

LOVE SUGAR



ESWATINI
SUGAR
ASSOCIATION

**INTEGRATED ANNUAL
REPORT 2020/21**

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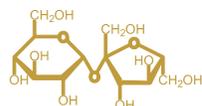
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Highlights

United for **growth**.
Creating **more value**.



▲ **98,41 tonnes per hectare**
Cane yield
(2019/20: 96,31)



▲ **13,71 tonnes per hectare**
Sucrose yield
(2019/20: 13,40)



▼ **709 865 tonnes**
Sugar sales
(2019/20: 759 421)



▼ **58 523 hectares**
Area harvested
(2019/20: 59 082)



▲ **802 551 tonnes**
Sucrose production
(2019/20: 791 911)



▲ **E6,1 billion**
Revenue
(2019/20: E5,94 billion)



▲ **5 759 016 tonnes**
Cane production
(2019/20: 5 690 255)



▲ **684 562 tonnes**
Sugar production
(2019/20: 673 369)



▲ **1,28**
Sugar price index
(2019/20: 1,16)

The Eswatini Sugar Association (“ESA”) is an umbrella organisation bringing together all growers and millers of sugarcane. Its highest policymaking body is the Council, where growers and millers have equal representation.

OUR VISION

“Aligned and sustainable world-class sugarcane industry.”

OUR MISSION

To consistently meet the requirements of customers, millers and growers and other stakeholders by providing quality products and services in an efficient, cost-effective and sustainable manner.

OUR VALUES

ESA recognises and subscribes to high ethical standards and principles which apply equally and consistently across all of the organisation’s structures. As a result, ESA subscribes to values which guide the way business activities and dealings are conducted.

Excellence

We strive to excel in everything we do for all our key stakeholders.

Integrity

We are objective, professional and conduct our business in accordance with the highest ethical standards.

Growing our people

We improve the welfare of our people and help them develop to their full potential.

Customer centric

We value our customers and strive to meet and exceed their expectations.

Continuous improvement

We are innovative and progressively develop our products, services and processes to be best in class.

Our strategic goal is to double the industry revenue in 10 years (2017–2026).

About the report

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Reporting boundary

This Integrated Annual Report covers the business activities of Eswatini Sugar Association (“ESA”) and includes the financial and non-financial performance for the period 1 April 2020 to 31 March 2021. In line with the guiding principle “strategic focus and future orientation” explained in the International <IR> Framework, reference is made to medium- and long-term outlook which is expected to affect ESA’s value-creation ability.

The scope of this report is primarily centred around ESA, the reporting entity, as well as its subsidiaries and the jointly-controlled companies as indicated in the audited financial statements (see page 38). However, reference is also made to other entities whose business activities attract risks, opportunities and outcomes that have the potential to materially influence ESA’s ability to create value in the short-, medium- and long-term.

This report, which is an output of ESA’s integrated reporting process, clarifies how our strategy, governance, performance and prospects give rise to the creation of value over time. The report also informs our internal and external stakeholders on how we utilise the capitals to create value. Disclosures and transparency on ESA’s business processes hold us accountable to our primary stakeholders.

Our capitals

- FC** Financial capital (FC)
- MC** Manufactured capital (MC)
- NC** Natural capital (NC)
- IC** Intellectual capital (IC)
- SRC** Social and relationship capital (SRC)

Strategic themes

- GS** Promote growth and sustainability
- OE** Cost competitiveness, operational efficiencies and capabilities
- SE** Stakeholder engagement and harmonious miller and grower relations
- HD** Human capital development
- MV** Maximise value extraction from sugarcane



This report clarifies how our strategy, governance, performance and prospects give rise to the creation of value over time.



We believe that sustainable value creation for stakeholders is possible only if we develop and maintain mutually beneficial and enduring relationships with our employees, customers, suppliers, financiers, government, non-governmental organisations and the communities in which we operate, as well as with growers and millers who are our major stakeholders.

We subscribe to the philosophy that long-term value creation can only be realised when stakeholders' legitimate needs and interests are taken into consideration, and this report endeavours to indicate how we consider our stakeholders' needs and interests to maximise the value accruing to them.

Our stakeholders

Stakeholder	Purpose of engagement
Employees	Ensuring healthy relations with employees as the first stakeholder, in order to achieve a synchronised execution of ESA vision, strategy and business objectives.
Sugarcane growers and millers (as both principals and service recipients)	Understanding the needs of growers and millers, and identifying opportunities and solutions available to them, in order to facilitate continuous improvement and optimum service delivery on an ongoing basis.
Government	Lobbying and building political support for industry.
Customers and potential customers	Understanding changing and varying customer environments and requirements, in order to enhance service delivery and improve relations.
Financiers	Ensuring availability of financial capital and fulfilment of mutual obligations of ESA and stakeholders linked to operations.
Service providers	Provision of goods and services to enable ESA to meet and improve on our service delivery.
General public	Keeping the public informed of ESA and industry operations.
Media	Maintaining healthy media relations and interest.
Organised business	To nurture relations with the business community and contribute to national strategies and policies.

ESA acknowledges that the journey of value creation is bigger than just the utilisation of financial and manufactured capitals; it also involves the intellectual, human, social and relationship, and natural capitals which are often not explained in financial terms. Our ability to create value beyond the short term hinges on the interdependencies, interactions and trade-offs between these capitals. ESA's corporate strategy and business model are dynamically and diligently aimed at optimising their usage in a responsible manner to maximise our stakeholders' return on investment over time.

(More details on the business model and corporate strategy are given on page 16 and 18, respectively).

Materiality

This report discloses information about matters that materially affected ESA's ability to create value during the year under review. However, we are aware that some of these material matters were not limited to the 2020/21 year, but have persisted over time and their effect in the medium- and long-term may remain uncertain.

ESA maintains a robust materiality determination process that is both quantitative and qualitative in its approach. This technique involves identifying relevant matters, which are defined as those matters that have, or may have, an effect on the organisation's ability to create value. Our stakeholder engagement is pivotal in the exercise of identifying the relevant matters. This insight is critical for us to understand the perspective of key stakeholders on these matters. The next step involves evaluating the importance of the matters in influencing ESA's ability to create value over time, taking into consideration their impact and likelihood of occurrence. Once the importance of the material matters is established, they are prioritised based on their magnitude. The ranking of the matters assists management to allocate resources accordingly and focus on the most important material issues when reporting to key stakeholders.

The materiality determination process forms part of our overall risk management strategy, which helps us to identify specific threats and opportunities that may affect our ability to create value over the short-, medium- and long-term, and to devise means of mitigating those risks, while maximising opportunities presented by changes in the operating environment. To achieve this, ESA keeps a risk register which tracks progress on the risk mitigation measures.



About the report continued

This process is overseen by the Internal Auditor. Management review sessions are held bi-annually to reflect on the risks and update them where necessary to include any emerging risks, taking into consideration internal and external changes. External changes may be of a political, legal, technological or socio-economic nature.

 (For more on materiality and risk management, see page 22.)

Significant frameworks and methods

The infographic below presents the frameworks, standards, guidelines and legislation considered in the preparation of the various aspects of this report.



Forward-looking statements

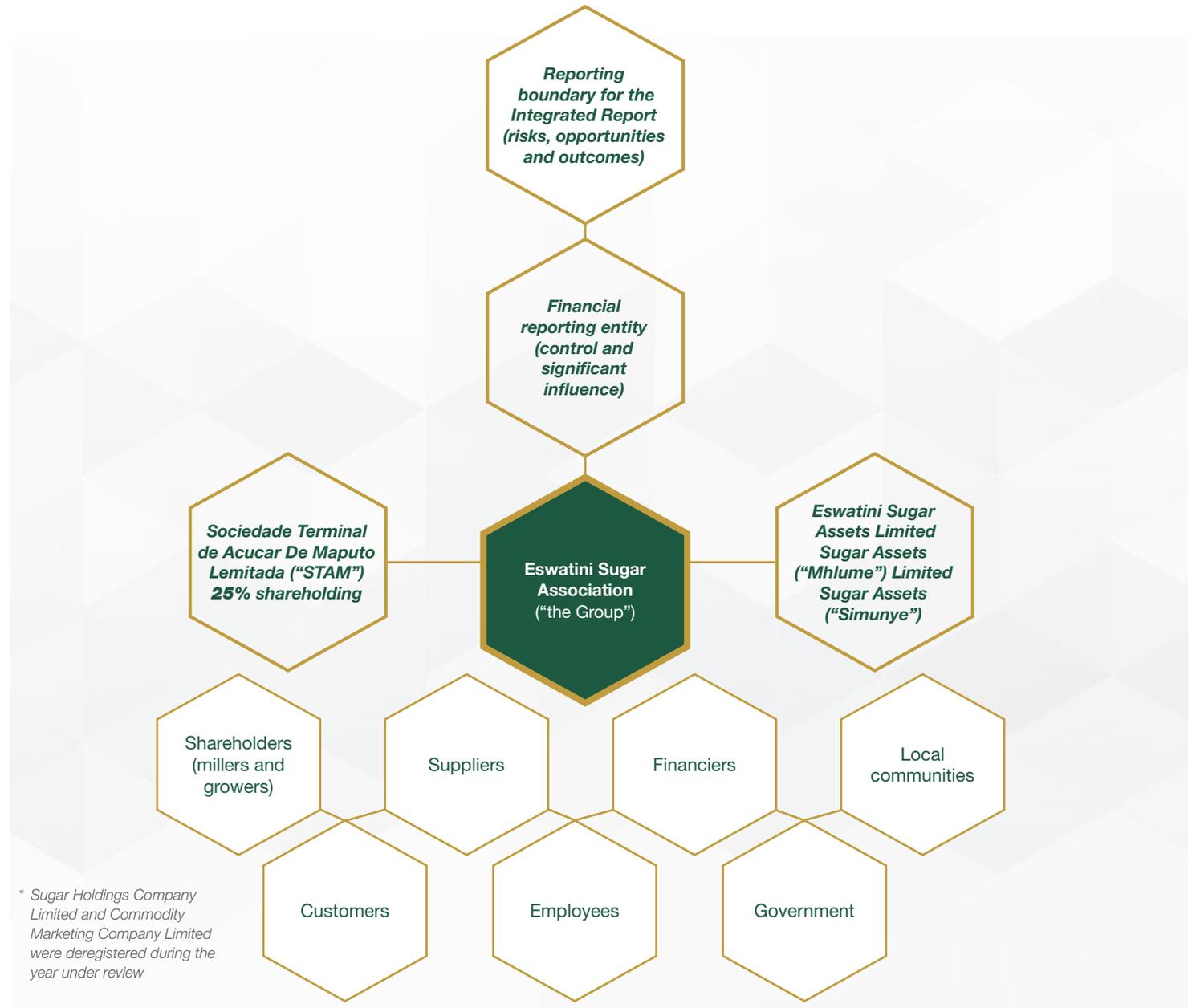
Certain elements of this report may contain forward-looking statements that are based on information that was available at the time the report was being compiled. These statements are subject to foreseen or unforeseen risks and uncertainties, leading to variations on outcomes disclosed in this report in the short-, medium- and long-term. For example, the COVID-19 pandemic has taught us that nothing can be guaranteed in business. It is on this premise that Council does not commit to issuing any revisions, in part or in whole, to reflect unforeseen events or changes that may occur after the release of this report. Readers are therefore advised to exercise caution regarding the interpretation of any forward-looking statements contained in this report.

