental Management Plan (EMP) be produced. This is still to be approved.

Currently, Product Offtake Agreement negotiations with K-Utec are at an advanced stage, with K-Utec to take 90% of SOP produced, and Botash retaining 10% for specific markets such as Botswana and Zimbabwe. Together with K-Utec, the company has agreed on a product mix and storage capacity while pricing mechanisms are still under discussion. The floor price will be set once the unit cost of production is established.

### Sodium bicarbonate plant

Botash has in the past been approached by potential customers for the supply of sodium bicarbonate and has also previously won a tender to supply this product (from a third-party producer) to a local customer. Internal market research has indicated that there is an existing and potentially growing market for this commodity within Southern Africa, owing mostly to sulphur emission legislation. In response, Botash plans to leverage this growth by positioning itself in the future as the sole producer in the region.

A project was launched to investigate the feasibility of building a plant to produce sodium bicarbonate. TCC, based in China, was awarded the tender for the basic design of this project and design work commenced in July 2021 with a draft design report issued in early December 2021. The company is currently reviewing the civils cost basis, which is found to be disproportionately high. As a result, a civil consultant was onboarded in late December 2021 to assist with the process. The DEA has advised that Botash carry out an EMP to fulfil environmental impact study obligations.



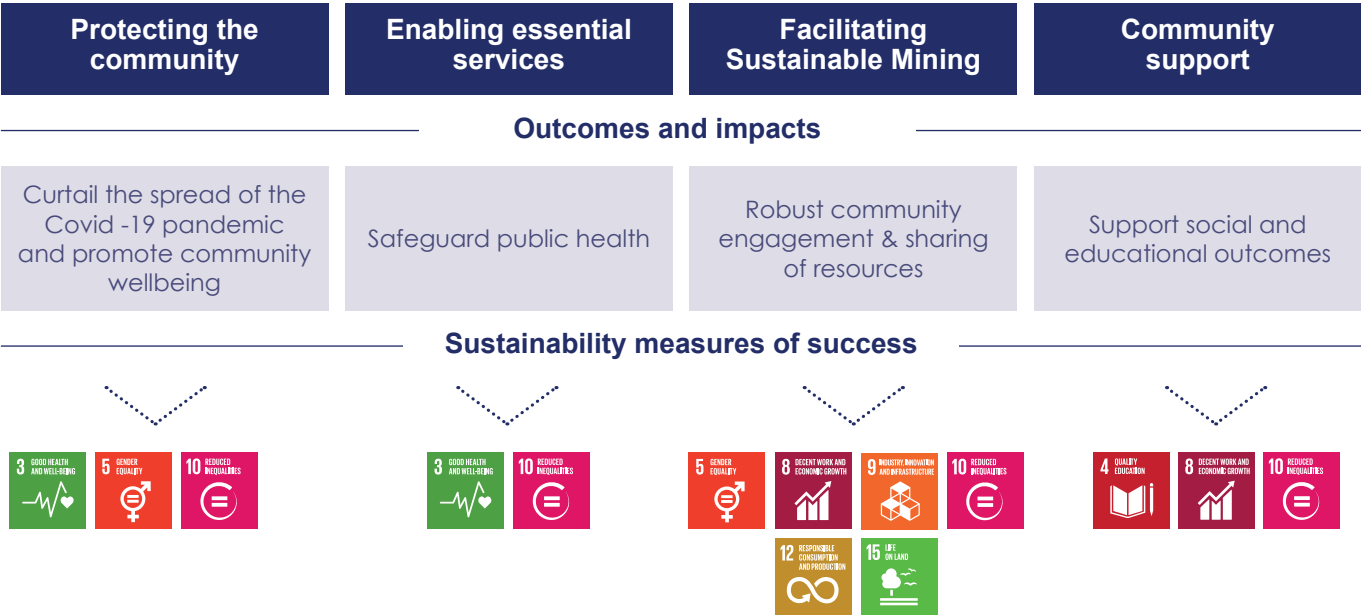
## Stakeholder and community impact

Stakeholders form an indelible part of Botash’s ability to operate. There are interdependencies shared between the company and communities that must be developed continuously for mutually beneficial outcomes. Having been in existence for 30 years, the company has actively endeavoured to engage effectively with communities, consider their interests in strategic decisions, and generate sustainable value.

2021 Stakeholder Contribution Overview (P)		
Total CSI Spend	Staff Community Outreach	Sports and Recreation
16 656 616	101 032	6 011 616

### Our approach to stakeholder and community impact

It is important to delicately balance the creation of financial returns for shareholders with robust and sustainable societal impact. As part of our good corporate citizenship, Botash invests in interventions that align with the socioeconomic needs of community members. It is with this in mind that stakeholder and community impact has been incorporated into Botash’s broader corporate strategy, recognising that operational decisions and activities are inextricably linked to broader society. To better serve communities and contribute to the United Nations Sustainable Development Goals, four key focus areas have been identified;








### Protecting the community and enabling essential services



Curtailing the spread of Covid-19 took on greater importance in 2021. Given the rapid rise in cases in Botswana amid the discovery of the Omicron variant of the virus, communities found themselves in an even more vulnerable position than in 2020. As government-imposed restrictions on movement, gatherings and social activities took force, communities required increased access to non-pharmaceutical medical equipment, hygiene resources and other psychosocial assistance. In response, Botash accelerated its corporate-driven and employee volunteering initiatives in the community.

#### Value scorecard

Recipient	Impact & Contribution	Measure of success
Nata Senior Secondary School	The company continued the initiative to support Nata Senior Secondary School with the donation of toilet rolls to support healthy hygiene practices. The donations were primarily targeted at the school's boarding facilities.	  



#### Relationship with stakeholder



Recipient	Impact & Contribution	Measure of success
Nxakato Junior Secondary School	A similar toiletry initiative was carried out with Nxakato Junior Secondary School - providing sanitary pads to promote healthy hygiene practices at the school.	 

#### Relationship with stakeholder



Recipient	Impact & Contribution	Measure of success
Tutume Village	The company funded sanitation services for government employees to respond to flooding a Sepako, in the Tutume District.	 

#### Relationship with stakeholder



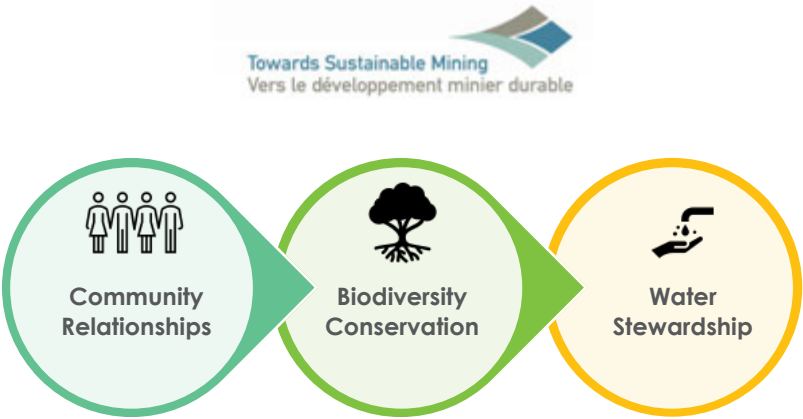
● ● ● Mature relationship

● ● Growing relationship

● New relationship

### Facilitating sustainable mining

In 2019, Botash adopted Towards Sustainable Mining (TSM) as its sustainability management framework. Developed in Canada, the initiative requires Botash to commit to acting responsibly by adopting social, economic, and environmental practices that align as closely as possible with the priorities and values of communities in the vicinity of the mine within a radius of 100 km. The initiative has 9 wide-ranging protocols for companies to follow. The company, however, identified three protocols which align with its operating environment and corporate strategy.



Key milestones achieved in 2021			
Developed the Indigenous and Community Relationship Policy	Identified Communities of Interest (3 indigenous settlements clusters and 4 communities)	Completed stakeholder engagement meetings with all communities	Received community feedback

#### Community relationships

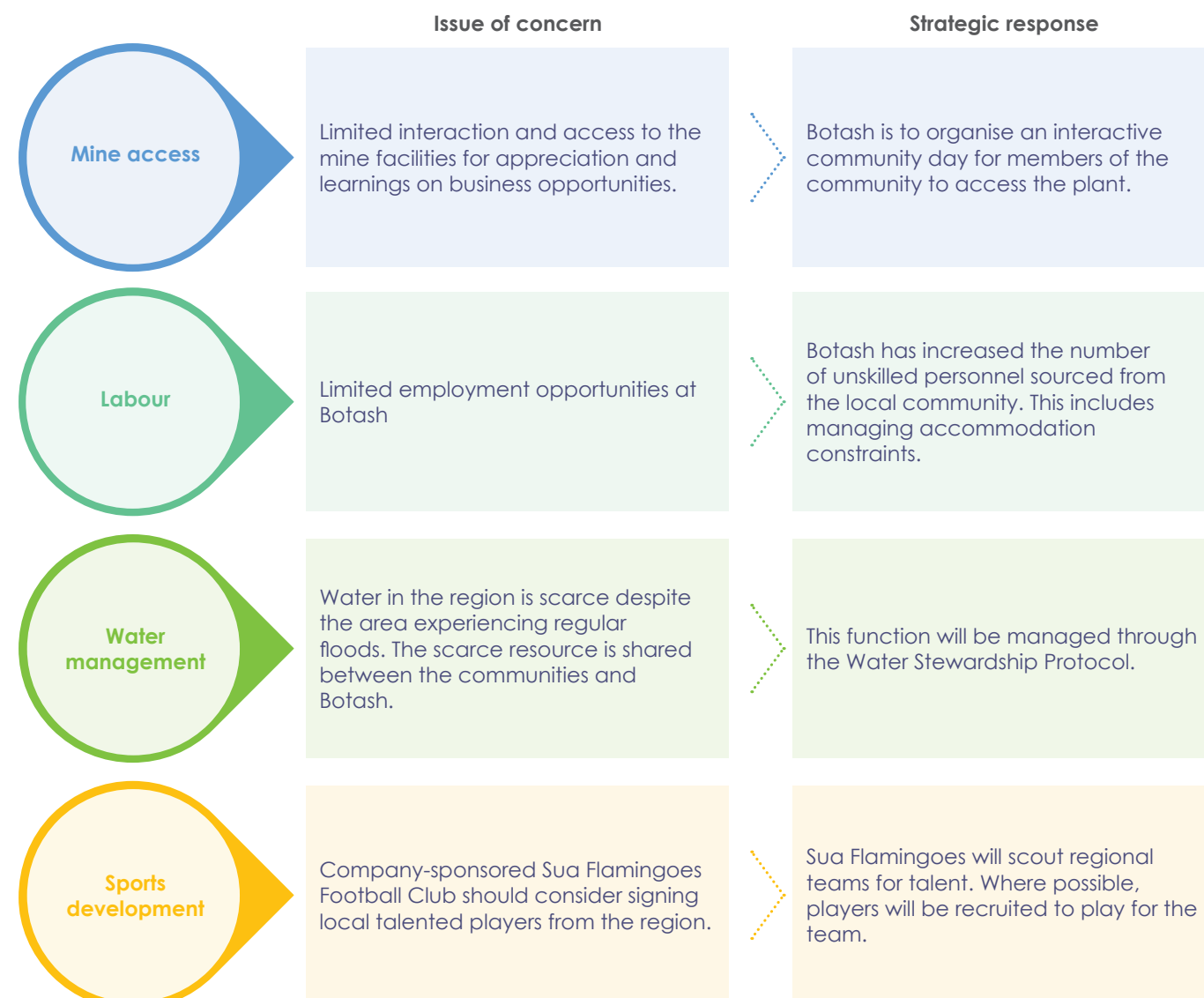
2021 saw Botash deepen its relationships with all identified communities of interest. This involved engaging substantively with each community to understand how the company can tailor its sustainability activities to their unique needs. Aided by a comprehensive stakeholder engagement roadmap, all communities were invited to express their needs, concerns, and expectations. The communities engaged included;







During the engagement meetings in 2020, several common issues regarding corporate social responsibility and community development emerged. In 2021 and going forward, some of the proposed actions to be implemented include:



## Biodiversity conservation

Botash is cognisant of the potential adverse impacts that its operations may have on the natural environment. With the global shift toward sustainability and resource stewardship, the company has placed a considerable focus on the protection and rehabilitation of the natural environment.

The management of the Sua Game Park has been identified as a key intervention toward fulfilling the company's biodiversity mandate, with a specific focus on educating the local communities on the value of these systems and species. The Park was established with the express purpose of conserving biodiversity and protecting indigenous, threatened, and endangered species that are at risk due to increased economic activity on the Sua Pan.

In 2021, forty-two wildebeests were culled (with the approval of the Department of Parks and Wildlife), with the meat donated to surrounding communities and employees. The purpose of the exercise was to reduce the population to curb overgrazing in the area, thus protecting the sustainability of conservation efforts in the Park. In the same year, a male rhino calf was born in the Park, increasing the number of rhinos in the Park to five. Funding was also provided to the Nata Conservation Trust for the maintenance of fire breaks.

Following a rigorous selection process, the company signed a long-term partnership agreement with the University of Botswana - Okavango Research Institute in November 2021 to collaborate on biodiversity conservation studies on the Sua Pan. In December 2021, consultants were engaged to conduct a baseline Biodiversity study on all areas on the Sua Pan that are likely to be impacted by the company's operations. The study is scheduled to be completed in the first half of 2022.

### 2021 Biodiversity contribution overview (P)

Support provided to Government Anti-Poaching Unit	Conservation Officer expenses
93 992	372 890

## Water stewardship

Water scarcity is becoming a global concern as climate change places extraordinary pressure on the earth's water resources. It is also recognised that water is a resource that is critical to both the company's operations and the community's continued livelihood. As the main consumer of water on the Sua Pan, Botash takes responsibility for water stewardship with the surrounding communities.

In responding to the community's concerns around water scarcity, Botash developed the Water Stewardship protocol, a focused intervention aimed at optimising and improving operational water management, water reporting and water resource management.







## Community support

Communities and non-governmental organisations are important stakeholders and contribute immeasurably to Botash's sustainability and licence to operate. The company dedicates considerable resources to supporting the commercial, recreational, environmental, and educational needs of the surrounding communities.