Raw sugar at the Mlawula Sugar Terminal

Responsibility

The ESA Council acknowledges its responsibility in ensuring the integrity and completeness of this report and has applied its collective mind in the preparation and presentation of the information in this report. Council believes that this report was prepared in accordance with the principles of the International <IR> Framework. The Executive Management and the Audit and Risk Committee were instrumental in preparing this report, and Council is satisfied that the material matters, either positive or negative, which could hamper the organisation's ability to create value in the period under review, have been disclosed in a balanced manner.

On the recommendation of the Audit and Risk Committee, Council approved the ESA Integrated Annual Report of 2020/21 on 6 July 2021.



Organisation overview and external environment

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About ESA

ESA is the regulatory body for the sugar industry in the Kingdom of Eswatini (“Eswatini”) and brings together 489 sugarcane growers and three millers. As mandated by the Eswatini Sugar Act of 1967, ESA’s role is to develop and regulate the industry, and to market and sell sugar and its by-products to ensure sustainability of the country’s sugar industry and economy.

The sugarcane is grown on about 60 000 hectares of land (approximately 3,4% of Eswatini’s total land area) and produces on average 680 000 tonnes of sugar. The industry remains one of the key contributors to the economy of Eswatini, contributing approximately 9,2% to the country’s gross domestic product, and is also the largest non-governmental employer in Eswatini. The multiplier effect of the other formal and informal economic activities which derive from the main activities of the industry and direct employment, are immense. The industry further contributes to the provision of public healthcare, housing, water and sanitation, recreational facilities, as well as rural development and environmental protection initiatives in the country.

Our business structure

ESA comprises five departments that work together to effectively execute its statutory mandate to regulate, promote and foster the sugar industry in Eswatini; and to market and sell all sugar and by-products produced in the country.



Cane testing and quality department

- Ensures the accuracy in the measurement of the volume of sucrose that the growers deliver to the mills.
- Monitors testing at the laboratories through service level agreements (“SLAs”) with millers.
- Provides an audit service on the processes, laboratory methods and procedures to assure growers and millers that the sucrose payment process is accurate and reliable.
- Ensures that ESA complies with its quality management system (“QMS”) for resource optimisation.

Commercial department

- Ensures efficient logistics chain (including storage) for sugar and by-products.
- Markets and sells all sugar and molasses for maximum value on a sustainable basis.
- Works closely with the relevant government ministries, and monitors, advises and advocates on market access for Eswatini sugar as provided for through key trade agreements. These markets include the Southern African Development Community (“SADC”), European Union (“EU”), United States of America (“USA”), Southern African Customs Union (“SACU”) and Common Market for Eastern and Southern Africa (“COMESA”).
- Ensures compliance with market access regulations, food safety standards and product specification, as well as customer requirements.
- Implements the price risk management policy.

Finance department

- Controls the financial affairs of ESA, including:
 - » Payment of proceeds to millers (for onward payment to growers for their share).
 - » Financial reporting.
 - » Preparing sugar and sucrose price estimates.
 - » Sourcing working capital.
 - » Implementing the Finance Risk Policy and Hedging Strategy.
- Oversees the IT function.
- Finances and implements capital projects.



Human capital and administration department

- Oversees attraction, development and retention of human capital.
- Ensures availability of adequate human and related resources to meet ESA's strategic objectives.
- Ensures employee wellness and safety.
- Advocates for and promotes harmonious labour relations.

Extension services department

- Provides assistance to the industry to ensure the production of good quality sugarcane and long-term viability and profitability of sugarcane growers, through the promotion of good agricultural practices.
- Provides growers with extension services through SLAs with industry millers.
- Provides advice and assistance to cane growers on suitable cane varieties, pest and disease control, supply of healthy seedcane, crop nutrition and protection, and irrigation management to enhance productivity.

Our products

Products	Volumes produced	Markets
Molasses	237 379 tonnes	<ul style="list-style-type: none"> • Domestic – bulk of which is sold to the two distillers in the country
Very high polarity (“VHP”) sugar	292 307 tonnes	<ul style="list-style-type: none"> • SACU
Refined sugar	218 010 tonnes	<ul style="list-style-type: none"> • Regional (COMESA and SADC) • World market • EU
Bulk raw sugar (for further reprocessing) and VHP	174 245 tonnes	<ul style="list-style-type: none"> • EU • USA

Our markets

SACU

SACU is our primary market, comprising Botswana, Eswatini, Lesotho, Namibia and South Africa – and because of the free movement of goods in SACU, it is also classified as the domestic market. About 65% of SACU sales are pre-packed sugar for direct consumption, with the balance being for industrial and manufacturing purposes.

An import tariff regime controls the entry of sugar produced outside of the region.

EU

This is the main market for bulk sugar, with small volumes of bagged VHP sugar also being sold into this market. The EU is the target market for the speciality sugar under trial. Sales to this market benefit from duty-free, quota-free market access under the Economic Partnership Agreement (“EPA”) between the EU and SADC-EPA states, namely Eswatini, Botswana, Lesotho, Namibia, Mozambique and South Africa.

USA

The USA is accessed under a Tariff Rate Quota (“TRQ”) arrangement, which provides access on preferential terms for a minimum of 16 500 tonnes of raw sugar per annum. This volume may be increased during the year, depending on the demand for sugar within the US and the ability of other TRQ beneficiaries to supply their allocated quotas.

SADC

Trade in this region is governed by the SADC Protocol on Trade, under provisions laid out in the Sugar Cooperation Agreement (also known as Annex VII). This region is rendered as a surplus sugar-producing region, since 11 of the 16 SADC member states are sugar producers, four of which do not produce sufficient quantities to meet their domestic consumption demand and the remaining seven producing more than they require for their domestic consumption.

COMESA

The COMESA region comprises 21 member countries and is a deficit sugar-producing region. Eswatini, though not a full member of the COMESA Free Trade Area (“FTA”), trades within the FTA under a derogation that grants Eswatini access to trade until the Tripartite Free Trade Agreement (“TFTA”) comes into effect.

Other regional markets

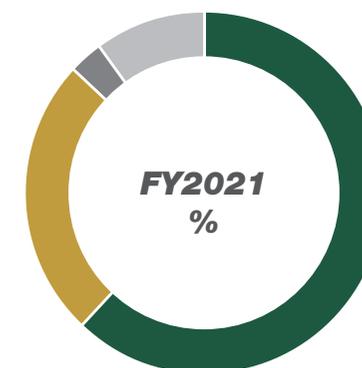
There are opportunities for Eswatini to exploit other markets in Africa through the various regional trading blocs such as the TFTA and the

African Continental Free Trade Area (“AfCFTA”). The TFTA brings together three regional blocs, namely SADC, COMESA and the East African Community (“EAC”), creating a 28-country market. Unfortunately, the TFTA has still not come into effect, because some signatories have yet to ratify the agreement. However, the Government of Eswatini continues its efforts to improve market access into the countries of interest to increase regional trade for Eswatini sugar.

World market

Sales into the world market are largely representative of residual volumes. The world market is characterised by low prices due to competition from other major producers such as Thailand, India and Brazil, as well as other distortions that prevail in the world market for sugar.

Sales mix – 2020/21



- SACU • 62
- EU & world • 25
- US • 3
- Regional* • 10

* Includes the SADC and COMESA markets

Organisation overview and external environment continued

Market outlook

At the beginning of the year under review, the COVID-19 pandemic had just set in, creating great uncertainty, particularly in the markets. The 2019/20 (October 2019 to September 2020) global market crop cycle estimates indicated a statistical deficit of 9,3 million tonnes (the largest in 11 years), which in turn was expected to cause an increase in world market prices. The season, however, closed in September 2020 with a surplus of 0,88 million tonnes, which still resulted in an uptick in prices.