The community support model, which guides where the company's Corporate Social Responsibility expenditure is directed, looks to support the community and NGOs in achieving the following objectives:





Education value scorecard

Recipient	Impact & Contribution	Measure of success	Total contribution
Apprenticeship programmes	Botash funded 8 apprenticeships geared towards artisanal skills development. The apprenticeships are for the following roles: Maintenance fitter (2 individuals), millwright (2 individuals), electrician, instrumentation, fabrication, and welding.	 	P 1 178 826

### Programme maturity





Recipient	Impact & Contribution	Measure of success	Total contribution
University Sponsorship	The company also provided two university scholarships for employees to develop deeper technical skills that can strategically add to the company's value proposition. The scholarships provide funding for B-Eng in Electrical Engineering and B-Eng in Control and Instrumentation qualifications.	 	P 297 999

### Programme maturity




Education value scorecard

Recipient	Impact & Contribution	Measure of success	Total contribution
Scholarship Sponsorship	<p>As part of Botash's continued investment into the future human capital of Botswana's economy, the company continued its support to the Flamingo International School in 2021.</p> <p>The school, which provides holistic education to students through a competitive curriculum, admits the company employees' children and those from the nearby communities.</p> <p>In 2021, a key initiative undertaken was the upgrading of the school's classrooms, guardhouse and ablution block.</p>	  	<p>P 6 783 516 (operational expenses)</p> <p>P 157,290 (infrastructure)</p>

### Programme maturity





Sports and recreation value scorecards

Recipient	Impact & Contribution	Measure of success	Total contribution
Sowa Gym	Botash operates a fully equipped gym at its own cost which is open to the Sowa Town community. The gym provides members with an outlet to improve their physical health.		P 81 000

### Programme maturity



Recipient	Impact & Contribution	Measure of success	Total contribution
Sua Flamingoes Football Club	Botash sponsors the Sua Flamingoes Football Club. A 5-year strategic plan for the club was developed in 2021 to identify potential revenues for the club and to reduce its reliance on Botash as a sole sponsor. A grassroots development programme is in adoption to cultivate more talent from the community.	 	P 5 861 666

### Programme maturity



● ● ● Mature relationship

● ● Growing relationship

● New relationship



# Corporate Governance report



Botash takes an extensive focus on corporate governance as it creates a system of rules and practices that determine how a company operates and how it aligns with the interest of all stakeholders. It is also instrumental in protecting the value generated from the company's operations and entrenching ethical business practices that improve business viability.

## Board function and responsibility

The Board sets the strategic direction for the company by engaging Management in vetting the strategy and overseeing the execution of the strategy. It provides oversight aimed at ensuring Management: (i) maintains internal controls to assure effective and efficient operations, compliance with laws, regulations, and policies; as well as (ii) maintaining an ethical environment.

Reporting to the board is the Executive Committee, which is headed by the Managing Director. The Executive Committee regularly engages with the Board and its relevant sub-committees, ensuring a flow of information that is appropriate for effective oversight.

Key roles				
Acts as the focal point for, and a custodian of corporate governance and manages its relationship with management, shareholders and other stakeholders.	Oversees the governance of risks, and ensures appropriate risk management frameworks are in place.	Manages the governance of enterprise information technology and ensures compliance with applicable laws, non-binding rules and standards.	Monitors the implementation of the long-term strategy by Management. Also ensures that the company is seen as a responsible corporate citizen.	Provides effective leadership on an ethical foundation by inter-alia, setting out a framework to ensure adherence to high ethical standards through the establishment and promotion of a Code of Ethics, among others.

## Board Membership and Composition

The Board comprises the appropriate balance of representation of the two shareholders, knowledge, skills, experience, diversity and independence. In particular, the Board has a breadth of skills and experience in various but relevant disciplines in engineering including mining engineering, chemical engineering, and mechanical engineering, as well as skills in general commercial, marketing, financial, auditing, accounting, large-scale industrial operations management, investment management, leadership, manufacturing systems, legal, human resources and reward, as well as pan-African strategic engagement. The Directors have experience doing business in other African countries. This is particularly important for Botash considering it is largely an export business and has a significant footprint over Southern Africa.

The Independent Non-Executive Directors objectively contribute a wide range of industry skills, knowledge, and experience to the Board. The presence of Independent Non-Executive Directors and Non-Executive Directors enhances accountability as they provide the necessary oversight to Executive Management as well as balance the view of Executive Directors.

The Board's composition emphasizes Directors' independence to promote independent judgement and diversity of views, following the company's Board Charter. All Directors are expected to exercise their judgement independently, irrespective of their status, and in the best interest of the company while remaining cognizant of their fiduciary duties.

## Evaluation Mechanisms

In accordance with King IV requirements that stipulate that the evaluation of the Board, its committees and the individual directors should be performed every alternate year, Botash had, as at the time of reporting, carried out Board performance and effectiveness evaluations and to promote objectivity, the appraisal was facilitated by an independent governance facilitator. The evaluation was concluded in July 2021 and was premised on principle 9 of the King IV Report.

The Board evaluation and self-assessment processes carried out were designed to review the effectiveness of the Board as a whole, that of the chairperson and committees chairpersons, members of various committees, as well as the individual Directors. The 360° self-assessment exercise provided open and constructive two-way feedback to Board members that enabled the collective establishment of acceptable levels of performance across various principal governance areas. At the time of reporting, actions to address areas of concern identified through the assessment were being implemented, with the Board being provided with governance training covering topical issues as identified by the assessments.

## Meetings and engagements

The Board meets at least quarterly. The Board has standing agenda items for each meeting and these include: (i) receiving, considering and reviewing quarterly and yearly financial performance reports, (ii) approving budgets, (iii) receiving the Managing Director's reports on all aspects of the business, (iv) approving operating and capital expenditure and other budgets, (v) approving final year-end audited financial statements, and the Integrated Annual Report among others. Through its committees, the Board (i) reviews wages and approves changes thereto, including inflationary adjustments, variable pay and allowances, (ii) reviews employees health reports, (iii) approves training budgets (iv) reviews company risk logs, (v) considers in detail the capital expenditure requirements, the growth and diversification projects and general technical information and other roles as shown at page 67 below. In terms of their charters, the committees meet at least twice a year.

Directors are provided with all the necessary information sufficiently ahead of the scheduled Board and committee meetings (two weeks before meetings), to enable the effective discharge of their responsibilities.

## Company secretary

The Company Secretary plays a critical role in the corporate governance of Botash, acting as an advisor to the Board, and guiding individual Directors and Board committees in areas such as corporate governance, updates on relevant legal and statutory amendments and the effective execution of Directors' responsibilities and fiduciary duties. The Company Secretary ensures that the Board and Committee Charters are kept up to date and that Board and Board committee meeting papers are circulated in good time.

Whenever deemed necessary, the Company Secretary reviews the rules and procedures applicable to the conduct of the affairs of the Board. If necessary, the services and guidance of various experts are procured to ensure that the Directors have adequate insight to discharge their responsibilities effectively. Furthermore, the Company Secretary assists in the process of self-assessment of the Board and its Committees. During the year 2021, through the office of the Company Secretary, the Board policies received continuous review to ensure their continued relevance and effectiveness.

For the reporting period, Ishmael Moatshe, who is qualified in terms of the Companies Act, was the Company Secretary, having been appointed as such on 30 October 2018.



## Monitoring the performance of executive leadership and management

Executive Management is appraised based on predetermined strategic objectives and achievement of specific company performance targets that are approved by the Board, as recommended by the Human Resources Committee, annually. The Managing Director leads the performance review of the Executive Management team, and reports on the same to the Committee. The Board Chairman leads the appraisal of the Managing Director's performance and reports on same to the Committee in which he sits as an ordinary Committee Member. In 2021, the Committee was chaired by the Deputy Chair, who reports on the performance of the Managing Director and his Executive team to the Board.

Key roles	
<b>Appointments</b>	<ul style="list-style-type: none"> <li>New Board appointments are made by the two shareholders, each with the liberty to appoint up to six (6) Directors, considering the appropriate balance of skills, experience and diversity required to lead, control and best represent the company in furtherance of the interests of the Shareholder.</li> <li>As part of the review of the Shareholders Agreement which was ongoing at the time of reporting, and cognizant of the size of the entity, it was anticipated that in due course, the number of directors will reduce to up to five (5) directors appointed by each shareholder.</li> <li>Each shareholder makes its determination and necessary background checks on its nominated representatives and communicates the same to the Company Secretary. All Board appointments are put to a Shareholder's vote at the Annual General Meeting for approval.</li> </ul>
<b>Succession planning</b>	<ul style="list-style-type: none"> <li>Botash promotes succession planning for all key positions. Succession plans are reviewed by the Human Resources Committee for key company roles twice each year and the Committee reports back to the Board at subsequent meetings.</li> <li>Board succession is the responsibility of each shareholder, in accordance with its interest, which interest is subordinated to safeguarding the future of the business.</li> <li>Further, the company has various programmes for identifying and developing a pipeline of talent for future leadership and equipping the candidates with the necessary competencies to take over leadership in the future.</li> <li>Various programmes such as Leadership Development Programme and Executive Development Programme are undertaken by identified candidates and are sponsored by the company.</li> </ul>
<b>Conflicts of interest</b>	<ul style="list-style-type: none"> <li>The Company Directors have a responsibility to avoid conflicts of interest with their duties to the company, including situations that put or may be perceived to put, their interests in conflict with those of the company.</li> <li>The Board Charter, in accordance with the Companies Act to which the company always strives to comply, requires directors to declare any actual or potential conflict of interest immediately when they become aware of such situations at subsequent meetings.</li> <li>Each director is required to submit a 'declaration of interest' form, outlining other directorships and personal financial interests, including those of their related parties.</li> <li>The same is extended to all employees, including Executive Management. Where actual or potential conflicts are declared at Board or Committee meetings, affected directors are excluded from discussions and any decisions on the subject matter of the declared conflict. This is an additional step taken by the company in the management of conflicts of interest, as the Companies Act does not necessarily require a director who has declared conflict to be excluded from the deliberations.</li> </ul>

## Communication of critical issues

The process for communicating critical issues is through Management, who then escalate to the appropriate Board Committees, who will in turn communicate to the full Board through meetings and/or reports.

The two shareholders simultaneously monitor the Board's and the company's activities, having regard to any relevant legislation and codes of best practice on matters relating to governance, social, economic and sustainable development, good corporate citizenship, ethics, labour and employment, consumer relations, stakeholder management, transformation, the environment, health and safety. The Government of the Republic of Botswana (GRB), in its capacity as a shareholder, does so through its various regulatory bodies, such as Botswana Accountancy Oversight Authority which is concerned with governance, the Department of Mines which is concerned with Safety, Occupational Health and the Environment, among others, while the private shareholder does so through its structures and processes which it extends to its associates such as Botash.

## Governance and Risk Management Transformation

Botash is an associate of the Bud Group, a group of companies largely incorporated in the Republic of South Africa, and it derives some benefit from the structures and processes of the Group especially in relation to governance, risk, compliance and financial issues. For instance, the Governance, Risk, Assurance and Compliance function of the company has for some time been guided by a centralised unit at Budchem, an operating platform of the Bud Group to ensure Botash leverages the strengths of the Bud Group in this area. Financial and Credit risk fall under the Finance Department. The Managing Director and the Head of Finance sit in and report to the Budchem Risk & Audit Committee. However, in 2021, a decision was made to insource the Internal Audit function and as at the time of reporting, an Internal Auditor was to be appointed in a few weeks.

## Board Committee Composition and outcomes

Audit Committee		
Purpose	Composition	Frequency of engagements
<ul style="list-style-type: none"> <li>Safeguards assets and ensures the implementation of adequate systems, control processes and the preparation of accurate financial statements and reporting in compliance with all applicable legal requirements and accounting standards.</li> <li>Ensures corporate accountability and the management of associated risks, combined assurance and integrated reporting.</li> <li>Reviews Financial and Integrated Reports and recommends to the Board for approval.</li> </ul>	<p>Six members (3 from each shareholder) <b>NEDs (3), INEDs (3)</b></p> <p><b>Permanent attendees</b></p> <ul style="list-style-type: none"> <li>Managing Director</li> </ul> <p><b>Management attendees</b></p> <ul style="list-style-type: none"> <li>Head of Finance</li> </ul> <p><b>Permanent invitees</b></p> <ul style="list-style-type: none"> <li>External auditors, Budchem Risk Assurance Executive</li> </ul>	Meets at least twice a year
<b>2021 highlights</b>		
<ul style="list-style-type: none"> <li>An unqualified audit opinion was issued for the 2021 financial year.</li> </ul>		



## Board Committee Composition and outcomes

Technical Committee		
Purpose	Composition	Frequency of engagements
<ul style="list-style-type: none"> <li>Overseeing and reviewing technical aspects of the company's exploration programmes, project development lifecycle and construction, mining operations, including reviewing project milestones.</li> <li>Periodic consideration of technical issues, challenges and risks faced by the business' operations.</li> <li>Reviewing the resource and reserve estimates of the company's minerals properties</li> </ul>	Minimum 6 members (3 from each shareholder) <b>INEDs (3), NEDs (3)</b> <b>Permanent attendees</b> - Managing Director <b>Management attendees</b> - Head of Finance, General Manager Maintenance & Projects, Process & Product Development Manager	Meets at least twice a year

Human Resources Committee		
Purpose	Composition	Frequency of engagements
<ul style="list-style-type: none"> <li>Reviews the remuneration, attraction and retention policies of the company.</li> <li>Ensures that policies for selecting, planning for succession and professional development of Executive Directors and senior management is appropriate.</li> <li>Ensures that directors and staff are fairly rewarded.</li> <li>Ensures that market-related reward strategies are adhered to</li> </ul>	Four members (2 from each shareholder) <b>INEDs (2), INEDs (2)</b> <b>Permanent attendees</b> - Managing Director <b>Management attendees</b> - Head of Finance, Human Capital Manager	Meets at least twice a year

2021 highlights		
<ul style="list-style-type: none"> <li>Completed the macro-level organisational review culminating in approval of a new structure at micro-level (introduced positions of Head of Projects and Head of Maintenance (unbundling the General Manager Maintenance and Projects role) and Internal Auditor</li> </ul>		

Social and Ethics Committee		
Purpose	Composition	Frequency of engagements
<ul style="list-style-type: none"> <li>Responsible for the principles of governance, social ethics, and codes of best practice.</li> <li>Oversight of and reporting on organizational ethics, sustainable development, and stakeholder relationships.</li> <li>Responsible for establishing standards for good corporate citizenship, including the company's promotion of equality, prevention of unfair discrimination, reduction of corruption, maintaining records of sponsorship, donations, and charitable giving.</li> </ul>	Minimum 4 members (2 from each shareholder) <b>INEDs (2), NEDs (2)</b> <b>Permanent attendees</b> - Managing Director <b>Management attendees</b> - Head of Finance, Human Capital Manager	Meets at least twice a year

## Executive Management Committees composition and outcomes

In addition to the Board and its sub-committees, Executive Management of Botash leads the company and is headed by the Managing Director. Internally, Members of Executive Management belong to the Executive Committee (Exco), as well as some role-specific Steering Committees (Steercoms) as shown below. Some members of Senior Management also belong to a Management Tender Committee as outlined below. Further, the Managing Director also sits in the committees at Budchem level as discussed below.