Consumption was expected to grow at the constant levels forecasted for previous years, but was later revised down due to the global COVID-19 lockdown restrictions.

A global deficit (the difference between world consumption and production) of 3,14 million tonnes is forecast for the 2020/21 season, which means that world market prices are expected to rise to counter the demand for the commodity.

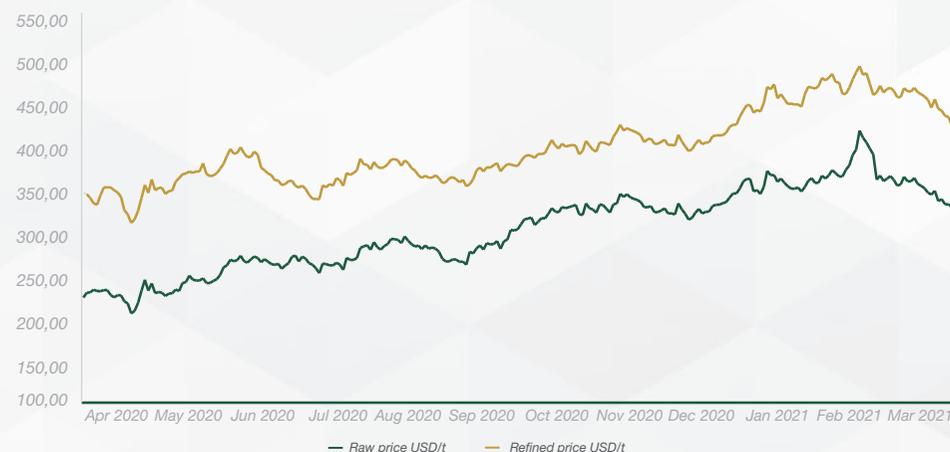
World sugar surplus/deficit (October 2020 to September 2021)

	2020/21 million tonnes	2019/20 million tonnes	Changes %
World production	169,24	171,16	(1,24)
World consumption	172,38	170,27	2,08
Surplus/deficit	(3,14)	0,88	

Source: International Sugar Organisation, Quarterly Outlook May 2021

The graph below illustrates how the world market prices fared over the course of the year under view:

World market prices (USD)



Source: Czarnikow

Regional market

On average, we continued to sell 10% of our sugar to the regional market. Prices attainable in these markets are at a premium to the world market price. As such, our strategic marketing objective is to increase sales in this market. While production capacity is sometimes a limitation, we intend to continue growing our sales to this market.

Domestic market

While this continues to be the largest market we sell into, it is not without threat. The publication of the South African Sugarcane Value Chain Master Plan posed a concern on the future of Eswatini sugar in our neighbouring South African market. However, reports of a growth in the market and increased sales of between 12% to 15% by the South African industry, not only demonstrates the growth of the SACU market, but further indicates that there could be space for both industries to survive within this market.



Our operating environment

External factors

10

External factors

Our operations are widely affected by numerous external factors and environmental conditions, which can either influence growth and productivity, or negatively impact the organisation and threaten our sustainability. Below are the key factors we have identified that are likely to influence our business.

Climate change

The negative impacts of climate change continue to manifest themselves in our sugarcane production business. According to Eswatini's Third National Communication to the United Nations Framework Convention on Climate Change ("UNFCCC"), daily maximum and minimum temperatures reveal patterns consistent with extreme warming over most part of the country in the past two decades. Rainfall trends also point towards a decrease in the number of rainy days which affects the intensity of rainfall events, river flows and dry spell durations.

In the past season, destruction as a result of heavy hailstorms and Cyclone Eloise negatively impacted the crop to be harvested in the 2021/22 season. The industry continues to put in place adaptation and mitigation measures, including lobbying for additional water storage dams. However, despite the devastating effects of Cyclone Eloise, there were positive impacts such as increased availability of water for irrigation for the 2021/22 season. The table below provides a synopsis of the water levels of the main storage dams that the sugar industry uses for the irrigation of sugarcane.

As temperature and rainfall patterns change, which are the key drivers to cane production, it is expected that future production is likely to be adversely affected.

Average dam levels (% Full):

Dams	Seasons	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Maguga	2020/21	78,5	81,1	78,2	75,3	70,5	62,8	57,0	46,8	38,7	40,0	97,4	100,1
	2019/20	99,8	98,4	95,4	92,7	86,7	78,9	69,0	59,9	61,2	67,2	75,3	79,3
	LTM*	90,2	89,2	88,2	85,9	83,0	79,1	72,8	70,3	72,1	80,0	85,8	86,9
Mnjoli	2020/21	56,2	59,6	58,1	56,9	53,5	48,8	47,2	39,7	31,6	34,5	92,3	105,5
	2019/20	93,7	92,3	87,8	79,8	73,9	69,8	63,8	58,6	60,8	55,6	55,4	57,9
	LTM	70,6	70,7	68,9	69,7	62,4	57,2	53,6	50,4	53,0	55,8	59,8	68,8
Lubovane	2020/21	101,2	101,0	100,4	100,1	98,0	94,5	97,8	93,7	93,2	98,9	102,8	99,8
	2019/20	100,6	99,8	96,9	94,5	89,8	84,1	76,5	72,2	81,2	89,4	96,1	100,4
	LTM	92,8	92,4	90,6	87,5	86,3	83,1	81,7	76,6	80,5	87,2	90,5	93,8

* LTM is the long-term mean

Cost pressures

The continued cost increases in energy, fuel and other inputs have put a significant strain on the growing of sugarcane and the production of sugar. It is therefore imperative to implement new cost-saving measures to ensure the viability and sustainability of the Eswatini sugar industry, particularly the smallholder growers. Some initiatives are already underway, which include the exploration of alternative energy sources (i.e. solar energy), and the bulk procurement of inputs, namely agro-chemicals including fertiliser, pesticides and chemical ripeners.



Compliance with food safety standards

ESA is committed to supplying sugar products that exceed the quality expectations of our customers. To ensure customer satisfaction we have implemented a robust customer engagement programme aimed at ensuring that markets are supplied with sugar products that meet the required specification.

Food safety means that our products are traceable, safe and free from all pathogens that are harmful to human health. The Mhlume and Ubombo mills are food safety compliant under the FSSC 22000 standard, and the Simunye mill is in the process of implementing this food safety standard.

Our sugar is accompanied by a certificate of analysis (“COA”), which is a document authenticating that the sugar has undergone specified testing, thus confirming that the product meets the agreed specifications and is safe for human consumption.



Foreign exchange rates

A significant proportion of our sugar sales are destined for markets outside SACU, and the contracts entered into are denominated in foreign currencies, such as the Euro and US Dollar, which therefore exposes ESA’s revenues to exchange rate fluctuations. To reduce any potential negative impact, ESA has a Finance Risk Policy and Hedging Strategy which provides guidelines for the use of hedging instruments to cushion the industry against the volatility in exchange rates.

COVID-19

The year under review drew to a close under a cloud of uncertainty brought on by the COVID-19 pandemic. The impact of the pandemic on world economies, sugar consumption patterns, business management and consumer behaviour has had an influence on the production and sales of sugar.



Facts about sugar

Sugar is a source of energy, meaning it is a carbohydrate just like rice or bread. When consumed in moderation, it provides the necessary energy for the body. Excessive consumption of all high-carb foods leads to obesity, and obesity is linked to poor health and the development of chronic diseases.

Sugar does not contain fats or cholesterol.

Sugar is gluten-free and allergen-free.***

* Gluten is a protein found in wheat, barley, rye and triticale.

** Allergen-free refers to products that are free of the current top eight allergens (dairy, wheat, eggs, soy, shellfish, fish, tree nuts (including coconut) and peanuts) as recognised by the Food and Drug Administration (FDA).



Message from the Chairman

“

I am pleased to report that despite the effect of the coronavirus pandemic, ESA as a business, emerged victorious.

”

Owing to the plight of the coronavirus pandemic (“COVID-19”), 2020/21 will undoubtedly go down in the history books as a “great disruptor”. It was a year that saw human life severely threatened; businesses interrupted; travel, tourism and sporting activities grounded; and economies going on lockdown across the world. ESA and the sugar industry were not spared from the wrath of this monstrous disease.

However, we are grateful to the Government of Eswatini for its decisive and prompt response to contain the spread and impact of the virus in the country. As Chairman of Council, it is my great delight to mention that during the year under review, the industry contributed E1,3 million to the Government of Eswatini to assist in the fight against the pandemic. Council is also indebted to ESA management and the sugar industry at large for the measures that were put in place to ensure that business activities continued with minimal disturbances during the year.

I am also pleased to report that despite the effect of the coronavirus, ESA as a business, emerged victorious. The outcomes presented in this report are witness to that. The year, turbulent as it may have been, taught us valuable lessons. We learnt new ways of engaging and doing business in a cost-effective manner. Our flexibility, agility and grit made it possible for us to adapt to the “new” normal. For example, most Council meetings were held virtually.



The beneficiation of sugarcane bagasse has been a long-standing issue within the sugar industry. ESA, as an advocate for sustainability and profitability for all our stakeholders, has been yearning to see all affected parties engage on this issue with the intention of finding an amicable solution. I am pleased to report that this crucial matter was progressed during the year under review, and the ultimate Council decision was referring it to the miller-grower forum to forge a long-lasting solution.