Executive Management Committee		
Purpose	Composition	Frequency of engagements
<ul style="list-style-type: none"> <li>Develops the business strategy for ratification by the Board of Directors.</li> <li>Determines and set company wide and any significant functional policies.</li> <li>Monitors company-wide management systems through steering committees (Quality, SHE, Projects, Training, ICT).</li> <li>Reviews the overall performance of the business and mandates functional heads to implement interventions.</li> <li>They are responsible for leading company processes and to oversee business activities to fulfil organizational goals, strategic planning development and overall decision making.</li> <li>They make sure that new technologies and concepts are properly integrated into company processes, and in a way that maximizes their business value while avoiding regulatory compliance risk or business risk</li> </ul>	Headed by the Managing Director General Manager Maintenance and Projects Head of Finance Human Capital Manager Finance Manager Production Manager Process and Product Development Manager Sales & Marketing Manager	<ul style="list-style-type: none"> <li>Weekly Production meetings</li> <li>Executive Committee Meetings quarterly</li> </ul>

2021 highlights		
<ul style="list-style-type: none"> <li>Achieved record Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) in the financial year 2021.</li> </ul>		

Management Tender Committee		
Purpose	Composition	Frequency of engagements
<ul style="list-style-type: none"> <li>Ensures compliance with the company's Purchasing Policy and other relevant procurement processes and procedures.</li> <li>Considers recommendations following tender evaluations and makes decision on award of tenders in accordance with the set thresholds.</li> <li>Makes recommendations to the Managing Director where appropriate.</li> <li>Ensures ethical conduct in the award of tenders and generally in the conduct of the company's procurement processes.</li> </ul>	Head of Finance and 2 Senior Managers <b>Permanent invitee</b> - Materials (procurement) Manager	<ul style="list-style-type: none"> <li>Weekly</li> </ul>



Budchem Assurance, Risk and Compliance Committee		
Purpose	Composition	Frequency of engagements
<ul style="list-style-type: none"> <li>Promotes a culture of risk management discipline, anticipation, and compliance across the Group's footprint.</li> <li>Reviews and recommends to EXCO models and approaches to determining risk appetite at Group and company levels as a basis for obtaining EXCO approvals, and to monitor compliance with the same.</li> <li>Proactively manages potential capital, interest rate, foreign exchange, liquidity, credit, operational, and compliance risks and initiates actions to mitigate those risks.</li> <li>Reviews significant risk events and ensures that the control environment is adequate to prevent recurrence.</li> </ul>	Nominated reps from Budchem companies	<ul style="list-style-type: none"> <li>Quarterly</li> </ul>

Botash ICT Steercom		
Purpose	Composition	Frequency of engagements
<ul style="list-style-type: none"> <li>Deals with all issues that are related to information and telecommunication technology such as development and implementation of ICT projects, procurement of hardware, software, and systems, ICT security etc.</li> </ul>	Nominated EXCO members Permanent attendee ICT Manager	<ul style="list-style-type: none"> <li>Quarterly</li> </ul>

Botash Strategic Projects Steercom		
Purpose	Composition	Frequency of engagements
<ul style="list-style-type: none"> <li>Deals with conceptualization, development, funding, monitoring of strategic projects.</li> <li>Makes necessary recommendations to EXCO for consideration and onward recommendation to the Board through the Technical Committee.</li> </ul>	Nominated EXCO members and Managers	<ul style="list-style-type: none"> <li>Monthly</li> </ul>

The attendance of Board members at various Board and Committee meetings during the year under review was as follows:

Director	Status	Main Board	Audit Committee	Human Resources Committee	Social & Ethics Committee	Technical Committee
N Sowazi	NED	4/4		3/3*		1/1
LA Grieve	NED	3/4	2/2		3/3*	1/1
G Hirschowitz	NED	4/4	1/2	3/3*		1/1
KG Moshashane	INED	4/4			3/3*	1/1
V Ramalepa	INED	4/4			3/3*	
HB Pheko	INED	4/4		3/3*		1/1
O Ditsele	INED	4/4	2/2			1/1
S Molalapata	INED	4/4	2/2	2/3*		
SL Louw	NED	4/4	2/2		3/3*	
OT Motswagae	INED	4/4	2/2			
K Phatshwane	EXD	4/4	2/2	3/3	3/3*	1/1

\* includes special meetings.

Over and above the regular meetings, the Board also held a special session for Board effectiveness assessment. Whilst the committees per their charters are intended to meet twice a year, that was not the case in 2021 for some committees.

#### Board Compensation and Benefits Policy

The broad terms of reference for the Human Resources Committee are outlined above. The mandate of the Committee also extends to dealing with issues of Directors' compensation. The company aims to remunerate Board Members and company employees adequately, fairly and within industry norms. The company has adopted the Board Compensation & Benefits Policy which is intended to ensure that Directors are adequately remunerated and compensated such that they are not in any way put out of pocket in furtherance of company business.

#### Board fees are as follows:

Board Chairperson	P18, 750 per meeting
Board Deputy Chairperson	P18, 750 per meeting
Directors (for Board sittings)	P12, 500 per meeting
Directors (for committee sittings)	P3,100 per meeting
Committee Chairperson	P4,650 per meeting
Annual retainer – Directors	No annual retainers, including for Chairperson

The earnings per Director for the 2021 financial year are set out below:

Director	Status	Total 2021 Fees
HB Pheko	INED	P112,350.00
V Ramalepa	INED	P68,700.00
KG Moshashane	INED	P76,450.00
S Molalapata	INED	P74,900.00
O Ditsele**	INED	P71,800.00
OT Motswagae	INED	P68,700.00
NL Sowazi	NED	P106,150.00
Total		P579,050.00

\*\* Fees are paid to the GRB as the Director is appointed by reason of his public service office.

Total amounts paid include for special sittings and/or special assignments.

As noted above, after conducting research into the trends in Non-Executive Director remuneration, Non-Executive Directors' fees are proposed by the Human Resources Committee [HRC], and the fees are fixed at the AGM for two years. Directors are remunerated through sitting allowances and do not participate in any share-based payments or incentives. No changes were made to the remuneration of Non-Executive Directors in 2021 from 2020, and the fees were approved to continue as they are in 2021 by the Shareholders through a unanimous resolution in lieu of an Annual General Meeting signed in April 2021.

The Managing Director who is an ex-officio member of the Board and an Executive Director is paid his salary plus long term and other incentives in his capacity as an employee of the company. Directors G Hirschowitz, LA Grieve, and SL Louw were not paid any sitting fees as their remuneration for their contribution to the Board is subsumed within the Management Fees pursuant to the Agreement for Management Services entered into between the Company and Budchem (holding company for CAH) which directly employs them. As part of the ongoing Shareholders Agreement review, consideration is being made to do away with the Management Services Contract.

For the year 2021, the total Management Fees paid to Buchem (under which payment for work in the Board is subsumed) was as shown below:

**Budchem Management Fees as at 31 December 2021**

The Management Fees are approved by the Board. All amounts disclosed below:

Executive Directors	For Management Services	Performance Bonus
G Hirschowitz	ZAR2,208,094.32	Nil
LA Grieve		
SL Louw		

**Top three earners in Executive Management as at 31 December 2021**

Executive Management	Position held
K. Phatshwane	Managing Director
K. Dube	General Manager – Maintenance & Projects
M. Mokgosi	Production Manager

The following incentive scheme is offered by Botash;

	Long Term Incentive Plan	Quarterly annual bonus plans	Standard annual bonus plan
Executive Management	✓		✓
Middle management		✓	✓
Staff		✓	✓

The key elements of the Long-Term Incentive Plan are:

- Long-term Incentive Plan (LTIP) is an incentive scheme that rewards Executive Management for reaching specific long-term goals that lead to increased shareholder value.
- While geared toward employees, the scheme is really a business initiative to strive for long-term growth.
- The Board sets 5-year Net Profit growth targets and the incentive is earned through achievement of the set growth targets.

The key elements of the Quarterly and Annual Bonus Plans are:

- Payable when quarterly targets are met, as pre-qualified by reaching EBITDA targets.
- Quarterly bonuses are paid to all employees except the Executive Management Team.
- Annual Bonuses are paid to all employees when there is a minimum growth of 5% in EBITDA year on year.

These remuneration and incentive schemes are designed to ensure that executive leadership and senior management remuneration is driven by increase in shareholder value as well as delivery of the company's strategic objectives. Surveys conducted by independent consultants indicate that basic salaries paid by the company to staff are aligned to industry and market norms. In awarding annual increases to employees, consideration is given to an employee's performance as well as the impact of inflation in Botswana.

**Governance and compliance procurement framework**

The company continues to enhance its procurement governance framework as the company's operations and sustainability are critically dependent on the sourcing of various plant spares and services some of which are core to the operations whilst others are peripheral yet critical. The core include support services to the plant maintenance works and supply of various inputs such as chemicals, fuel in the form of coal used in own power generation, back-up electricity sourced from the national grid, water, logistics and transport solutions, cleaning services, catering services, among others. Considering how widespread the procurement and outsourcing are, there is need for good management of procurement related risks and increased requirements for control over the procurement processes to ensure that the business operates above board to avoid any liabilities in future that may result from the procurement process and utilization of the outsourced services.

This is achieved through the governance and procurement framework made up of the Management Tender Committee, (responsible for ensuring compliance and adherence), procurement policies, process management policies, resource allocations and system imbedded controls and review of processes which address the following:

- Sustainable and strategic sourcing
- Citizen empowerment and local sourcing
- Value for money on all procurement
- Open and effective competition
- Ethical and fair dealing
- Accountability and reporting
- Equity

**Legal compliance**

The Board is ultimately responsible for overseeing the company's compliance with specific legislation, rules, codes and standards in terms of King IV. The Board has delegated responsibility to management for the implementation of an effective governance, risk, legal and compliance framework and processes, as envisaged by King IV. The Head of Finance is responsible for monitoring legal compliance and does so with the assistance of the legal unit of the company.

The Head of Finance regularly reports to the Managing Director on issues of legal compliance, and the Managing Director in turn reports to the Board.

**Governance and compliance**

Ultimately the Board is responsible for overseeing the company's compliance with laws, rules, codes and standards in terms of King IV. The Board has delegated responsibility to Management for the implementation of an effective Corporate Governance Framework and processes, as envisaged by King IV.

Through Budchem's governance, risk, assurance and compliance function, Botash remains resolute in implementing and embedding the Compliance and Corporate Governance Frameworks premised on the following enablers:

- Corporate Governance Framework designed for the Group and Botash by association;
- Relevant Group wide policies;
- The Botash Code of Ethical Conduct (as aligned to the Group one) and Whistleblowing Facility; and
- Commitment to Group strategy and brand promise.

The Budchem Group Governance, Risk, Assurance and Compliance (GRAC) function commenced the preliminary phased rollout of the GRAC framework in 2019, focusing on the key compliance areas that the Framework aims to address. These areas include regulatory, legal and governance compliance. The reporting structure is the Budchem Assurance, Risk & Compliance Committee as discussed above.



Compliance with King IV

The Board has shown its support for the corporate governance principles of King IV and the company strives to be compliant with the Code. The Botswana Code of Corporate Governance also provides invaluable guidance on corporate governance matters. As at the time of reporting, a new ISO standard on the governance of organizations (ISO 37000) was being studied for possible adoption of its principles in the governance of Botash.

The Board is satisfied with the progress made in applying the recommendations of the King IV Report. Sixteen of the governance principles in King IV apply to our business and the following is a summary of our evaluation of where we have complied:

King IV Reference	King IV Principle(s)	2021	Commentary
Principle 1	The Governing Body should lead ethically and effectively.	Compliant	A code of ethical conduct is in place. Our Board has committed itself to lead by example on ethical behaviour.
Principle 2	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Compliant	The Board's Social & Ethics Committee [SEC] is mandated to govern the ethics of the company and has effectively done so. A whistleblowing facility is in place for anonymous reporting of unethical conduct by any person associated with the company, including directors, and all reports are duly investigated and dealt with accordingly by the SEC.
Principle 3	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	Compliant	The Board ensures that the business contributes positively to the community in which it operates and carries out its operations in a sustainable manner. All obligations to the environment and relating to health and safety are observed and managed through the SEC and reported on regularly. Issues surrounding responsible corporate citizenship are standing agenda items for the SEC and are covered under the Committee's charter.
Principle 4	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Compliant	As shown throughout the Annual Integrated Report, the Board ensures that the company's strategy is advised by the objectives, risks and opportunities which objectives must be achieved sustainably within the business model in order to create value for the shareholders and all stakeholders.

King IV Reference	King IV Principle(s)	2021	Commentary
Principle 5	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	Compliant	In 2019, the Company decided to commence production of an Integrated Annual Report for the first time. Another report was produced for the 2020 year. Just as with the previous 2 reports, this 2021 Report enables stakeholders to make an informed assessment of Botash's performance and its short, medium and long-term prospects. Botash continues to make Environmental, Social and Governance (ESG) issues the focal point of the Integrated Report.
Principle 6	The governing body should serve as the focal point and custodian of the corporate governance in the organisation.	Compliant	For Botash, the Board is the focal point and custodian of corporate governance and this forms a critical mandate of the SEC as per the Committee charter.
Principle 7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Compliant	The Board comprises of members who have skills and experience in the areas of mining engineering, chemical engineering, mechanical engineering, general commercial, marketing, financial, auditing, accounting, large-scale industrial operations management, investment management, leadership, manufacturing systems, legal, human resource and reward, as well as pan-African strategic engagement. The Directors, resident in South Africa and Botswana, and coming from different backgrounds, have experience of doing business in other African countries. There is a mixture of younger and more experienced Directors, and female representation in the Board. Most of the directors are independent non-executives.
Principle 8	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	Compliant	The Board endeavours to ensure that committees to which its duties are delegated are chaired by INEDs, to foster an environment of dispassionate discharge of roles. Independent judgment to ensure effective discharge of duties is promoted as the rest of the members would either be INED or NED. The EXD sits on committees by invitation.

King IV Reference	King IV Principle(s)	2021	Commentary
<b>Principle 9</b>	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	Compliant	The Board carried out an evaluation of its performance, committees' performance, individual directors' and the chairpersons' which was finalized in July 2021. The assessment was pursuant to this principle 9 of the King IV report, geared toward continuous improvement in performance and effectiveness. Among others, the assessment culminated in provision of governance training to Board members on topical issues that arose during the assessment. To further enhance performance, as a result of the assessment, the Board has made consideration for inclusion of non-Board members into committees of the Board to enhance skills and expertise.
<b>Principle 10</b>	The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.	Compliant	Documented delegation to Management is enforced, which allows for role clarity and effective exercise of delegated authority. The Board annually revises relevant frameworks such as Approval Frameworks which enhance role clarity and creates room for exercise of delegated authority.
<b>Principle 11</b>	The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Compliant	The Board views risk as any event that may prevent the company from achieving its objectives. Risk is therefore, accordingly governed in a way that supports the organisation in setting and achieving its strategic objectives. Risk management is within the purview of the Audit Committee per the Committee Charter, and risk logs are revised quarterly alongside the quarterly review of progress in the implementation of the company long-term strategy.
<b>Principle 12</b>	The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	Compliant	The Board governs technology and information in a way that supports the organisation setting and achieving its strategic objectives. IT governance is within the purview of the Audit Committee per the Committee Charter, and periodic reports on IT governance are made to the Committee.
<b>Principle 13</b>	The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.	Compliant	The Board governs the ethics of the Company through the Social & Ethics Committee [SEC]. One of the mandates of the Committee is to ensure compliance with applicable laws and principles of good corporate governance.

King IV Reference	King IV Principle(s)	2021	Commentary
<b>Principle 14</b>	The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in short, medium and long term.	Compliant	The Board, through the Human Resources Committee, reviews wages regularly to ensure fair, responsible and transparent remuneration. The company has adopted attraction and retention strategies to ensure a workforce that is suitable to the achievement of the company's strategic objectives.
<b>Principle 15</b>	The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	Compliant	The Board ensures that the company leverages on the expertise of the assurance services and functions of the Bud Group to ensure an effective internal control environment, and this supports the integrity of information to make informed decisions. Annual external audits are carried out consistently by a globally reputable audit firm. A decision was made in 2021 to engage on permanent basis, an Internal Auditor, and the recruitment process was ongoing at the time of reporting.
<b>Principle 16</b>	In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Compliant	The Board's composition is constituted in a manner which readily fosters the achievement of a stakeholder-inclusive approach to execution of the Board's roles and responsibilities. One of the directors is an employee of the Government, some are citizens employed in various entities in the local private sector while some represent the private shareholder which is a foreign entity. This has seen to it that material stakeholders' needs, interests and expectations are not left behind. Stakeholder management is one of the focus areas for the Board.
<b>Principle 17</b>	The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote good governance and the creation of value by the companies in which it invests	Not relevant	Not relevant





# Botswana Ash (Proprietary) Limited

## Annual Financial Statements

**Botswana Ash (Proprietary) Limited**  
(Registration Number BW00000722677)  
Annual Financial Statements  
for the year ended 31 December 2021  
Audited

Preparation of financial statements: These financial statements have been audited in compliance with the applicable requirements of the Companies Act of Botswana. Lesego Makubate, Acting Head of Finance, was responsible for supervising the preparation of this set of financial statements.

# Botswana Ash (Proprietary) Limited

(Registration Number BW00000722677)

Annual Financial Statements for the year ended 31 December 2021

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# Botswana Ash (Proprietary) Limited

(Registration Number BW00000722677)

Annual Financial Statements for the year ended 31 December 2021

## General Information

### Incorporation and business activities

The company was incorporated in Botswana in terms of the Botswana Companies Act on 21 April 1995 as a private limited company. The company extracts and distributes soda ash and common salt from alkaline brine deposits present at Sua Pan in North Eastern Botswana.

The directors of the company during the financial year were as follows:

<b>Directors</b>	K Phatshwane # N Sowazi-Chairman* KG Moshashane G Hirschowitz* V Ramalepa (Resigned 15/12/21) HB Pheko O Ditsele S Molalapata LA Grieve* (Resigned 30/11/21) SL Louw* OT Motswagae
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# Executive  
\* Citizen of South Africa

<b>Business Address</b>	<b>Postal Address</b>
Botswana Ash (Pty) Ltd Sua Pan Botswana	Botswana Ash (Pty) Ltd Private Bag SOW 7 Sowa Town Botswana

<b>Bankers</b>	ABSA Bank Botswana, First National Bank of Botswana Limited, First National Bank of South Africa
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<b>Auditors</b>	KPMG Plot 67977, Off Tlokweng Road Fairgrounds Office Park Gaborone Botswana
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<b>Company Secretary</b>	I Moatshe
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The shareholders of Botswana Ash (Proprietary) Limited are the Government of the Republic of Botswana and Chlor-Alkali Holdings Proprietary Limited, a company incorporated in South Africa. The holding company of Chlor-Alkali Holdings Proprietary Limited is Bud Chemicals and Minerals Proprietary Limited, incorporated in South Africa.



# Botswana Ash (Proprietary) Limited

(Registration Number BW00000722677)  
Annual Financial Statements for the year ended 31 December 2021

## Directors' Report

The Directors have pleasure in presenting an overview of the activities and the financial results of Botswana Ash (Proprietary) Limited for the year ended 31 December 2021.

### Review of Financial Results

	Financial year ended 31 December 2021	Financial year ended 31 December 2020
Soda ash sales - kt	282.4	254.8
Sodium Bicarbonate sales - kt	0.1	4.5
Salt sales - kt	361.2	366.4
Gross revenue - Pula millions:		
Soda Ash	847.7	718.2
Sodium Bicarbonate	0.7	25.5
Salt	321.9	308.8
Transportation	16.6	15.4
Other income/(losses) - Pula millions	8.2	( 4.0)
Profit after tax - Pula millions	189.0	165.9

# Botswana Ash (Proprietary) Limited

(Registration Number BW00000722677)  
Annual Financial Statements for the year ended 31 December 2021

## Directors' Responsibility Statement

The directors are responsible for the preparation of the annual financial statements that give a true and fair view of Botswana Ash (Proprietary) Limited, comprising the statements of financial position as at 31 December 2021 and the Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash flows for the year then ended, and a summary of significant accounting policies and notes to the financial statements prepared in accordance with International Financial Reporting Standards.

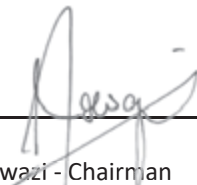
The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.


The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the company will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

### Approval of the annual financial statements

The annual financial statements of Botswana Ash (Proprietary) Limited, as set out on pages 2 to 50, were approved by the Board of Directors on 22 March 2022 and are signed on their behalf by:

  
N Sowazi - Chairman  
*Authorised Director*

  
S Molalapata  
*Authorised Director*



KPMG, Chartered Accountants  
Audit  
Plot 67977, Off Tlokweng Road,  
Fairgrounds Office Park  
PO Box 1519, Gaborone, Botswana  
Telephone +267 391 2400  
Fax +267 397 5281  
Web <http://www.kpmg.com/>

#### Independent Auditor's Report

#### To the shareholders of Botswana Ash (Proprietary) Limited

##### Opinion

We have audited the financial statements of Botswana Ash (Proprietary) Limited (the Company) set out on pages 12 to 50, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, significant accounting policies and notes to the financial statements.

In our opinion, these financial statements give a true and fair view of the financial position of Botswana Ash (Proprietary) Limited as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG, a Botswana partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Partners: G Motsamai JA Venter\*  
\*South African

VAT Number: P00043683854



#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and accuracy of soda ash and salt inventories	
Refer to the significant accounting policy 1.5 relating to inventories and note 9 inventories	
Key audit matter	How the matter was addressed in our audit
<p>The Company's core business is the extraction and distribution of soda ash and common salt from alkaline brine deposits.</p> <p>Inventories comprise finished goods (soda ash and salt) as well as maintenance and consumable stores.</p> <p>The production cost of finished goods includes variable and fixed production overhead costs. Variable overhead costs are absorbed based on the actual utilisation of production facilities. Fixed production overhead costs are absorbed based on the normal utilisation of production facilities. The method in which the production costs are allocated between soda ash and salt inventories involves judgements and estimated quantities processed through the production process.</p> <p>Management engages an external land surveyor on a quarterly basis to quantify the volumes of inventory on hand.</p> <p>Obsolete soda ash and salt inventories are identified on a regular basis based on indications of contamination and damage.</p>	<p>Our audit procedures performed included the following:</p> <ul style="list-style-type: none"><li>• We evaluated the design, implementation and operating effectiveness of key controls applied by management over the preparation and review of the variable and fixed overheads allocated to soda ash and salt, inventory movements and the allowances for obsolescence;</li><li>• We tested the accuracy of the inputs into the variable and fixed production overheads, which are key inputs in the inventory costing process, by agreeing the inputs to supplier invoices and payroll records;</li><li>• We assessed the accuracy of the allocation of production overheads to soda ash and salt based on the utilisation of production facilities and our understanding of the production process;</li></ul> <p>To assess the condition of inventories at year end which impacts the obsolescence allowances, we:</p>



Valuation and accuracy of soda ash and salt inventories	
Refer to the significant accounting policy 1.5 relating to inventories and note 9 inventories	
Key audit matter	How the matter was addressed in our audit
<p>Furthermore, management ensure that soda ash and salt inventories are written down to their estimated net realisable value, if lower than cost in accordance with IAS 2 – Inventories. Net realisable value is determined based on estimated selling prices less estimated costs of completion and sale.</p> <p>Due to the significant judgement, complexity, and work effort involved in determining the cost and quantities of soda ash and salt inventories and the allowances for obsolescence, the valuation and accuracy of soda ash and salt inventories was considered a key audit matter.</p>	<p>attended the year-end inventory counts and observed the procedures performed by the external land surveyors and inspected the soda ash and salt for indications of contamination and damage; and</p> <ul style="list-style-type: none"> <li>evaluated the competence, capabilities, objectivity and independence of the external land surveyors engaged by management by conducting background checks, reviewing their qualifications and experience and verifying their membership to professional bodies;</li> <li>We reviewed the quarterly survey variances and investigated the rationale for significant differences that were noted;</li> <li>We challenged the appropriateness of the inventory obsolescence policy by benchmarking against industry norms and performed a retrospective review of historical differences between the allowances for inventory obsolescence and actual write-offs; and</li> <li>We assessed the reasonableness of the net realisable value of finished goods on a sample basis by comparing the estimated selling</li> </ul>

Valuation and accuracy of soda ash and salt inventories	
Refer to the significant accounting policy 1.5 relating to inventories and note 9 inventories	
Key audit matter	How the matter was addressed in our audit
	prices to recent sale transactions.

Valuation and accuracy of site restoration and decommissioning provisions	
Refer to significant accounting policy 1.12 relating to provisions and note 16 provisions for site rehabilitation and decommissioning	
Key audit matter	How the matter was addressed in our audit
<p>At 31 December 2021, the Company's statement of financial position includes a provision of P60.9 million relating to the estimated cost of rehabilitation, decommissioning and restoration for areas affected by mining and manufacturing activities.</p> <p>Environmental experts are engaged by the Company every five years in the determination of the estimated site rehabilitation and decommissioning cost which is used in determining this provision.</p> <p>The rehabilitation and decommissioning provision is reviewed and re-measured in line with changes in key assumptions by management on an annual basis.</p> <p>The following key assumptions are considered in the calculation and re-measurement of this provision:</p> <ul style="list-style-type: none"> <li>Discount rates, long term inflation rates, size of area to be rehabilitated, period to rehabilitation and the</li> </ul>	<p>Our audit procedures performed included the following:</p> <ul style="list-style-type: none"> <li>We evaluated the design and implementation of key controls applied by management in determining the provision for site rehabilitation and decommissioning based on our understanding of the nature of the Company's business and applicable environmental laws and regulations. The process included review and re-measurement in line with changes in key assumptions such as discount rates, long term inflation rates, size of area to be rehabilitated, period to rehabilitation and the expected cost of decommissioning materials and labour;</li> <li>With the assistance of our internal environmental specialist, we assessed and challenged assumptions and judgements used in management's year end assessment with reference to the last environmental analysis performed by</li> </ul>

Valuation and accuracy of site restoration and decommissioning provisions	
Refer to significant accounting policy 1.12 relating to provisions and note 16 provisions for site rehabilitation and decommissioning	
Key audit matter	How the matter was addressed in our audit
<p>expected cost of decommissioning materials and labour.</p> <p>Due to the inherent uncertainty and judgment in estimating the discount rate, inflation rates, period to rehabilitation and estimated decommissioning costs, the valuation and accuracy of the provision for site rehabilitation and decommissioning was considered a key audit matter.</p>	<p>the expert in September 2020;</p> <ul style="list-style-type: none"> <li>We evaluated whether the accounting treatment applied, in determining the provision for site rehabilitation and decommissioning, is in accordance with the IAS 37 — Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”); and</li> <li>We assessed the adequacy of the disclosures in the financial statements in terms of IAS 37 — Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”).</li> </ul>

#### Other information

The directors are responsible for the other information. The other information comprises the General Information, Directors’ Report and Directors’ Responsibility Statement, but does not include the financial statements and our auditor’s report thereon, which we obtained prior to the date of this auditor’s report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.





- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

**KPMG**  
 Certified Auditors  
 Practicing Member: Archibald Gumede  
 Certified Auditor of Public Interest Entity  
 BAOA Certificate Number CAP 0045 2022  
 Gaborone  
 23 April 2022

## Botswana Ash (Proprietary) Limited

(Registration Number BW00000722677)

Financial Statements for the year ended 31 December 2021

### Statement of Profit or Loss and Other Comprehensive Income

Figures in Pula thousands	Note	2021	2020
<b>Revenue</b>	4	1,186,778	1,067,937
<b>Cost of sales</b>		(569,002)	(514,249)
Direct material cost		(340,621)	(330,636)
Production overheads		(228,381)	(183,613)
<b>Gross profit</b>		<b>617,776</b>	<b>553,688</b>
<b>Administration and other expenses</b>		<b>(375,538)</b>	<b>(349,121)</b>
Non production overheads		(259,026)	(236,385)
Selling and distribution costs		(116,512)	(112,736)
<b>Other income/(losses)</b>		<b>8,218</b>	<b>(3,916)</b>
Foreign exchange gain (net)		7,236	533
Other income/(losses)		982	(4,449)
Finance income-bank deposit	5	14,583	10,285
Finance cost	5	(14,407)	(4,066)
<b>Profit before tax</b>	5	<b>250,632</b>	<b>206,870</b>
Taxation	6	(61,663)	(40,937)
<b>Profit after taxation</b>		<b>188,969</b>	<b>165,933</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>188,969</b>	<b>165,933</b>

## Botswana Ash (Proprietary) Limited

(Registration Number BW00000722677)

Financial Statements for the year ended 31 December 2021

### Statement of Financial Position as at 31 December 2021

Figures in Pula thousands

	Notes	2021	2020
<b>Assets</b>			
<b>Non-current assets</b>		<b>820,221</b>	<b>636,663</b>
Property, plant and equipment	7	820,221	636,663
<b>Current assets</b>		<b>918,319</b>	<b>680,637</b>
Inventories	9	245,309	195,756
Trade and other receivables	10	150,992	152,614
Cash and cash equivalents	11	519,089	326,219
Current tax assets	6	2,929	6,048
<b>Total assets</b>		<b>1,738,540</b>	<b>1,317,300</b>
<b>Equity and reserves</b>		<b>1,141,613</b>	<b>952,644</b>
Stated capital	12	131,500	131,500
Retained income		1,010,113	821,144
<b>Non-current liabilities</b>		<b>388,998</b>	<b>205,568</b>
Deferred income	13	433	458
Provision for site rehabilitation and decommissioning	16	60,852	66,941
Deferred tax liabilities	8	42,656	35,683
Lease liability	14	285,057	102,486
<b>Current liabilities</b>		<b>207,929</b>	<b>159,088</b>
Trade and other payables	15	186,150	125,719
Short - term portion of deferred income	13	26	26
Lease liability	14	21,753	33,343
<b>Total current liabilities</b>		<b>207,929</b>	<b>159,088</b>
<b>Total liabilities</b>		<b>596,927</b>	<b>364,656</b>
<b>Total equity and liabilities</b>		<b>1,738,540</b>	<b>1,317,300</b>

## Botswana Ash (Proprietary) Limited

(Registration Number BW00000722677)

Financial Statements for the year ended 31 December 2021

### Statement of Changes in Equity

Figures in Pula thousands

	Stated capital	Retained income	Total
<b>Balance at 1 January 2020</b>	131,500	735,211	866,711
<i>Total Comprehensive income</i>	-	165,933	165,933
Dividends declared and paid	-	(80,000)	(80,000)
<b>Balance at 31 December 2020</b>	<b>131,500</b>	<b>821,144</b>	<b>952,644</b>
<b>Balance at 1 January 2021</b>	131,500	821,144	952,644
<i>Total Comprehensive income</i>	-	188,969	188,969
<b>Balance at 31 December 2021</b>	<b>131,500</b>	<b>1,010,113</b>	<b>1,141,613</b>
	Note	12	



# Botswana Ash (Proprietary) Limited

(Registration Number BW00000722677)  
Financial Statements for the year ended 31 December 2021

## Statement of Cash Flows

Figures in Pula thousands	Notes	2021	2020
<b>Operating activities</b>			
Operating cash flows for the year	17.1	329,204	285,077
Working capital changes	17.2	12,885	(4,367)
Operating profit from normal activities		342,089	280,710
Interest received		14,583	10,285
Taxation paid	6	(51,571)	(37,608)
<i>Cash flows generated from operating activities</i>		<b>305,101</b>	<b>253,387</b>
<b>Investing activities</b>			
Additions to plant and equipment	7	(74,091)	(98,570)
Proceeds on disposal of plant and equipment		-	199
<i>Cash flows utilised in investing activities</i>		<b>(74,091)</b>	<b>(98,371)</b>
<b>Financing activities</b>			
Dividends paid		-	(80,000)
Payment of lease liability		(30,904)	(19,603)
<b>Cash flows utilised in financing activities</b>		<b>(30,904)</b>	<b>(99,603)</b>
<b>Cash and cash equivalents</b>			
Effects of foreign currency translations on cash held		(7,236)	(533)
- Net movement for the year		200,106	55,413
- At the beginning of the year		326,219	271,338
- At the end of the year	11	<b>519,089</b>	<b>326,219</b>

# Botswana Ash (Proprietary) Limited

(Registration Number BW00000722677)  
Financial Statements for the year ended 31 December 2021

## Significant Accounting Policies

### 1. Significant Accounting policies

#### 1.1 Basis of preparation and statement of compliance

Botswana Ash (Proprietary) Limited, the "company" was incorporated in Botswana and is engaged in the extraction and distribution of soda ash and common salt from alkaline brine deposits present at Sua Pan in North Eastern Botswana. The Head Office is situated at Sua Pan, Botswana.

The financial statements have been prepared on the going concern basis in accordance with International Financial Reporting Standards ("IFRS"). These financial statements contain the financial statements of Botswana Ash (Proprietary) Limited for the year ended 31 December 2021. The annual financial statements have been authorised for issue by the directors on 22 March 2022. No authority was given to anyone to amend the financial statements after the date of issue.

#### Basis of measurement and going concern

The financial statements have been prepared on the historical cost basis except as otherwise indicated in the accounting policies below. There were no changes in the application of accounting policies from the prior year as all accounting policies have been applied consistently.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Refer to note 26 - Going concern.

#### Functional and presentation currency

These financial statements are presented in Botswana Pula, which is the company's functional currency. All financial information presented in Botswana Pula has been rounded to the nearest thousand, except as otherwise indicated.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. The use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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Significant Accounting Policies

Significant Accounting policies continued...

Note reference	Detailed description	Estimate and/or judgement
Note 1.2	The evaluation of residual values and depreciation rates applied to property, plant and equipment items.	Estimate and judgement
Note 1.5	The method in which production costs are allocated between soda ash and salt.	Estimate and judgement
Note 1.12	The calculation and recognition of the site rehabilitation and decommissioning provisions.	Estimate and judgement
Note 1.14	Evaluating trade and other receivables and key assumptions in determining the historical loss rates.	Estimate and judgement
Note 1.4	Evaluation of leases, recognition, depreciation rates applied and measurement.	Estimate and judgement

1.3 Property, plant and equipment

- The cost of an item of plant and equipment is recognised as an asset when:
- It is probable that future economic benefits associated with the item will flow to the company; and
  - The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Cost includes expenditure that is directly attributable to the acquisition of an asset that will be used for longer than one financial period (12 months) and is capital in nature (not held for trading or part of trading activities of the entity). The cost of self-constructed assets includes the following: the cost of materials and direct labour; any other costs directly attributable to bringing the assets into a working condition for their intended use, when the company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing items and restoring the site on which they are located and capitalised borrowing costs. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred. Insurance spares are included as property, plant and equipment where they will be used over more than one period. These items are measured at cost and depreciated on an annual basis.

- Work in progress - expenditure during construction period incurred on projects under implementation are treated as pre-operative expenses pending allocation to the assets, and are included under capital work in progress. Capital work in progress is stated at the amount incurred up to the reporting date if the following criteria is met:
- Future economic benefits from the use of this capital work in progress asset is probable; and
  - The cost can be reliably measured.

Work in progress is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

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Significant Accounting Policies

Significant Accounting policies continued...

Plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Other than aircraft engines, property, plant and equipment are depreciated on the straight-line basis over their expected useful lives. Useful life is the estimated lifespan of a depreciable fixed asset, during which it can be expected to contribute to company operations and to their estimated residual values (the amount the company expects to receive for an asset at the end of its service life, less any disposal costs). Aircraft engines are depreciated based on the number of flight (engine) hours.

The useful lives of items of plant and equipment are as follows:

Item	Average useful life
Plant & equipment (Sua Pan)	7 - 50 years (limited to remaining mining lease period)
Motor vehicles	5 - 25 years (limited to remaining mining lease period)
Buildings	8 - 50 years (limited to remaining mining lease period)
Plant and equipment (NataIspruit)	6 - 40 years (limited to remaining mining lease period)
Aircraft	Flight hours (engines) and 10 - 19 years for other parts
Office equipment and furniture	5 years
Computer equipment and software	3 years
Right of use asset	Lease period

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectation differs from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. The gain or loss arising from the derecognition of an item of plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Repairs and maintenance

Repairs and maintenance expenses are recognised in profit or loss during the financial period in which these expenses are incurred. The cost of a major renovation is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset, or until the next planned major renovation, whichever period is shorter.

1.4 Leases

As a lessee

The company recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of identified assets for a specific period. The commencement date is the date on which a lessor makes an underlying asset available for use to the lessee.



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Significant Accounting Policies

Significant Accounting policies continued...

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company’s incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The company determines its incremental borrowing rate by obtaining interest rates from Commercial Banks and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

The right-of-use assets are initially measured at cost, which comprises the amount of initial measurement of the lease liability adjusted for:

- any lease payments made at or before the commencement date;
- plus any initial direct costs incurred by the lessee;
- plus an estimate of costs to be incurred by the lessee in dismantling and removing of the underlying assets or restoring the site on which the asset is located;
- less any lease incentives.

Subsequent to initial measurement, the right-of-use assets are depreciated from the commencement date using the straight-line method over the shorter of the estimated useful lives of the right-of-use assets or the end of the lease term. These are as follows:

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company’s incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease liability.

Right-of-use asset	Useful life is shorter of lease term or useful life of related asset
Buildings	7 - 50 years (limited to remaining mining lease period)
Plant and machinery	8 - 50 years (limited to remaining mining lease period)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right- of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents right-of-use assets in ‘Property, plant and equipment’ and lease liabilities in ‘lease liability” in the statement of financial position.

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Significant Accounting Policies

Significant Accounting policies continued...

1.5 Inventory

Finished goods consist of soda ash and salt in saleable form and are valued at the lower of cost and net realisable value. The standard costing method (which approximates actual cost) is applied in the valuation of soda ash and salt inventory items.

The company's operations consist of mining and processing activities. Mining activities are related to both soda ash and salt production. Cost related to mining activities are allocated to soda ash and salt inventories based on judgement and estimated quantities processed through the production process. Production activities and cost centres are identified for soda ash and salt respectively based on process maps and includes the determination of resource consumption for each manufacturing process. The identified activities cover the process from the pumping of brine to the utilities plant.

Cost of soda ash production comprises of direct materials consumed to produce power and steam, purchased electricity, an appropriate share of fixed production overheads based on normal utilisation of production facilities and transport costs to storage depot. Cost of soda ash production and salt production includes the variable overhead costs that are allocated based on the materials and consumables utilised in the production process.

Maintenance spares, materials and consumables are valued at the lower of cost and net realisable value using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of maintenance spares, materials and consumables includes expenditure incurred in acquiring inventories and bringing items to their existing location and condition. Obsolete, redundant and slow moving inventories are identified on a regular basis with reference to ageing reports and are written down to their estimated net realisable values.

With respect to the soda ash and salt, obsolescence is identified based on indications of contamination and damage. Management ensure that soda ash and salt inventories are written down to their estimated net realisable value if lower than cost in accordance with IAS 2-Inventories. Net realiable value is determined based on estimated selling price less estimated costs of completion and sale.

1.6 Stated capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognised in equity net of any tax effects.

1.7 Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised as an expense in profit or loss as the related service is provided. A liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The obligation for employee entitlement to wages, salaries, and annual leave represent the amount which the company has a present obligation to pay as a result of employee services provided to the reporting date. Short-term benefit obligations are undiscounted. The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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## Significant Accounting Policies

### Significant Accounting policies continued...

The company established a defined contribution pension scheme in November 2001, managed by Alexander Forbes Financial Services Botswana (Proprietary) Limited for all citizen employees. A gratuity scheme is in place for expatriate employees in terms of their employment contracts. The majority of citizen employees, previously covered under the severance benefit scheme, were converted to the pension fund scheme.

The expected gratuity and pension contribution liabilities have been accrued, based on services rendered, at the reporting date. Obligations for contributions to the pension scheme are recognised as an expense in profit or loss as incurred. There are no post-retirement medical funding obligations.

Citizen employees who are not members of the pension scheme, are entitled to severance benefits as regulated by the Employment Act applicable in Botswana.

### 1.8 Revenue from contracts with customers

Revenue is recognised on individual sales of goods when control transfers to the customer. Control transfers to the customer upon satisfaction of the performance obligation within each individual contract. In determining when control transfers, five indicators of control are considered:

- The customer has the significant risks and rewards relating to ownership and has the ability to direct the use of, and obtain substantially all of the remaining benefits from the good or service;
- The customer has a present obligation to pay in accordance with the terms of the contract stating when the obligation to pay arises;
- The customer has accepted the asset. Revenue may be subject to adjustment when product specifications do not conform to the terms specified in the contract. Specification and grade adjustments have been historically immaterial;
- The customer has legal title of the asset. The company usually retains legal title until payment is received for credit risk purposes only; and
- The customer has physical possession of the asset. This indicator may not be applicable when control of the asset is obtained prior to physical possession, which may be the case for stock in transit where the customer obtains control of the goods prior to physical possession.

Revenue is stated net of Value Added Tax, rebates and discounts. Normal payments terms for the customers is 30 days from the invoice date unless a special dispensation is made.

The company produces and sells salt and soda ash to customers. The directors assessed that the provision of transportation service to certain customers represents a separate performance obligation from the sale of goods (salt and soda ash), and accordingly revenue is recognised for each of these performance obligations when control over the corresponding goods and services is transferred to the customer.

Revenue is measured based on the consideration to which the company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

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## Significant Accounting Policies

### Significant Accounting policies continued...

#### Sale of goods - salt and soda ash

Control over the goods is transferred to the customer when the goods are delivered at the customer premises, delivered to a specific location or upon loading into a mode of transport depending on the terms of the contract. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. In instances where transportation costs are recognised as a separate performance obligation from the sale of goods for specific contracts, the transaction price is allocated to sale of goods and transportation performance obligations on a stand-alone selling price basis.

Customers have a right to reject goods that do not meet certain specifications and composition following quality inspection of the goods. The company has an obligation of replacing the defective goods confirmed through inspection within a reasonable time based on the terms of the contract with customers, or issue a credit note to the customer. The company recognises a loss in the profit or loss for replacement of goods or adjustment to revenue with regards to credit notes issued.

#### Sale of service - transportation of goods

Included in the transaction price for the sale of goods in respect of certain contracts is the transportation of goods on behalf of the related customers. The transportation service is considered to be a distinct service for these customers. A portion of the transaction price is therefore allocated to the transportation services based on the stand-alone selling price of those services.