During the year, ESA followed developments in major markets for our sugar (and by-products) to determine how these would affect our ability to create value in the short-, medium- and long-term. These developments included and were not limited to the effects of Brexit, the South African Sugarcane Value Chain Master Plan, movement of sugar from major global producers, politics, and legislation in the regional markets. Our standpoint is that these not only presented business threats, but untapped opportunities which our corporate strategy and risk management process sought to address to enhance ESA's value-creation efforts. These threats and opportunities will require that Council and management steer ESA into a more competitive space.

I confirm that this report discloses all material matters that affect ESA's ability to create stakeholder value in the short-, medium- and long-term. Furthermore, it explains how identified business risks were managed or mitigated to preserve value during the reporting year. Council acknowledges its responsibility for ensuring the integrity of the report and has applied its collective mind in the preparation and presentation of the information contained therein. The results presented herein are therefore a true reflection of ESA's performance during the year under review. The independent external auditors guarantee the assurance and integrity of the financial statements in this report.

Mr T Dlamini Chairman

Key statistics of Eswatini's sugar industry from 1969, when the industry started to operate, to date:



200 million tonnes
Cane crushed



24 million tonnes
Sugar produced



Area harvested per annum increased from **13 000 to 58 000 hectares**



A front end loader loading raw sugar



Message from the CEO

“

Resilience is accepting your new reality, even if its less good than the one you had before.
(Elizabeth Edwards)

”

Never in my whole career have I been through a year as unsettling and unpredictable as this past year. The 2020/21 season started on the winds of the declaration of a global pandemic which had already called for pragmatic risk management solutions and the need for businesses to reposition themselves for survival. ESA, and the sugar industry were not immune to this. If there was ever any doubt on the resilience of the sugar industry, the pandemic paid to that. I can therefore without doubt state that this industry is truly resilient.

It is during this time that the quote, “The sky’s dangers offer the eagle more opportunities than the nest’s comfort” rang true for me. In the midst of it all, the sugar industry managed to glide through the storms of the pandemic and delivered good returns for its members. We specifically realigned certain aspects of our business processes to ensure business continuity and supply. Reports were riddled with views on the impact the pandemic would have on the demand for sugar. Meanwhile, there was also anxiety on how the pandemic would affect production, and by extension the ability to supply our customers in a timely and efficient manner – given all the lockdowns and restrictions effected in the markets in which we sell our sugar.



E5,92 billion

Cost of sales

(2019/20: E5,66 billion)

Performance

There was a slight increase in cane and sugar production. The mills managed to crush about 5,76 million tonnes of cane, 1,2% more than the previous season. There was also an increase in sugar production – 684 563 tonnes versus 673 369 tonnes in the previous season. The growers continued to implement good agricultural practices for good yields, and the mills performed optimally to extract as much sugar as possible.

Though, we saw a healthy demand for sugar throughout the year despite the dreary initial forecast, there was a drop in overall sales from those of the previous season – 709 865 tonnes compared to 759 421 tonnes in the previous year. This reduction was purely driven by less sugar being available for sale, as a result of very low opening stocks in the current season versus the previous season. We were thus compelled to restrain ourselves on sales volumes to maintain a healthy stock level for the start of the new season, though we did close the year with stocks 45% lower than we had budgeted for. While we were not able to fully satisfy our customers' demands, I believe we were able to do the best we could within our capacity and against the limitations we were presented with.

Albeit the lower sales volume, the prices and foreign exchange rates were in our favour and as such, we were able to realise a revenue of just over E6,1 billion – 2,7% higher than the previous year.

Corporate strategy

This year also marked the end of the current ESA corporate strategy which realised numerous milestones (see page 20). Overall, it has been a very exciting and rewarding five years of implementing this strategy. It is often said, "comfort is the enemy of achievement", and I believe that the pandemic has been the lesson to remind us that we have to continuously reinvent ourselves in order to remain relevant in the changing times and environment. The lessons learnt from the pandemic demonstrate that we cannot continue to do things the way we have always done them and expect different results and increased returns for our members.

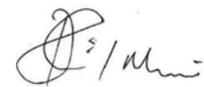
And it is against this backdrop that we have developed our new three- to five-year corporate strategy and marketing plan for 2021-2026. This strategy seeks to reinforce the role of ESA within the Eswatini sugar industry, explore new ways to extract more value for our members, and ensure a viable and sustainable environment for the future. I am excited to embark on this next phase, and to probe my team to rethink our growth potential as an industry.

Looking ahead

We are not oblivious to the headwinds we are facing, which include the changing landscape within the SACU market, which is our main market, following the publication of the South African Sugarcane Value Chain Master Plan. At the same time, the traditional markets in the region that we are trying to gain a foothold in are increasing production and threatening our market share and returns. The world market which is a residual market continues to be volatile.

Our new corporate strategy and marketing plan addresses these headwinds and key initiatives are being recommended in order to make ESA the catalyst in shaping the industry and make it sustainable for the benefit of the members and the nation at large.

Elizabeth Edwards said: "Resilience is accepting your new reality, even if it's less good than the one you had before." And I believe our industry can do just that. With our strengths, our industry can adjust its sails and forge through all the challenges.



Dr Phil Mnisi Chief Executive Officer

Direct consumption sugar



E13,81 million

Distribution cost

(2019/20: E13,60 million)



E26,28 million

Foreign exchange gain

(2019/20: (E4,29 million))

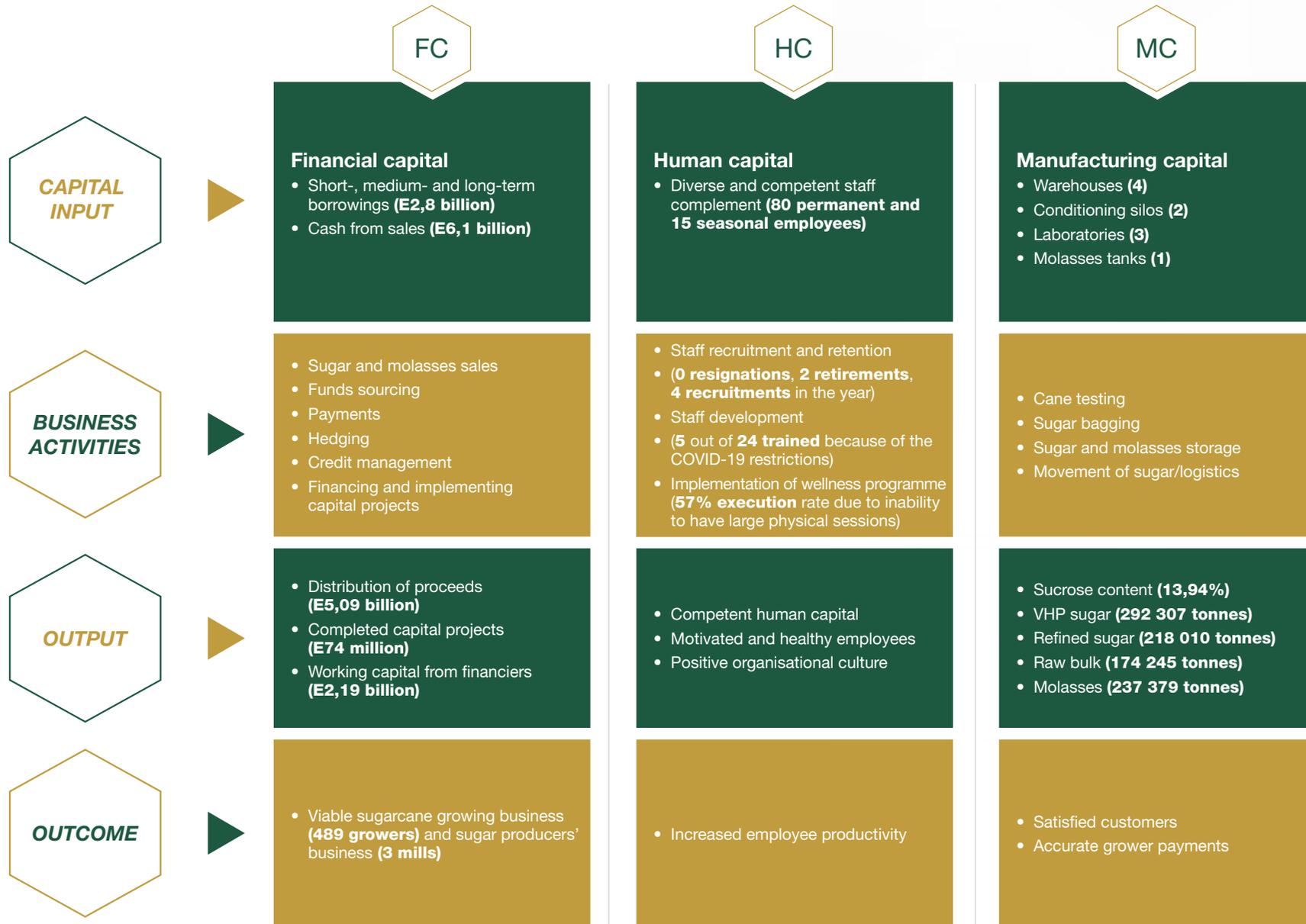


E87,20 million

Interest paid

(2019/20: E182,42 million)

Our value-creating business model



NC

Natural capital

- Area of land harvested (**58 523 ha**)
- Water (**1 500mm/ha/year**)
- Climate conditions (radiation, temperature, rainfall, etc)
- Solar energy