Revenue relating to the transportation services is recognised over time based on the period from when transport of the goods begins through to the point of delivery of the goods. The transportation services are normally rendered over a short period of time (three to five days) due to the nature of these services. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15-Revenue from contracts with customers.

### 1.9 Finance income and finance costs

Interest received is recognised in profit or loss as the interest accrues using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or the gross carrying amount of the financial asset or the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

### 1.10 Other income

Other income comprises gains or losses on foreign exchange transactions and non-turnover related income. Any gain or loss as a result from a foreign currency transaction is recognised in profit or loss. Non turnover related income includes proceeds from insurance claims and proceeds from the sale of assets.



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## Significant Accounting Policies

### *Significant Accounting policies continued...*

#### 1.11 Training grants

Under the terms of section 13 of the Heads of Agreement between the shareholders, the Government of Botswana used to make available to the company funds to cover the cost of on-site training facilities, educational bursaries and training course fees. This agreement expired in 31 March 2003. The component of the training grants relating to the construction of training facilities was capitalised as part of plant and equipment. The income is deferred and is amortised over the economic life of the training facilities.

#### 1.12 Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an expense in profit or loss.

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production. The estimated cost arising from the need to decommission plant and rehabilitate the site, at its present value, is provided for and capitalised when the obligation to incur such costs arises. This cost is recognised in profit or loss over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. An external consultant is used to estimate the cost to decommission the plant and rehabilitation of the site. These estimates are updated every five years by an external consultant. The assumptions applied by the external consultant in estimating these costs are evaluated by management on an annual basis.

#### 1.13 Dividend distributions

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the directors. Dividends declared after the reporting date are not recognised as a liability.

#### 1.14 Financial instruments

##### Classification

The company classifies a financial asset on initial recognition as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt instrument or equity instrument; or fair value through profit or loss (FVTPL).

The company classifies a financial liability as a financial liability at amortised cost or financial liability at fair value through profit or loss (FVTPL).

##### Recognition and measurement of financial instruments

The company initially recognises trade and other receivables when they originate. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

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## Significant Accounting Policies

### *Significant Accounting policies continued...*

The financial asset (unless it is a trade receivable without a significant financing component) or a financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Trade and other receivables without a significant financing component are initially measured at the transaction price.

The company does not reclassify financial assets subsequently unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

##### *Trade and other receivables*

The company measures trade and other receivables at amortised cost if it meets both the following conditions and are not designated as at FVTPL:

- Hold to collect business model test - the asset held within a business model with an objective to hold the financial asset in order to collect contractual cash flows; and
- Solely payments of principal and interest (SPPI) contractual cash flow characteristics test - the contractual terms of the financial asset give rise to cash flows that are SPPI on the principal amount outstanding on a specific date.

The company subsequently measures trade and other receivables at amortised cost, using the effective interest method, less accumulated impairment losses.

The company subsequently measures trade receivables and amounts due from related party at amortised cost, using the effective interest method, less accumulated impairment losses.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost which is deemed to be fair value due to its short-term maturity plus any impairments recognised.

##### *Trade and other payables and loans from related parties*

The company initially recognises trade and other payables and loans from related parties as a financial liability at fair value. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method.

##### Derecognition of financial instruments

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the transferred asset. An interest in such a derecognised financial asset that is created or retained by the company is recognised as a separate asset or liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The company derecognises a financial liability when the contractual obligations are discharged or cancelled or expire.

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## Significant Accounting Policies

### Significant Accounting policies continued...

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### Impairment of financial instruments

The company recognises a loss allowance for estimated credit losses (ECLs) on financial assets measured at amortised cost. The measurement of the loss allowance amount is equal to the lifetime ECLs. This model applies to financial assets measured at amortised cost and debt instruments measured at FVOCI.

The company's trade receivables do not contain a significant financing component in accordance with IFRS 15-Revenue from contracts with customers (so generally trade receivables have a majority of 12 months or less). Lifetime expected credit losses' are required to be recognised because the maturities will typically be 12 months or less and the credit loss for 12-month and lifetime ECLs would be the same. The company uses the Probability of Default Approach to estimate impairment losses as an alternative contained in IFRS 9-Financial Instruments. The simplified impairment model is based on the provision matrix underpinned by the debtors age analysis.

Impairment losses under the Probability of Default Approach are computed as a product of historical probability of default (PD), Loss Given Default (LGD), Exposure At Default (EAD) and adjusted for relevant forward looking macro-economic fundamentals such as GDP and unemployment rates. Given the short-term nature of the trade receivables, management does not expect the macro-economic factors which are deemed to be medium to long-term in nature to impact the impairment of trade receivables and consequently we have ignored these factors in deriving the impairment model.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and includes forward-looking information.

### Definition of default

The company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the company, in full (without taking into account any collateral held by the company).

Irrespective of the above analysis, the company considers that default has occurred when a financial asset is more than 90 days past due unless the company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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## Significant Accounting Policies

### Significant Accounting policies continued...

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial assets.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

### Credit-impaired financial assets

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties

The company presents the allowance for ECLs for financial assets measured at amortised cost as a deduction from the gross carrying amount of the asset in the statement of financial position.

The company will write off the gross carrying amount of a financial asset if the company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

The company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS 9.

### Derivative financial instruments

In accordance with its treasury policy, the company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that are entered into as economic hedges but do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value and directly attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are stated at fair value with any gain or loss on remeasurement to fair value recognised immediately in profit or loss. Derivative financial instruments comprise interest rate swaps.

Derivatives are derecognised when the hedging instrument expires or is sold, terminated or exercised.



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## Significant Accounting Policies

### Significant Accounting policies continued...

#### Financial liabilities and equity

#### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the date proceeds are received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### 1.15 Impairment of non-financial assets

The company assesses at reporting date whether there is any indication that an asset may be impaired. If any such indicators exist, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- Tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount. This impairment test is performed during the annual period and at the same time every year.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets measured at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- First, to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and
- Then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exist, the recoverable amounts of those assets are estimated.

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## Significant Accounting Policies

### Significant Accounting policies continued...

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets measured at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

### 1.16 Financial guarantee contracts

Financial guarantee contracts are classified as insurance contracts as defined in IFRS 4 Insurance Contracts. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle such contracts and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the reporting date.

### 1.17 Tax

#### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities or assets for the current and prior periods measured at the amount expected to be paid to or (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax assets and liabilities

Deferred tax is provided for using the statement of financial position liability method in respect of all temporary differences. Temporary differences are differences between the carrying amount of assets and liabilities for accounting purposes and the amounts used for tax purposes.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit/or (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction, which affects neither accounting profit nor taxable profit/(tax loss).

Deferred tax assets are not recognised for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and on taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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## Significant Accounting Policies

### Significant Accounting policies continued...

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to tax levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

#### Tax expense

Current and deferred taxes are recognised as income or as an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, in other comprehensive income and equity; or
- A business combination.

Current and deferred taxes are recognised in other comprehensive income if the tax relates to items that are recognised in the same or a different period, in other comprehensive income.

Current tax and deferred taxes are recognised directly in equity if the tax relates to items that are recognised, in the same or a different period, directly in equity.

Withholding tax of 7.50% is payable on the gross value of dividends declared and paid.

#### 1.18 Foreign currency transactions

Transactions conducted in foreign currencies are translated to Pula at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Pula at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical costs in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit or loss.

#### 1.19 Contingent liabilities

The company applies its judgment to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement is used to determine whether the obligation is recorded as a liability on the statements of financial position or disclosed as a contingent liability.

#### 1.20 Related parties

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operational decisions. The company is a government-related entity. A 'government-related entity' is an entity that is controlled, jointly controlled or significantly influenced by a government. For entities operating in an environment in which government control is pervasive, many counterparties are also government-related and therefore are related parties. In line with IAS 24 Related parties, the company is allowed to reduce the level of disclosures about transactions and outstanding balances, including commitments, with:

- a government that has control, joint control or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

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## Significant Accounting Policies

### Significant Accounting policies continued...

Where relevant, the company applies partial exemption to meet the objective of IAS 24 by putting users of the company's financial statements on notice that certain transactions or relationships could have an impact on the entity's operations or performance. In applying partial exemption, the company considers the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transaction.

Key management personnel of the entity and its parent as well as any close family members of these individuals are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, i.e. those charged with decision-making responsibilities.

#### 2. Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year. A number of other new standards are also effective from 1 January 2021.

#### 3. New Standards and Interpretations

##### 3.1 Standards and Interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations.

Standard	Effective date: Years beginning on or after
• IFRS 16-Amendments to IFRS 16, Leases-Covid-19 related rent concessions	01 April 2021
• IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16-Interest rate benchmark reform-Phase 2	01 January 2021

None of the standards and interpretations adopted had a significant impact on the financial statements.

##### 3.2 Standards and interpretations not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the company has not early adopted the new standards or amended standards in preparing these consolidated financial statements.



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Significant Accounting Policies

New Standards and Interpretations continued...

The following amended standards and interpretations are not expected to have a significant impact on the company's financial statements.

	Effective date: Years beginning on or after
<ul style="list-style-type: none"><li>• IAS 37 amendment - Onerous Contracts: Cost of Fulfilling a Contract</li></ul>	01 January 2022
<ul style="list-style-type: none"><li>• IFRS 1, IFRS 9, IFRS 16 and IAS 41 amendments - Annual Improvements to IFRS Standards (2018 – 2020)</li></ul>	01 January 2022
<ul style="list-style-type: none"><li>• IAS 16 amendment - Property, Plant and Equipment: Proceeds before Intended Use</li></ul>	01 January 2022
<ul style="list-style-type: none"><li>• IFRS 3- Reference to the Conceptual Framework</li></ul>	01 January 2022
<ul style="list-style-type: none"><li>• IFRS 17 - Insurance Contracts</li></ul>	01 January 2023
<ul style="list-style-type: none"><li>• IFRS 17 amendments - Insurance Contracts</li></ul>	01 January 2023
<ul style="list-style-type: none"><li>• IAS 1 amendment - Classification of liabilities as current or non-current</li></ul>	01 January 2023
<ul style="list-style-type: none"><li>• IAS 8 amendment - Definition of Accounting Estimates</li></ul>	01 January 2023
<ul style="list-style-type: none"><li>• IAS 1 and IFRS Practice Statement 2 amendment - Disclosure Initiative: Accounting Policies</li></ul>	01 January 2023
<ul style="list-style-type: none"><li>• IAS 12 amendment - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</li></ul>	01 January 2023

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Notes to the Financial Statements

Figures in Pula thousands	2021	2020
4. Revenue		
The company derives its revenue from the transfer of goods and services over time and at a point in time.		
Timing of revenue recognition:		
At a point in time:		
• Salt	321,863	308,794
• Soda ash	847,683	718,182
• Sodium bicarbonate	681	25,514
Over time:		
• Transportation	16,551	15,447
Total revenue	1,186,778	1,067,937

5. Profit before taxation

Profit before taxation is stated after taking into account the following:

Amortisation of training grant	(25)	(25)
Auditor's remuneration - for services	(1,008)	(728)
Depreciation	(83,393)	(79,577)
Director's fees -		
- for services as directors	(609)	(1,062)
- for management services	(1,612)	(1,607)
Loss on disposal of plant and equipment	-	(4,743)
Rent paid for land		
- cash payments	(660)	(568)
Salaries and wages	(152,587)	(142,333)
Defined contributions plans	(6,890)	(6,157)
Contributions to medical and other staff funds	(11,670)	(12,317)
Other staff costs	(2,206)	(4,214)
Effect of change in the discount rate of site rehabilitation, decommissioning provisions and other movements	11,471	(4,086)
Interest received - bank deposits	14,583	10,285
Net foreign exchange gain	7,236	533
Royalties (note 19)	(26,759)	(18,015)
Finance cost	(14,407)	(4,066)
Finance cost-lease liability	(9,025)	(4,066)
Unwinding of site rehabilitation and decommissioning provisions	(5,382)	-

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Notes to the Financial Statements

Figures in Pula thousands	2021	2020
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6. Taxation

Reconciliation of taxation

Current tax expense - normal company taxation	54,690	34,207
- Mining	21,778	14,441
- Manufacturing	29,472	17,050
- Other	3,440	2,716
- Prior year (over) provision	-	(562)
Deferred taxation movement	6,973	7,292
Taxation per profit or loss	61,663	40,937

Taxation refundable

Balance brought forward	(6,048)	(2,084)
Tax refund received	-	-
Company taxation per profit or loss	54,690	33,644
Self-assessment taxation payments made	(51,571)	(37,608)
Closing balance	(2,929)	(6,048)

Effective taxation reconciliation

Taxation per profit or loss is reconciled to accounting profit as follows:

Profit before taxation	250,632	206,870
Taxation on manufacturing process income	30,880	26,653
Taxation on mining process income	21,803	13,423
Taxation at statutory tax rate	52,683	40,076
Non-deductable expenses	192	703
Income taxed at a higher rate	8,788	720
- Prior year (over) provision	-	(562)
Taxation per profit or loss	61,663	40,937

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Notes to the Financial Statements

Figures in Pula thousands

7. Property, plant and equipment

Balances at year end and movements for the year

	Right of use asset land	Buildings	Plant and machinery (Sua Pan)	Motor Vehicles	Aircraft	Office equipment	Computer equipment	Work in Progress	Right of use asset - land (Natalespruit)	Plant and equipment (Natalespruit)	Right of use asset BHC houses (Sua)	Total
Reconciliation for the 2021 year												
Balance at 1 January 2021												
At cost	141	95,361	662,729	97,456	27,794	531	18,534	31,612	26,519	15,050	119,267	1,094,994
Accumulated depreciation and impairment	(13)	(39,118)	(282,706)	(71,555)	(18,815)	(531)	(14,844)	-	(21,388)	(1,407)	(7,954)	(458,331)
Net book value	128	56,243	380,023	25,901	8,979	-	3,690	31,612	5,131	13,643	111,313	636,663
Movement for the year	(7)	4,737	(28,490)	(2,465)	(754)	604	2,703	29,479	7,410	(157)	170,499	183,559
Additions	-	-	-	-	-	-	-	73,384	-	707	-	74,091
Depreciation	(7)	(3,603)	(47,502)	(5,400)	(754)	(32)	(2,016)	-	(828)	(864)	(22,387)	(83,393)
Transfers from work in progress	-	8,365	19,012	2,935	-	636	4,719	(43,905)	8,238	-	-	-
Other movements	-	(25)	-	-	-	-	-	-	-	-	(185)	(210)
Increase through other changes (Lease modification additions)	-	-	-	-	-	-	-	-	-	-	193,071	193,071
Disposals cost	-	-	(14,838)	(4,131)	-	-	(591)	-	(106)	-	-	(19,666)
Disposal depreciation	-	-	14,838	4,131	-	-	591	-	106	-	-	19,666
Closing balance at 31 December 2021												
At cost	141	103,726	666,903	96,259	27,794	1,167	22,662	61,092	34,651	15,757	284,509	1,314,661
Accumulated depreciation and impairment	(20)	(42,746)	(315,371)	(72,824)	(19,569)	(563)	(16,269)	-	(22,110)	(2,271)	(2,697)	(494,440)
Net book value	121	60,980	351,532	23,435	8,225	604	6,393	61,092	12,541	13,486	281,812	820,221



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## Notes to the Financial Statements

Figures in Pula thousands	2021	2020
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### 8. Deferred tax liabilities

#### Reconciliation of deferred taxation

Opening balance at the beginning of the year	35,683	28,391
Movement per profit or loss	6,973	7,292
<b>Closing balance at the end of the year</b>	<b>42,656</b>	<b>35,683</b>

#### Analysis of deferred taxation

Accelerated capital allowances on plant and equipment & right of use assets	106,431	72,152
Prepayments	1,875	1,741
Unrealised foreign exchange gain	1,085	80
Prepaid revenue	(2,249)	(1,092)
Site restoration and decommissioning provisions	(9,679)	(11,951)
Lease liability	(49,523)	(23,788)
Other accruals	(5,283)	(1,458)
<b>Total deferred taxation</b>	<b>42,656</b>	<b>35,683</b>

Deferred tax was calculated at a combined effective rate of 31.85% (2020: 30.5%) based on the split between manufacturing and non-manufacturing operations.