- Provision of extension and technical services
- Cane variety testing
- Seedcane production
- Securing and monitoring water resources
- Quota allocations

- High cane yield (**5,76 million tonnes**)
- High sucrose yields (**802 550 tonnes**)

- Sustainable and viable sugarcane production

IC

Intellectual capital

- Sugar Industry Agreement
- QMS
- Trade agreements
- Agricultural R&D agreements
- Customer contracts
- Fair trade certification
- Bonsucro membership

- Lobbying initiatives
- Customer feedback process
- Risk assessment
- Agricultural research
- Business information storage

- Competitive advantage
- Risk mitigation
- Market access
- Awareness of customer needs and requirements
- Agricultural research results

- Competitive advantage
- Profitable and sustainable sugar industry

SRC

Social and relationship capital

- Millers (**3**) and growers (**489**)
- Customers
- Suppliers
- Communities
- Government
- Financiers

- Stakeholder engagements
- Contracts management
- CSI programme implementation

- Sustainable community development
- **Spent E568 360** on CSI during the year

- Good relations with stakeholders
- Good sugar industry image

Our strategy and resource allocation

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Strategic themes **18**

Management objectives and their performance indicators for 2020/21 **19**

Strategic goal

Double the industry revenue in 10 years (2017–2026)

In 2017, we embarked on our “United for Growth, Creating More Value” transformation journey to unlock our full potential and deliver sustainable value for all our stakeholders. Our strategic ambition was oriented towards fulfilling our vision of becoming a sustainable world-class sugarcane industry aimed at meeting the requirements of our stakeholders by effectively providing quality products and services.

To achieve this vision, we had formulated our strategy by identifying five strategic themes through a robust stakeholder engagement process, recognising these as the critical levers that have the potential to impact our ability to create value over the short-, medium- and long-term.

To measure progress on the initiatives, we put in place a set of strategic objectives against each strategic theme and mapped success parameters to enable us to track our progress.

Strategic themes



To deliver on our strategic themes, for the year 2020/21 we structured our strategy around three objectives, each of which had a set of measurements. These guided the operations of the organisation and during the year under review, we committed all resources to achieve our targeted objectives.

A high-level summary of our performance on each of the management objectives during the year under review is provided in the next chapter (see page 20).



Management objectives and their performance indicators for 2020/21

Deliverable	Measurement
 <p><i>Increase the sugar price</i></p>	<ul style="list-style-type: none"> • Achieve a 96° pol sugar price above budget • Achieve a favourable borrowing rate
 <p><i>Support sustainable industry growth and development</i></p>	<ul style="list-style-type: none"> • Present a business case to Council for the development of an Agri-Business Park • Development of the ESA Corporate Strategy and Marketing Plan 2021–2026 • Effectively manage the sugar bagging facility at Ubombo project to ensure that it is operational by May 2021 • Increase sucrose and cane yields for small-scale growers • Adopt key sustainability policies • Establish and operationalise a sugar testing laboratory
 <p><i>Optimise sales into preferential markets and maintain/improve market access for Eswatini sugar in the region</i></p>	<ul style="list-style-type: none"> • Exceed budgeted sugar prices • Sell 100% of sugar earmarked for regional markets • Achieve premium on world market price for all regional sales • Launch the sale of Nucane • Advocate for ratification of the TFTA • Advocate for improvement of market access to Tanzania

Our performance

Performance against objectives

20

The year under review marks the close of ESA's Corporate Strategy 2017–2021. The strategy formed the initial five years of a 10-year planned process aimed at achieving an aligned and sustainable sugar industry by providing quality products and services consistently, efficiently, cost effectively and sustainably to industry players and stakeholders.

For the final year of this initial strategy, we condensed our strategic deliverables in order to obtain a more targeted performance approach that would ensure all objectives are achieved by 2021, as follows:

- Increase the pol price
- Support sustainable industry growth and development
- Optimise sales into preferential markets and maintain or improve market access for Eswatini sugar in the region

Some of the yearly targets were set with a “stretch” from the initial strategy's objective/target.

The year was not without its risks, threats and opportunities to the business, partly due to COVID-19 altering the trading and business environments, both globally and locally. This resulted in service delivery slowing down directly and indirectly through third-party engagements, thus having a bearing on effective delivery in some performance areas.

Performance against objectives

Deliverable	Measurement	Outcome
 <p><i>Increase the sugar price</i></p>	<ul style="list-style-type: none"> • Achieve a 96° pol sugar price higher than the first estimate. • Achieve a favourable average borrowing rate. 	<ul style="list-style-type: none"> • Sugar price higher than first estimate was achieved. • Favourable average borrowing rate achieved.
 <p><i>Support sustainable industry growth and development</i></p>	<ul style="list-style-type: none"> • Present a business case to Council for the development of an Agri-Business Park by March 2021. • Prepare, lead and coordinate the review and development of the ESA Corporate Strategic Plan 2021–2026 and present it for final approval to Council by March 2021. • Effectively manage the sugar bagging facility at Ubombo project to ensure that it is operational by May 2021. 	<ul style="list-style-type: none"> • Concept developed and draft report presented to industry. Presentation to Council will be in July 2021. • The Corporate Strategy and Marketing Plan have been developed and will be presented to Council for approval in July 2021. • Facility to be commissioned in July 2021. The start of the project was delayed for two months due to the initial COVID-19 lockdown.



Deliverable	Measurement	Outcome
 <p><i>Support sustainable industry growth and development</i></p>	<ul style="list-style-type: none"> • Tonnes of sucrose and cane per hectare per annum for small-scale growers to be increased at the end of FY2021 by 3,6% from the FY2020 performance, accounting for age and climatic potential. 	<ul style="list-style-type: none"> • Both tonnes sucrose per hectare per annum (“TSHA”) and tonnes cane per hectare per annum (“TCHA”) yields were higher in 2020/21, increasing by 4,7% and 9,0% respectively from FY2020 performance.
	<ul style="list-style-type: none"> • Adoption of key sustainability policies by the Council meeting in September 2020. 	<ul style="list-style-type: none"> • The environmental policy and the human rights policy were approved by Council in December 2020, for adaptation and adoption by industry members.
	<ul style="list-style-type: none"> • Establish and operationalise a sugar testing laboratory by March 2021. 	<ul style="list-style-type: none"> • Laboratory fully equipped by 31 March 2021 and ready for use. Capacitation of University of Eswatini technical staff planned for the early part of the 2021/22 milling season once industry laboratories return to operation.
 <p><i>Optimise sales into preferential markets and maintain/improve market access for Eswatini sugar in the region</i></p>	<ul style="list-style-type: none"> • Achieve sugar prices better than budget. 	<ul style="list-style-type: none"> • Final average sugar price achieved was above budget.
	<ul style="list-style-type: none"> • Optimise sales to Kenya and sell 100% of sugar earmarked for regional markets. 	<ul style="list-style-type: none"> • All sugar earmarked for the region was contracted.
	<ul style="list-style-type: none"> • Achieve average premium above average world market price for all regional sales, on ex-mill basis. 	<ul style="list-style-type: none"> • Achieved a premium above average world market price.
	<ul style="list-style-type: none"> • Launch the sale of Nucane into the SACU market by 31 March 2021. 	<ul style="list-style-type: none"> • The launch of Nucane was deferred to the 2021/22 season due to production challenges.
	<ul style="list-style-type: none"> • Engage, advocate and lobby government on the ratification of the TFTA and seek a reduction of 10% duty for Eswatini sugar to Kenya. 	<ul style="list-style-type: none"> • Government ratified the TFTA and is further exploring ways to engage on duty reduction.
	<ul style="list-style-type: none"> • Engage government and seek improvement of market access to Tanzania for Eswatini sugar. 	<ul style="list-style-type: none"> • Tanzania committed to consider improving preferences for SADC member states under the special dispensation which is to be granted in 2021.

Managing risk

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Materiality

In the period under review the once-in-a-century event brought about health, economic and social crises that far exceed any event in recent history in scope and impact. The Eswatini sugar industry managed the COVID-19 pandemic with minimal disruptions to operations – both in the cane fields and the milling. This is evidence of the adoption of robust risk practices, compliance with regulatory requirements and the resilience of ESA and our members. We worked closely with Council, industry members, the government, Ministry of Health and other related stakeholders to mitigate the risks of COVID-19 and the associated lockdowns imposed by the government, and ensured the safety of our employees as far as possible.

The sugar industry faces many risks that could impact its growth and sustainability. Many of the risks require effective, accountable and responsible risk management strategies and responsive decision-making that mitigate exposure and exploit available opportunities for the industry.

ESA's Internal Auditor monitors management's performance on the integrated risk management process and receives regular feedback from management on all risk-related mitigation activities. Council's subcommittees (see "Our Governance", page 30) regularly assess the roles, responsibilities and accountabilities for identifying, mitigating, reporting risks and opportunities within ESA. Our material issues are reviewed by management on an ongoing basis.

We identify what matters most to our business using the following process:

- Assessing the local, regional and global environment
- Considering stakeholders, their concerns and expectations
- Reviewing the previous year's risk register and Integrated Annual Report
- Reviewing management performance
- Reviewing legal and other regulatory requirements

The following table outlines the process of identifying and monitoring matters that are material to ESA's ability to create and sustain value:

Process	Inputs
Identify	<ul style="list-style-type: none"> • Stakeholder engagement • Media scan • Global research reports • Internal documentation • Market intelligence • Management review sessions • Council discussions
Prioritise	<ul style="list-style-type: none"> • Audit and Risk Committee • Council • Management
Integrate	<ul style="list-style-type: none"> • Audit and Risk Committee • Council • Management
Monitor	<ul style="list-style-type: none"> • Stakeholder engagement • Media scan • Global research reports • Internal documentation • Market intelligence • Management review sessions • Council discussions



The sugar industry faces many risks that could impact its growth and sustainability, and these require effective, accountable and responsible risk management strategies.



The table outlines the top material matters and shows their change in ranking during the year under review. These were assessed based on their magnitude of effect and likelihood of occurrence.

Material matters and associated risks		
1	COVID-19 pandemic: Business continuity risk	▲
2	Sustainability of sugarcane growing business: Inability to sustain sugarcane growing due to rising production costs, especially for small-scale growers	▶
3	Climate change and extreme weather conditions: Decline in sugarcane yields and area under cane due to shortage of irrigation water and incursion of pests and diseases	▶
4	Foreign exchange risk exposure: Reduced revenue as a result of unfavourable exchange rate fluctuations	▲
5	Standards and customer requirements: Loss of customers and inability to attract new customers	▶
6	Logistical constraints: Inability to meet strategic targets due to logistical constraints	▶
7	People skills: Loss of people skills and experience	▲
8	Inadequate water storage infrastructure: Insufficient development of water infrastructure to meet growth projections	▲

Capitals

FC Financial capital (FC)

MC Manufactured capital (MC)

NC Natural capital (NC)

IC Intellectual capital (IC)

SRC Social and relationship capital (SRC)

Strategic themes

GS Promote growth and sustainability

OE Cost competitiveness, operational efficiencies and capabilities

SE Stakeholder engagement and harmonious miller and grower relations

HD Human capital development

MV Maximise value extraction from sugarcane

Managing risk continued

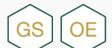
Top material risks

As part of the risk assessment process, risks are assessed annually, and the table below shows the seven material risks that were prioritised during the year under review.

1. COVID-19 pandemic

Root cause	Impact on value	Mitigating actions
<p>Outbreak of COVID-19 increasing morbidity and mortality over a wide geographic area, causing significant economic, social and political disruptions, and impacting the wellness of our people, members and communities, resulting in interruptions to normal operations.</p>	<ul style="list-style-type: none"> Physical and mental wellbeing of our people. Short-term fiscal shocks and longer term negative shocks to economic growth impacting demand for sugar and possible reduction of prices for sugar. Pandemic mitigation measures can cause significant social and economic disruption. 	<ul style="list-style-type: none"> Preventative measures to stop the spread of the virus in collaboration with the government. Site emergency response plans, business continuity and crisis management plans.
Capitals impacted		Strategic matters impacted
		

2. Sustainability of sugarcane growing business

Root cause	Impact on value	Mitigating actions
<p>Inability to sustain profitability of sugarcane growing businesses, resulting in the collapse of agro-farming.</p>	<ul style="list-style-type: none"> ESA's image and reputation. Socio-economic impact. 	<ul style="list-style-type: none"> Promotion of the adoption of water- and energy-saving practices, and use of alternative sources of energy. Evaluation of the effectiveness of the ongoing corporate governance training. Ongoing implementation of the industry sustainability programme, including approval and adoption of key sustainability policies.
Capitals impacted		Strategic matters impacted
		



3. Climate change and extreme weather conditions

Root cause	Impact on value	Mitigating actions
Climate change and extreme weather conditions continue to pose a risk to the yields and area under sugarcane production in our industry. It is important for our business to always be strategically positioned to adapt to the changes that take place in the natural environment we operate in.	<ul style="list-style-type: none"> Low yields and reduction of area under sugarcane leading to financial loss and non-viability to cane growing and milling businesses. 	<ul style="list-style-type: none"> Monitor and advise industry on weather and crop forecasts using latest technologies. Close monitoring of pest and disease so as to minimise the impact of such on the crop by ensuring the implementation of timely and effective control measures. Promotion of use of efficient irrigation systems.
	Capitals impacted	Strategic matters impacted
	FC NC IC HC SRC	GS OE MV

4. Foreign exchange rate exposure

Root cause	Impact on value	Mitigating actions
Reduced revenue as a result of unfavourable exchange rates.	<ul style="list-style-type: none"> Reduced revenue and distributable proceeds. 	<ul style="list-style-type: none"> Hedging policy was successfully implemented during the year.
	Capitals impacted	Strategic matters impacted
	FC HC SRC	GS OE

5. Standards and customer requirements

Root cause	Impact on value	Mitigating actions
Inability to meet standards and customer requirements in terms of quality and production (including possible changes due to COVID-19).	<ul style="list-style-type: none"> Loss of customers and inability to attract new customers due to failure to comply with standards and customer requirements. 	<ul style="list-style-type: none"> Implementation of action plan on grower compliance with sustainability standards. Customer requirements and sugar supply monitored and sugar sales plan adjusted accordingly.
	Capitals impacted	Strategic matters impacted
	FC IC SRC	GS OE SE HD

Managing risk continued

6. *Logistical constraints*

Root cause	Impact on value	Mitigating actions
Inability to meet strategic targets due to logistical constraints.	<ul style="list-style-type: none"> Inability to meet sales targets. 	<ul style="list-style-type: none"> Bagging and storage capacity at Ubombo Mill was increased. Implementation of logistics plan to support marketing strategy.
	Capitals impacted	Strategic matters impacted
		

7. *People skills*

Root cause	Impact on value	Mitigating actions
Loss of people skills and experience at ESA.	<ul style="list-style-type: none"> Inability to provide or deliver the required level and quality of service. 	<ul style="list-style-type: none"> Developed capacitation programme for key functions.
	Capitals impacted	Strategic matters impacted
		

8. *Inadequate water storage infrastructure*

Root cause	Impact on value	Mitigating actions
Inability to meet current sugarcane growing requirements and future growth projections and expansion goals due to insufficient infrastructure to store irrigation water.	<ul style="list-style-type: none"> Underutilised milling capacity. Water availability for ongoing sugarcane growing business not assured. Sugarcane growing business not expanding. 	<ul style="list-style-type: none"> Lobby government to build more dams to support industry as well as neighbouring communities.
	Capitals impacted	Strategic matters impacted
		





Sustainability continues to be key to our strategic pursuit of excellence in our industry. ESA and the sugar industry continue to strive to meet all sustainability requirements for continuous improvement and alignment with best management practices to create value for our sugar and by-products.

The sustainability requirements are benchmarked against global sustainability standards, focusing on the following areas:

- Environmental protection
- Community development
- Human capital development
- Governance
- Economic development

The pressure for sustainability certification is increasing from our customers and their respective supply chains. It is on that basis therefore, that the next step in our sustainability journey is the adoption of an approach to certification for the industry. To date, customers were satisfied with a demonstration of continuous improvement in the various sustainability parameters. However, there is increasing demand for this to be confirmed through certification. While the demand is not immediate, it would be to the industry's advantage to put all the measures in place to avoid market disruption in the medium term. The preparation will also give us a "first entrant" advantage over other industries in the market when such a time comes.

Currently, a handful of growers have certifications under Fairtrade. Unfortunately, this does not suffice as sustainability certification in all our markets. More detailed research and discussions with various parties on possible certification options available has been carried out. Markets continue to require certification in the medium- to long-term and therefore our move to embrace certification early will work to future-proof our industry against market refusal to buy uncertified sugar.

In the previous reporting period, we embarked on an industry-wide assessment to determine the gaps on the ground pertaining to sustainability requirements. The assessment was very informative in guiding the sequencing of activities in implementing the sustainability programme, and the assessment found that there was a need to align the industry policies that touched on sustainability issues. This required either a review of existing policies or the development of new ones. The assessment also found that there was a need to build capacity on record keeping and governance-related matters (through trainings), especially for smallholder growers.

The review and development of key policies was identified as one of the "quick wins" of activities. The existence and implementation of

these on the ground would assist the industry to demonstrate compliance with customer requirements, as well as local and international standards and legislation.

In this regard, Council approved the human rights policy, which will serve as a template for industry players to adapt and adopt, as deemed fit. The key components of the policy are the industry position on community and stakeholder engagement; valuing diversity; freedom of association and collective bargaining; safe and secure workplace; and the prohibition of forced labour and human trafficking, and child labour. These aspects are all included with an intent for the industry to comply with local and international laws.

Council also approved the revised environmental policy. The revisions were necessary to upgrade the policy to comply with current local and international legislation and international environmental standards. Some of the additions to the policy include adapting operations to best practice guidelines in line with internationally recognised standards such as ISO 14001; promoting a culture where employees and service providers identify, mitigate and report any potential environmental hazards and risks; and assessment of environmental impacts on new processes and products.

These two policies were approved for adoption and adaptation by industry members. This was an important step forward in the sustainability drive to move the Eswatini sugar industry to holistic compliance, with both local and international environment and human rights standards and legislation. Our clients and partners are also encouraged to comply with these standards in order to ensure compliance with ESA's business requirements and supply chain expectations.