### 9. Inventories

#### Inventories comprise:

Soda ash	22,524	41,614
Salt	127,622	87,162
Maintenance stores	66,676	55,953
Consumable stores	28,487	11,027
<b>Total inventories</b>	<b>245,309</b>	<b>195,756</b>

Allowance for obsolete/slow moving inventory on maintenance spares was recognised at the reporting date as follows:

Opening balance at the beginning of the year	6,393	6,051
Movement per profit or loss	(363)	342
<b>Closing balance at the end of the year</b>	<b>6,030</b>	<b>6,393</b>

The allowance represents the cost of all components which have not moved for more than 10 years and 50% of the cost of components which have not moved for more than five years.

### 10. Trade and other receivables

#### Financial assets:

Trade receivables (gross)	80,245	95,387
Amounts due from related parties	1,225	1,370
Other receivables (gross)	34,858	12,378

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## Notes to the Financial Statements

Figures in Pula thousands

Property, plant and equipment continued...

Reconciliation for the 2020 year													
Balance at 1 January 2020													
	land	Buildings	machinery	(Sua Pan)	vehicles	Aircraft	equipment	equipment	Progress	(Nataispruit)	(Nataispruit)	houses (Sua)	Total
At cost	141	85,599	454	600,832	103,539	27,794	531	15,224	32,540	15,050	26,558	16,945	925,207
Accumulated depreciation and impairment	(6)	(38,322)	(2)	(246,407)	(75,493)	(15,278)	(531)	(13,842)	-	(734)	(20,642)	(10,179)	(421,436)
Net book value	135	47,277	452	354,425	28,046	12,516	-	1,382	32,540	14,316	5,916	6,766	503,771
Movement for the year													
Additions to right of use assets on adoption of IFRS 16	(7)	8,966	(452)	25,598	(2,145)	(3,537)	-	2,308	(928)	(674)	(785)	104,548	132,892
Additions	-	-	-	-	-	-	-	-	-	-	-	119,267	119,267
Adjustments to opening balance cost	-	-	-	-	-	-	-	-	98,570	-	-	-	98,570
Adjustment to opening balance depreciation	-	(2,079)	(73)	(11)	-	-	-	-	-	60	-	21	(2,090)
Depreciation	(7)	(2,874)	(17)	(50,271)	(5,614)	(3,537)	-	(1,002)	-	(734)	(781)	(14,740)	(79,577)
Transfers from work in progress	-	11,840	-	80,879	3,469	-	-	3,310	(99,498)	-	-	-	-
Disposal cost	-	-	(454)	(18,970)	(9,552)	-	-	-	-	-	(39)	(16,945)	(45,960)
Disposals depreciation	-	-	92	13,986	9,552	-	-	-	-	-	35	16,945	40,610
Closing balance at 31 December 2020													
At cost	141	95,361	454	662,729	97,456	27,794	531	18,534	31,612	15,050	26,519	119,267	1,095,448
Accumulated depreciation and impairment	(13)	(39,118)	(454)	(282,706)	(71,555)	(18,815)	(531)	(14,844)	-	(1,408)	(21,387)	(7,954)	(458,785)
Net book value	128	56,243	-	380,023	25,901	8,979	-	3,690	31,612	13,642	5,132	111,313	636,663

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<i>Trade and other receivables continued...</i>		
Expected credit losses	(1,362)	(1,384)
- trade receivables	(11)	(33)
- amounts due from related parties	-	-
- other receivables	(1,351)	(1,351)
<b>Total financial assets</b>	<b>114,966</b>	<b>107,751</b>
<i>Non-financial instruments</i>		
VAT refundable	36,026	44,863
<b>Total trade and other receivables</b>	<b>150,992</b>	<b>152,614</b>
<i>Expected Credit Losses</i>		
Opening balance	(1,384)	(4,008)
Change in estimate transferred to profit or loss	22	2,624
<b>Closing balance</b>	<b>(1,362)</b>	<b>(1,384)</b>

11. Cash and cash equivalents

Cash and cash equivalents comprise:

<b>Cash</b>		
Cash on hand	159	191
Balances with banks	518,930	326,028
<b>Total cash</b>	<b>519,089</b>	<b>326,219</b>

The directors have allocated and ring-fenced cash and cash equivalents to fund future site restoration and decommissioning expenses equal to the relevant provisions recognised in the statement of financial position. Refer to note 16.

12. Stated capital

65 749 940 "A" class ordinary shares of no par value	65,750	65,750
65 749 940 "B" class ordinary shares of no par value	65,750	65,750
<b>Total stated capital</b>	<b>131,500</b>	<b>131,500</b>

The holder of class "A" shares was previously entitled to receive 75% of any dividend declared by the company. The holder of class "B" shares was entitled to receive the remaining 25% of any dividend declared. With effect from 01 July 2017 both class "A" and "B" shareholders are entitled to equal dividend distributions on dividends declared by the company. The company did not pay dividends in the current year but paid a dividend of BWPO.61 per share in the prior year.

Both "A" and "B" class shares carry equal voting rights, the right to appoint and remove directors, and in all other aspects are identical and rank pari passu.

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Notes to the Financial Statements

Figures in Pula thousands	2021	2020
<b>13. Deferred income</b>		
<i>Training grant capital</i>		
Opening balance at the beginning of the year	484	509
Amortisation transferred to profit or loss	(25)	(25)
Closing balance at end of year	459	484
Short-term portion transferred to current liabilities	(26)	(26)
<b>Total deferred income</b>	<b>433</b>	<b>458</b>

14. Lease liability

The company has entered into the following lease arrangements:

1) Residential properties

The company leases residential properties from Botswana Housing Corporation (BHC) and the main terms and conditions of the lease were agreed through a heads of agreement which has a binding effect and was signed by both parties while awaiting finalisation of a detailed lease agreement. The lease tenure was modified from five years to the end of the mine life (2039) amounting to P193,071,000 and is subject to annual escalation of 3% and the escalation rate will be reviewed every five years.

The right of use asset and liability has been modified to reflect the new tenure, rental and the escalation rate. The rental arbitration was awarded in favour of BHC, and the company paid all outstanding rentals and interest charged before year end. These obligations had been adequately accrued for. Lease payments made to BHC during the year have been disclosed in note 22.

2) Land leases

The Company has entered into land leases for building premises for use by the Sowa Community and operation of the South African Depot. The duration of the leases is tied to the length of the mining lease with an option to renew. The leases are subject to escalations between 0% and 10% on anniversary. Lease payments are renegotiated every five years to reflect market rentals.

3) Equipment leases

The duration of the leases range between three and five years. The leases are subject to escalations between 0% and 10% on anniversary.

4) Low value leases

The company leases IT equipment with contract terms of two years or less. These leases are short term and/or leases of low value items. The company has elected not to recognise right of use assets and lease liabilities for these leases.

Information about the leases for which the company is a lessee is presented below:

<b>Maturity analysis - contractual undiscounted cash flows</b>		
Within one year	21,754	33,343
Two to five years	94,295	96,068
More than five years	385,616	31,919
Total undiscounted lease liabilities at end of year	<b>501,665</b>	<b>161,331</b>
Less: Total finance cost allocated to future periods	(194,856)	(25,502)
<b>Lease liability at end of year</b>	<b>306,809</b>	<b>135,829</b>
Current portion	21,753	33,343
Non-current portion	285,056	102,486



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## Notes to the Financial Statements

Figures in Pula thousands	2021	2020
<i>Lease liability continued...</i>		
<b>Amounts recognised in Profit or loss</b>		
Finance cost on lease liability	9,025	4,066
Depreciation relating to right of use assets	23,222	15,497
<b>Amounts recognised against lease liability</b>		
Total cash outflow for leases	30,904	19,603
Principal amount paid	21,879	15,536
<b>Amounts recognised due to modifications</b>		
Lease modification increase on right of use asset and lease liability	193,071	-

### 15. Trade and other payables

<b>Trade and other payables comprise:</b>		
Trade payables	85,519	56,569
Accruals and other payables	51,695	51,207
Amounts due to related companies (note 22)	7,241	2,628
Staff benefits	41,695	15,315
<b>Total trade and other payables</b>	<b>186,150</b>	<b>125,719</b>

The amounts due to related companies are interest free, unsecured and without any fixed repayment terms.

### 16. Provision for site rehabilitation and decommissioning

Balance at beginning of year:	66,941	65,061
Unwinding of discount on site rehabilitation and decommissioning provision	5,382	3,774
Effect of change in the discount rate of site rehabilitation and decommissioning provision	(11,471)	312
Change in estimate capitalised	-	(2,206)
<b>Balance at end of year</b>	<b>60,852</b>	<b>66,941</b>

The company's environmental commitments and obligations are based on the mining license. There is currently no legislation in Botswana regarding formal closure certificates, bonding requirements or any other specific requirements related to closure. As inline with best practice, the directors deemed it fit to provide for site restoration and rehabilitation. Environmental experts were involved in estimating the company's ultimate closure costs in 2039. The last environmental analysis to determine closure costs was performed in September 2020. This estimate is reviewed by independent expert consultants every 5 years. The assumptions applied in the independent expert's analysis are evaluated by management on an annual basis. The provision has been calculated using an average discount rate of 8.36% (2020:5.88%) per annum and a long term inflation rate of 3.39% per annum for Botswana based costs while an average discount rate of 9.43% (2020: 8.04%) per annum and a long-term inflation rate range of 3.24% to 6.95% for South African based costs. The provision is sensitive to changes in discount rates used. A 1% increase in discount rates would result in the provision decreasing to P52 million (2020: P56 million) while a 1% decrease in discount rates would increase the provision to P73 million (2020: P80 million). This analysis assumes all other variables, in particular inflation rates and underlying costs, remain constant.

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## Notes to the Financial Statements

Figures in Pula thousands	2021	2020
<b>17. Notes to the statement of cash flows</b>		
<b>17.1 Operating cash flows for the year</b>		
Profit before taxation	250,632	206,870
<i>Adjusted for:</i>		
Interest received	(14,583)	(10,285)
Interest paid	9,025	4,066
Depreciation	83,393	79,576
Loss on disposal of plant and equipment	-	4,743
Amortisation of training grant	(25)	(25)
Movement in allowance for obsolete inventory	(363)	342
Movement in impairment allowance	(22)	(2,624)
Movement in site rehabilitation and decommissioning provisions	(6,089)	1,881
Effects of foreign currency translations	7,236	533
<b>Operating cash flows for the year</b>	<b>329,204</b>	<b>285,077</b>

### 17.2 Working capital changes

Movement in inventories	(49,190)	10,240
Movement in trade and other receivables	1,644	(17,911)
Movement in trade and other payables	60,431	3,304
<b>Operating cash flows for the year</b>	<b>12,885</b>	<b>(4,367)</b>

### 18. Capital commitments

Capital expenditure authorised by the board	<b>253,678</b>	<b>271,965</b>
Capital expenditure -approved but not yet committed	41,310	141,385
Open purchase orders (committed)	54,814	45,990

Capital expenditure authorised but not yet expended is to be funded from cash generated by current operations.

### 19. Royalties

The Botswana Mines and Minerals Act Chapter 66:01 requires the company to pay royalties to Botswana Government at the rate of 3% of net revenue at the mine gate. The royalties became due and payable effective from 1 April 2020. Refer to note 5 for the current year expense.

### 20. Financial instruments

Exposure to interest rate, foreign exchange, credit and liquidity risk occurs in the normal course of the company's business. The company has a treasury policy which sets out objectives for the maximisation of returns through efficient management of cash flows and specific foreign exchange exposure, to ensure funding requirements are met and to ensure all treasury assets and liabilities are fairly presented.

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Financial instruments continued...

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The Board of Directors oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company.

Capital risk management

For capital risk management purposes the current level of capital in the company is defined as the difference between the total assets and total liabilities of the company. The capital employed is managed on a basis that enables the company to continue operating as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The company monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including trade and other payables and bank overdrafts as disclosed in the statement of financial position) less cash and cash equivalents. Total capital is calculated as capital and reserves attributable to shareholders as disclosed in the statement of financial position.

Interest rate risk

The company invests with reputable financial institutions and is subject to normal market interest rate risk. Fluctuation in interest rates impact on the value of short-term cash investments, giving rise to price risk. Other than ensuring optimum money market rates for deposits, the company does not make use of financial instruments to manage this risk.

Credit risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are trade and other receivable balances including amounts due from related parties and investments in cash and cash equivalents.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. The policy includes the following:

- Credit evaluations are performed on all customers requiring credit over a certain amount. The assessment of the credit quality of a customer takes into account its financial position, past experience and other factors.
- Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered in Botswana and South Africa. Banks in Botswana are not rated but each of the banks concerned are subsidiaries of major South African registered institutions.

Collateral

The company does have not have any collateral to cover its credit risk associated with its financial assets.

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Financial instruments continued...

Impairment of financial assets

The entity computed the Expected Credit Losses (ECL) using the simplified model by considering the company's: Exposure at Default (EAD), Probability of Default (PD) derived from credit migration or flow rates per risk category and Loss Given Defaults (LGD) to estimate the impairment losses for the year ended 31 December 2021.

Given the short term nature of the trade receivables, management does not expect the macro-economic factors which are deemed to be medium to long-term in nature to impact the impairmnet of trade receivables and consequently management ignored these factors in deriving the impairment model. IFRS 9 requires that an impaired model is applied to customers with shared credit risk characteristics. To achieve this objective management applied judgement and grouped its receivables using the two risks classisifications:

The primary risk classification criteria was determined as geographical location; Northern (DRC, Malawi, Zambia, Zimbabwe, Botswana and the rest of Africa) and Southern (customers served from the South Africa depot). The secondary risk classification criteria was determined as the type of customer based on the nature of operations; manufacturing, wholesalers, retailers.

The prior year model was applied consistently without alterations with a calculation of a loss given default per class of customers.

COVID Impact

The business environment improved in 2021 resulting in increase in sales for both soda ash and food grade salt products. There were no notable risks to collectivity of receivables hence there was no modification to the model used to calculate the Expected Credit Losses.

The allowance computed below reflects the general or collective allowance for each portfolio of receivable. Any specific allowances are excluded from the aging analysis. Due to significant changes to the business and operational environments no attempt was made to find correlations between historical defaults and macro-economic variables.

Trade receivables 31 December 2021	Current	Between 1 and 30 days past due	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Expected Credit Loss Allowance						
Coverage ratio						
Northern Manufacturing	0.03%	0.00%	0.00%	0.00%	0.00%	0.03%
Northern Wholesale	0.00%	0.02%	0.00%	0.00%	0.00%	0.01%
Northern Retail	0.12%	0.17%	0.33%	0.00%	0.00%	0.14%
Southern	0.01%	0.03%	0.00%	0.00%	0.00%	0.01%
Average coverage ratio	0.01%	0.04%	0.33%	0.00%	0.00%	0.01%

The ageing of trade receivables as at 31 December 2021 was as follows:



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<i>Financial instruments continued...</i>						
Trade receivables 31 December 2021	Current	Between 1 and 30 days past due	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Expected Credit Loss Allowance						
Northern						
Manufacturing	5,212	-	-	-	-	5,212
Northern Wholesale	85	155	-	-	-	240
Northern Retail	1,239	583	36	-	-	1,858
Southern	67,321	5,614	-	-	-	72,935
Total Gross Carrying Amount	73,857	6,352	36	0	-	80,245

The ECL per geography at 31 December 2021, was calculated as follows:

31 December 2021	Current	Between 1 and 30 days past due	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Expected Credit Loss Allowance						
Northern Manufacturing	3	-	-	-	-	3
Northern Wholesale	0	0	-	-	-	0
Northern Retail	2	1	0	-	-	3
Southern	4	1	-	-	-	5
Total Expected Credit Loss Allowance	8	3	0	-	-	11

The provision matrix set out below, indicates the computed expected loss ratios, based on historic defaults, applied in the calculation of ECL as at 31 December 2020:

Trade receivables 31 December 2020	Current	Between 1 and 30 days past due	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Coverage Ratio						
Northern Manufacturing	0.03%	0.06%	0.00%	0.00%	0.00%	0.04%
Northern Wholesale	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Northern Retail	0.39%	0.57%	0.00%	0.00%	0.00%	0.50%
Southern	0.01%	0.01%	0.12%	0.39%	0.00%	0.01%
Average Coverage Ratio	0.02%	0.18%	0.12%	0.39%	0.00%	0.04%

The ageing of trade receivables as at 31 December 2020 was as follows:

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<i>Financial instruments continued...</i>						
31 December 2020	Current	Between 1 and 30 days past due	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Northern Manufacturing	4,560	872	-	-	-	5,433
Northern Wholesale	-	-	-	-	-	-
Northern Retail	2,094	3,182	-	-	-	5,277
Southern	76,983	7,137	136	421	-	84,677
<b>Total Expected Credit Loss Allowance</b>						
	<b>83,638</b>	<b>11,192</b>	<b>136</b>	<b>421</b>	<b>-</b>	<b>95,387</b>

The ECL per geography at 31 December 2020, was calculated as follows:

	Current	Between 1 and 30 days past due	Between 31 and 60 days past due	Between 61 and 90 days past due	More than 90 days past due	Total
Northern Manufacturing	1	1	-	-	-	2
Northern Wholesale	-	-	-	-	-	0
Northern Retail	7	18	-	-	-	25
Southern	4	1	-	1	-	6
Total Expected Credit Loss Allowance	13	20	-	1	-	33

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<i>Financial instruments continued...</i>		
<i>Exposure to credit risk</i>		
The maximum exposure to credit risk at the reporting date is analysed as follows:		
Trade receivables (gross)	80,245	95,387
Amounts due from related parties	1,225	1,370
Other receivables	34,858	12,378
	<b>116,328</b>	<b>109,135</b>
Less impairment allowance	(1,362)	(1,384)
	114,966	107,751
Cash and cash equivalents	518,930	326,028
<b>Total exposure to credit risk</b>	<b>633,896</b>	<b>433,779</b>

No receivables were written off during the current and prior year

Liquidity risk

The company is exposed to daily operational payments and payment of trade payable balances. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The company sets limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand.

The following are the contractual maturities of financial liabilities, including estimated interest payments and the impact of netting agreements:

2021	Carrying amount	Contractual cash flows	6 months or less
Trade payables and other payables	144,455	144,455	144,455
2020	Carrying amount	Contractual cash flows	6 months or less
Trade payables and other payables	110,404	110,404	110,404

Exposure to currency risk

The group is exposed to foreign currency risk for transactions which are denominated in a currency other than Pula. The group does not take cover on foreign currency as it regards the Pula as a stable currency.

2021	US Dollar	Euro	SA Rand	GBP
Trade receivables	8 520	0	72 935	-
Cash and cash equivalents	77 284	2	111	-
Trade payables	(1 666)	(6 050)	(16 170)	( 31)
<b>Net exposure</b>	<b>84 138</b>	<b>(6 048)</b>	<b>56 876</b>	<b>( 31)</b>

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Figures in Pula thousands			2021	2020
<i>Financial instruments continued...</i>				
2020	US Dollar	Euro	SA Rand	GBP
Trade receivables	5 433	0	81 654	-
Cash and cash equivalents	18 277	2	94 279	-
Trade payables	( 404)	( 477)	(9 680)	( 50)
Net exposure	23,306	(475)	166,253	(50)

Sensitivity analysis

A 10 percent weakening of the Botswana Pula against these currencies at the reporting date would have increased/ (decreased) profit before taxation by the amounts disclosed below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2021.

	<b>Profit before taxation</b>	
<b>USD</b>	8,414	2,331
<b>EUR</b>	(605)	(47)
<b>ZAR</b>	5,688	16,625
<b>Net increase/(decrease) in profit before taxation</b>	<b>13,497</b>	<b>18,909</b>

A 10 percent strengthening of the Pula against these currencies at the reporting date would have had the equal but opposite effect on the profit before taxation to the amounts disclosed above, on the basis that all other variables remain constant.

The spot rates applied at year end are as follows:

<b>USD</b>	P1.00/0.0848	P1.00/0.0905
<b>EUR</b>	P1.00/0.0750	P1.00/0.0756
<b>ZAR</b>	P1.00/1.3692	P1.00/1.3836
<b>GBP</b>	P1.00/0.0637	P1.00/0.0678

Exposure to interest rate risk

Financial instruments that are sensitive to interest rate risk are cash and cash equivalents. Interest rates applicable to cash and cash equivalents fluctuate with movements in the Botswana, South African and Zambian prime interest rates and are comparable with rates currently available in the market. The variable interest rate financial instruments at the reporting date are summarised as follows:



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<b>Variable rate instruments</b>		
Dollar call	8,961	4,918
Pula call	9,966	28,185
Money market account (BWP denominated)	345,939	30,649
USD Fixed deposit	45,739	147,227
	<b>410,605</b>	<b>210,979</b>

The company invests with reputable institutions and is subject to normal market interest rate risk. The average interest rates per annum applicable to the company's call deposits and money market funds during the reporting period were as follows:

	%	%
Dollar call	0.10	-
Pula call	0.30	0.20
USD fixed deposit	0.00	0.50
Money market account (BWP denominated)	5.00	4.52
USD fixed deposit	0.65	0.55

With average interest rates applicable to cash and cash equivalent balances as disclosed above, an increase of 50 basis points in interest rates during the reporting period would have increased profit before taxation as follows:

Dollar call	45	25
Pula call	50	141
Money market account (BWP denominated)	1,730	153
USD fixed deposit	229	736
<b>Increase in profit before taxation</b>	<b>2,054</b>	<b>1,055</b>

A 50 basis points decrease in the average interest rates applicable to the cash and cash equivalent balances indicated above would have had the equal but opposite effect on the profit before taxation, on the basis that all other variables remain constant.

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21. Fair values

The company measures fair values using the following fair value hierarchy that reflects the significance of the inputs in making the measurements:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Company does not have any financial assets or liabilities measured at fair value through profit and loss at the current or previous reporting date. The carrying amount of short term financial instruments approximate their fair values due to their short term nature.

22. Related party transactions

The related parties are classified as such due to the following:

Related party	Relationship
Botswana Government	Shareholder
Chlor-Alkali Holdings Proprietary Limited	Shareholder
Chlor-Alkali Holdings Management Services Proprietary Limited	Share common shareholder (Chlor Alkali Holdings (PTY) LTD)
NCP Chlorchem Proprietary Limited	Share common shareholder (Chlor Alkali Holdings (PTY) LTD)
Bud Chemicals and Minerals Proprietary Limited	Associate
Botswana Ash South Africa Proprietary Limited	Share common shareholder (Chlor Alkali Holdings (PTY) LTD) and Botswana Government
Cerebos Limited	Share common shareholder (Chlor Alkali Holdings (PTY) LTD)
CJP Chemicals Proprietary Limited	Subsidiary of Bud Chemicals (PTY) LTD
Synchem Management Services Proprietary Limited	Subsidiary of Bud Chemicals (PTY) LTD
Investec Equity Partners	Ultimate shareholder of Bud Chemicals (Pty) LTD
Walvis Bay Salt Refiners Proprietary Limited	Share common shareholder (Chlor Alkali Holdings (PTY) LTD)
Botswana Housing Corporation	Subsidiary of the Government of Botswana

Related party transactions were conducted on mutually agreed terms and conditions.  
The company does have not have any collateral to cover its credit risk associated with balances due from related parties.

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#### Related party transactions continued...

#### Key personnel remuneration:

Key personnel remuneration consists of short term and long term employee benefits paid to members of the executive management committee totaling P16,78 million (2020: P12,65 million). Pension contributions paid by the company on behalf of the members of the executive management committee during the year totalled P1 515 000 (2020: P1 359 481).

Directors fees for services as directors amounting to P608,650 were paid (2020:P1,062,000).

The company has entered into the following related party transactions during the year:

Identity of related party transaction	Nature of transaction		
Botswana Government	Dividend paid	-	(40,000)
Chlor-Alkali Holdings Proprietary Limited	Dividend paid	-	(40,000)
Synchem Management Services Proprietary Limited	Management fees paid	(1,612)	(1,492)
Synchem Management Services Proprietary Limited	IT costs, including licences paid on behalf of the company	(1,537)	(1,220)
Synchem Management Services Proprietary Limited	Costs paid on behalf of the company	(123)	-
Botswana Ash South Africa Proprietary Limited	Costs paid on behalf of the company	(12,002)	(17,651)
Botswana Ash South Africa Proprietary Limited	Commission paid	(19,980)	(20,409)
Botswana Ash South Africa Proprietary Limited	Soda ash sales	5,293	6,039
Cerebos Limited	Salt sales	1,012	776
Botswana Housing Corporation	Lease payment for staff houses	(25,510)	(25,581)
Botswana Housing Corporation	Maintenance for staff houses	(352)	(280)

Refer to note 14 for additional details on the BHC lease.

The following balances were receivable from/(payable to) related parties at the reporting date:

Botswana Ash South Africa Proprietary Limited		
• Included in trade payables	(7,094)	(2,628)
• Included in trade receivables	985	1,370
Cerebos Limited		
• Included in trade receivables	240	-
Synchem Management Services Proprietary Limited	(147)	-
• Included in trade payables		
Botswana Housing Corporation		
• Included in lease liability	(288,801)	(119,628)

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#### 23. Contingent liabilities

##### Guarantees and letter of credits

The company had the following guarantees and letters of credit outstanding at the reporting date:

First National Bank South Africa		
In favour of SARS (R1 522 500; 2020: R1 522 500)	1,124	1,100
In favour of Customs & Exercise (R1 500 000; 2020: R1 500 000)	1,107	1,084
In favour of Customs & Exercise (R110 000; 2020: R110 000)	81	80
In favour of Customs & Exercise (R30 000; 2020: R30 000)	22	22
In favour of Customs & Exercise (R10 150; 2020: R10 150)	7	7
In favour of Customs & Exercise (R30 450; 2020: R30 450)	22	22
In favour of Customs & Exercise (R761 250; 2020: R550 195)	562	550
In favour of Customs & Exercise (R60 900; 2020: R60 900)	45	44
In favour of Transnet SOC Limited (R6 500 000 2020: R4 500 000)	4,799	4,698
<b>Total contingent liabilities</b>	<b>7,769</b>	<b>7,607</b>

These guarantees and letters of credit are minimum requirements from the respective suppliers. The company is not in breach of its payment terms for these suppliers. On that basis, the above are recognised as contingent liabilities.

#### 24. Legal claims

The company is defending several minor claims from former employees and third parties. The directors believe that the defence against these actions will be successful.

#### 25. Events after the reporting date

Subsequent to the reporting date, a dividend of P40 million was declared on 22 March 2022.

#### 26. Going concern

The company made a net profit for the year ended 31 December 2021 of P188.969 million (2020: P165.933 million), and as of that date its current assets exceeded its current liabilities by P710.389 million (2020: P521.549 million) and its total assets exceeded its total liabilities by P1,141.613 million (2020: P952.644 million). COVID-19 pandemic and consequential lockdowns had minimal impact on the company to date, given the nature of its activities.

The directors have prepared their 2022 budget and cash flow forecast based on reasonable and supportable assumptions, it is expected that the company will have sufficient assets to settle its liabilities in the ordinary course of business.

Given the directors' evaluation that the company has sufficient resources to meet its obligations as they fall due, the financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities and commitment will occur in the ordinary course of business.