Several achievements were made in the focus areas of the sustainability programme and are discussed below:

Focus area	Actions taken
<p>Environmental protection</p> 	<p>Environmental management initiatives, with the intention of preserving ecosystems and sustainable use of natural resources were implemented. These were:</p> <ul style="list-style-type: none"> • Approval of a revised environmental policy. • Conversion from less efficient dragline irrigation system, to improved semi-solid irrigation systems for growers. • Installation of variable speed drives and flow meters for energy-saving purposes. • Installation of solar energy for some growers, while engagements are underway for other installations. • Regular weather updates and crop yield forecasts. • Preventative and control measures of major pests and diseases. • Monitoring of chemicals used in the industry to ensure that they are safe for the environment as well as human and animal life. We advise growers on any changes in the status of agro-chemicals used in the industry.
<p>Community development</p> 	<p>The COVID-19 pandemic affected the communities in which the sugar industry operates, but that was not a deterrent from the pursuit of socio-economic transformation in these communities. As part of our CSI programme, we committed E568 360 directly and indirectly through partner organisations in support of health, primary education, youth sports development, and disaster relief to these communities. Part of those funds were donated in response to the pandemic.</p>
<p>Human capital development</p> 	<ul style="list-style-type: none"> • Promoted awareness of human rights and ILO labour standards among industry members. • Ensured widespread industry compliance with government and WHO guidelines to COVID-19 through dissemination of latest information.
<p>Governance</p> 	<ul style="list-style-type: none"> • The human rights policy was approved by Council to ensure industry players comply with domestic and international labour legislation. • The annual governance awareness workshops were not held due to COVID-19 restrictions, but communication was sent to growers on urgent and important issues. • Several awareness seminars were held on good labour practices in order to capacitate growers on compliance with labour legislation and contract enforcement.
<p>Economic development</p> 	<ul style="list-style-type: none"> • We conduct an annual grower cost survey to ascertain the impact of production costs on the profitability of businesses. • We continued to monitor and advise on best production standards within the industry as well as on cost-containment measures to ensure viable and sustainable businesses.

Fairtrade programme

There are six Fairtrade (“FT”) certified groups in the industry – representing 27 smallholder farmer associations/companies (about 22% of all smallholder growers).

Total Fairtrade sales (1 April 2020 to 31 March 2021): 16 514,65 tonnes worth US\$990 879,00.

The sales volumes for the year surpassed those from the 2019/20 FY (11 116,60 tonnes worth US\$666 996,00) by over 48%. The EU market is predominantly the buyer of FT sugar, and there is an opportunity to increase the Fairtrade sales volumes into this market.

The Farmers’ Associations do encounter difficulties in maintaining their respective certifications, but given the benefits derived from the premiums received, every effort is made to ensure the systems are in place to maintain certification.

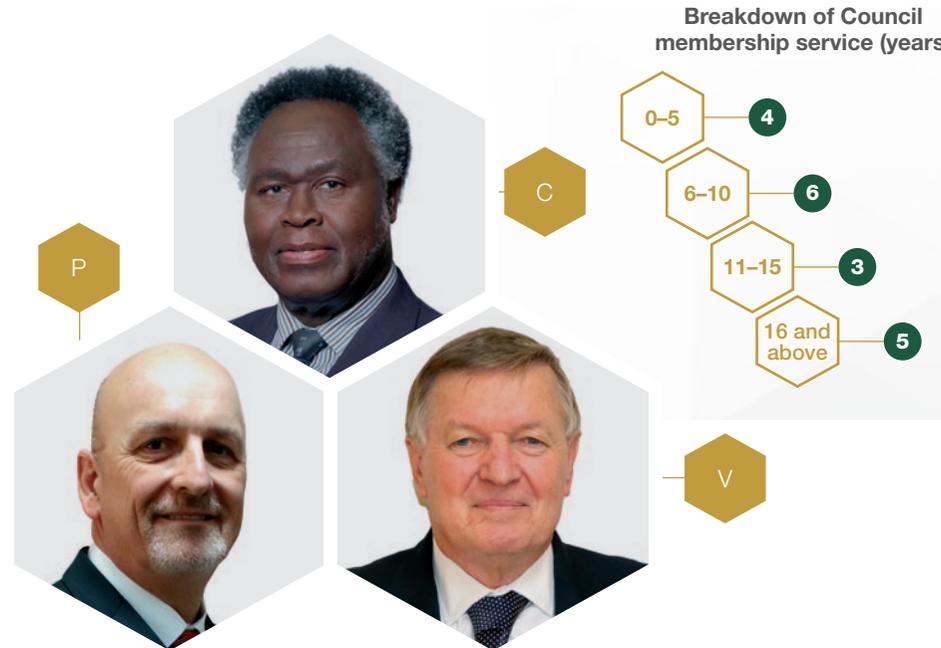


16 514,65 tonnes
of sugar was sold as
Fairtrade sugar

Our governance

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Our leadership



Council members

Eswatini Sugar Millers Association

Council members nominated by ESMA include senior executive managers from both RES and Ubombo Sugar. Their skills span sugar milling operations, finance, legal, commercial and agricultural operations with an average experience of 21 years in the industry. Their average tenure as Council members is 11 years.

Eswatini Cane Growers Association

Council members nominated by ECGA include senior executive managers from large sugar estates and Tibiyo Taka Ngwane as well as growers who run their own sugarcane farming businesses. Their experience is largely in sugarcane growing and the management of

their own farms, with an average experience of 22 years in the industry. Their average tenure as Council members is 11 years.

Chairman of Council

The Chairman of Council is nominated and appointed at the Annual General Meeting ("AGM") and must be an individual of good standing who has no direct or indirect interest in the growing, milling or disposal of sugarcane or sugar in Eswatini. The Chairman's role is to guide the meetings of Council and the Marketing Executive Committee. If there is an equal vote during voting, the Chairman has the power of casting a vote after certain constitutional processes have been exhausted.

Mr Tom Dlamini (71) Chairman

Tom Dlamini is the Chairman of Council. Mr Dlamini is a retiree, his last employment having been with the Eswatini National Housing Board ("SNHB") as Managing Director for 16 years. Prior to joining SNHB, he worked for 14 years as an Engineer and held a senior management position at the then Swaziland Electricity Board, now known as Eswatini Electricity Company. He has been serving as Chairman of Council for 11 years.

Mr Nick Jackson (56) President

Nick Jackson holds an Honours degree in Biochemistry. He was appointed President of ESA from 1 April 2021, having been nominated by the Eswatini Sugar Millers Association ("ESMA"). During the year under review, he served as Vice President, in line with the Constitution of ESA. He is currently the Managing Director of the Royal Eswatini Sugar Corporation ("RES") and has 20 years' experience, mostly in the sugar industry, having held the position of CEO of the Guyana Sugar Corporation in the Caribbean. He serves on several other boards in leading Eswatini institutions. He has been a member of Council for 12 years.

Mr George White (62) Vice President

George White holds a Diploma in Agriculture and has attended an Executive Development Programme. He was appointed Vice President of ESA from 1 April 2021, having been nominated by Eswatini Cane Growers Association ("ECGA"). During the year under review, he served as President, in line with the Constitution of ESA. With 42 years' experience in the sugarcane growing business, he is currently General Manager at Tambankulu Estates. He has been a member of Council for 41 years.

President and Vice President

The President and Vice President are elected at the AGM from nominated delegates. The positions are occupied by a miller and grower representative on an alternating annual basis. The duties of the President include chairing the AGM as well as representing ESA in public forums when mandated by Council. In the absence of the President, the Vice President performs these duties.

Membership and meeting attendance

The minimum quorum of six members was met for all Council meetings. The votes are split 50/50 between growers and millers.

Company Secretary

The role of the Company Secretary ("Secretary") is performed by the Financial Director. The Secretary performs duties and functions as prescribed in the Constitution of ESA and such other functions and duties as Council may from time to time deem fit. The Secretary plays a key role in providing guidance to Council members on the execution of their duties. Since the Secretary's duties are defined by statute, Council is satisfied that there is no conflict between his secretariat and executive roles. The current Secretary has seven years' experience in the role and several years' experience in similar positions with other entities.

Executive Committee and Management Team

Council assigns responsibility for the day-to-day management of ESA to the CEO. To assist the CEO in discharging his duties, there is an Executive Committee ("EXCO") comprising five heads of departments. EXCO meets at least once a month to review operations and ensure that the key strategic objectives are being pursued.

Executive Committee (EXCO)

◆ Dr Phil Mnisi (53) CEO

Dr Mnisi sees to the advancement of the sugar industry's interests through the observance of the Sugar Act, the Sugar Industry Agreement, and the effective and efficient execution of ESA's corporate strategy. He plays a strategic and pivotal role in advocating for the sugar industry through interaction with policymakers and other (national and international) stakeholders on behalf of the industry. The primary goal is the profitable marketing and sale of sugar and its by-products, and management of the industry and its association through fulfilment of its strategic objectives. Dr Mnisi's previous positions include CEO of Standard Bank Eswatini, Assistant Governor of the Central Bank of Eswatini, and CEO of the Institute of Bankers South Africa.

◆ Ms Sharon de Sousa (51) Commercial Director

Ms De Sousa is mainly responsible for the development and implementation of ESA's marketing strategy, with the objective of achieving an optimal marketing mix so as to maximise sales revenue on a sustainable basis, while also ensuring the provision of an efficient logistics system, including storage, movement and delivery of the product to customers. This office also oversees the function of trade and external affairs management, which includes advocating and lobbying for preferential market access for Eswatini sugar.

◆ Mr Banele Nyamane CA(SA) (42) Financial Director and Company Secretary

Mr Nyamane maintains control over all ESA financial activities (including annual budgeting, sourcing working capital, accounting and auditing), and implementing finance policies to ensure optimum use of organisational assets while safeguarding against any financial loss, in addition to overseeing the information technology systems. As FD, he also assumes and executes the functions of Company Secretary of the ESA.

◆ Mr Noah Dlamini (55) Head: Extension and Technical Services

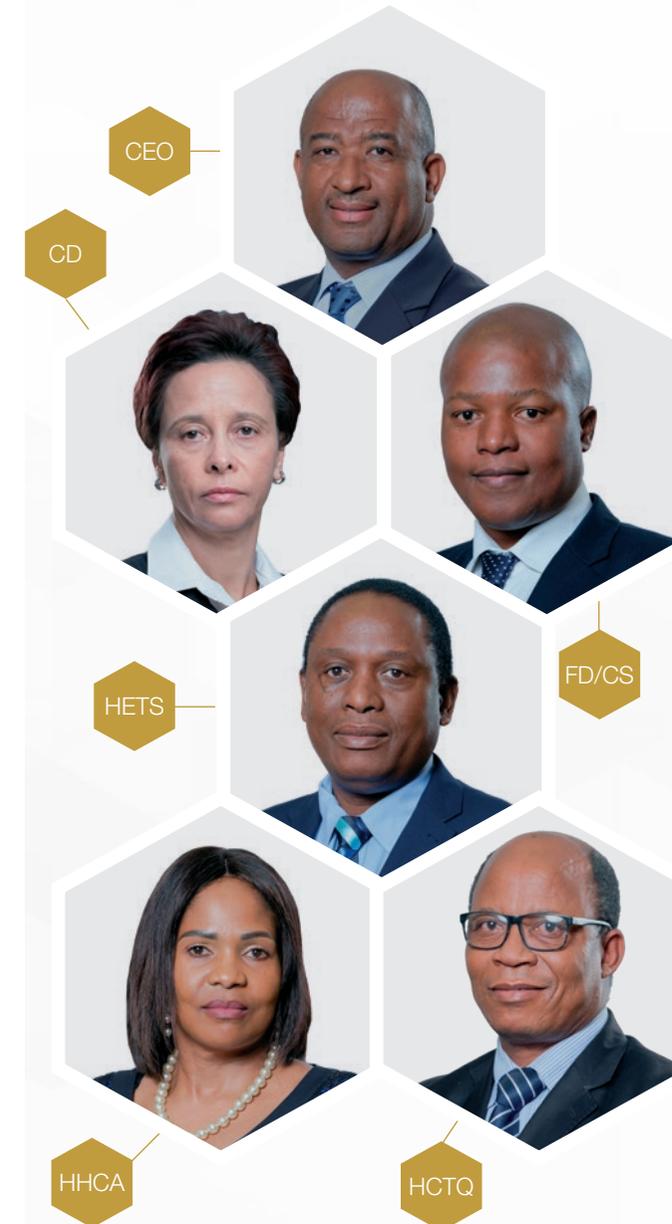
Mr Dlamini manages the sugar industry's technical and extension services by coordinating the industry crop production research, water resources management, pest and disease control, extension provision, and seedcane production functions to encourage the adoption of improved agricultural practices by stakeholders for profitable and sustainable sugarcane production.

◆ Ms Lungile Motsa (46) Head: Human Capital and Administration

Ms Motsa is entrusted with human capital attraction, development and retention as well as looking after employee relations and general employee welfare matters in support of the overall delivery of ESA's strategic objectives. Her portfolio is also responsible for employee safety, health and wellness. The role is also entrusted with the promotion and advocacy for harmonious labour relations in the sugar industry.

◆ Mr Siphon R Dlamini (56) Head: Cane Testing and Quality

Mr Dlamini oversees the industry's sugar laboratory infrastructure for the measurement of sucrose to facilitate the payment of sugarcane growers. This infrastructure includes the three laboratories located at each of the mills as well as the methods and standards for the accurate determination of the amount and quality of the sugarcane delivered by each grower and hence the monetary value due to each grower. This function also oversees the ESA's QMS, which provides customers and other stakeholders with independent assurance of the ESA's compliance with internationally acceptable management systems and processes.



Our governance continued

Management experience at ESA

Diversity and tenure

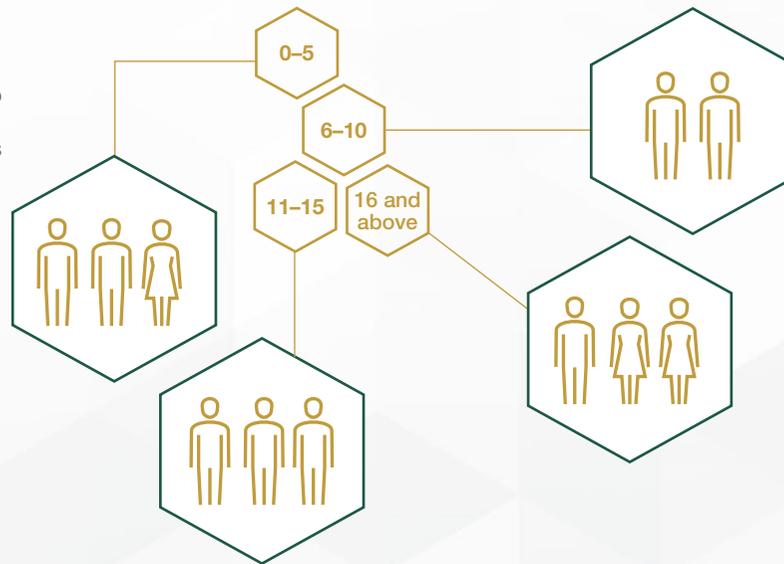
EXCO is supported by five managers who form the Management Team and combined, they have an average experience of 10 years at ESA.



3 Females
27%



8 Males
73%



Expertise

Strategy	Audit	QMS
Finance	Human capital	IT
Sales & marketing	Economics	Trade
Logistics	Leadership	Irrigation engineering/ Water resource management
Sugar technology/Chemistry	Risk management	

Our rigorous and transparent governance forms a key part of our human and intellectual capitals, and relates to our strategic theme of growth and sustainability. Ours commitment to the highest standards of ethical and effective corporate governance, strong risk management and a transparent culture is the guiding framework for our business management.

We believe that effective corporate governance enables us to maximise value creation for our stakeholders, while managing key risks.

(For more on risk, see page 22.)

ESA promotes strong principles of integrity, which contribute to the entrenchment of sustained excellence in every aspect of the business, yielding positive business performance over the short-, medium- and long-term.

(For more on our performance, see page 20.)

This commitment is evident across all our structures, including Council and its subcommittees, management structures and our employees. By extension, we also promote dealing with business partners who exhibit good corporate practices in creating sustainable business relationships.

Council embraces the principles of the King IV Code on Corporate Governance (“King IV”) as a guideline to be used in managing our business affairs. Council acknowledges that full implementation of the King IV Code is a process that requires an in-depth understanding and interpretation of its principles within contextual circumstances.

Our governance framework

ESA is committed to good corporate governance even though its structure is different from that of a normal corporate entity, with its members comprising the ESMA and the ECGA. Their representatives are appointed to Council, as required by existing statutes. Their independence is therefore limited to the extent that they represent the interests of their respective associations. However, this is compensated for by the fact that all decisions taken are expected to be for the wellbeing of the overall sugar industry whereby derived benefits or losses derived are shared among members in a predefined manner.

Our governance structure



Our governance continued

In line with ESA's Constitution, members of Council and other committees are nominated and appointed at the AGM held annually in September.

All current members of Council have sufficient experience in ESA operations, complemented by extensive experience in the Eswatini sugar industry. The skills within the Council membership include leadership, sugarcane farming, processing/manufacturing plants, commercial, legal and finance.

Over and above the duties set out in the ESA's Constitution, Council also:

- Determines strategies
- Approves major policies and plans
- Is responsible for risk management
- Provides oversight as well as monitoring to help ensure accountability

To ensure effectiveness, Council has delegated some of its responsibilities to its subcommittees.

Council is satisfied that it has fulfilled its responsibilities in the year under review, in accordance with the ESA's Constitution and the spirit of the principles espoused in King IV.

Council induction

At the first meeting of all the committees after the AGM, members of the subcommittees are taken through an induction process covering the structure and mandate of ESA, the terms of reference of each committee as well as the ESA Code of Conduct.

Leadership structure and profile

The leadership of ESA at all levels is established through appointments by ESMA and ECGA. The decision-making process at Council and its subcommittees is by consensus, with each association having one vote. In considering appointments to the subcommittees, these bodies assess the relevant expertise as well as experience of the candidates. In this regard, the individual members of the governance structures were considered appropriate for appointment in the year under review.

Key governance processes and activities

The role of Council is defined in the Sugar Industry Agreement and it primarily involves strategic leadership and guidance, ultimate oversight, accountability and responsibility. Council has established subcommittees through which it executes its governance processes and activities by delegation. Membership to these structures is equal between millers and growers, and decisions are usually arrived at by consensus.

Code of Conduct

ESA has a Code of Conduct for its members and subcommittees. The code seeks to set minimum standards expected and required of all members of ESA committees. It seeks to ensure that these members uphold principles of integrity, accountability and legal compliance in carrying out their duties and responsibilities. It applies to all individuals whenever they are acting in their capacities as members of ESA committees. There are two separate codes of conduct for ESA employees and suppliers of goods and services.

Internal controls

ESA operates a combined assurance approach that optimises the assurance obtained from management, internal audit and external assurance providers on all the risks identified by ESA. Risks are identified, evaluated and managed by implementing risk mitigations such as strategic actions, insurance and specific internal controls.

ESA's internal controls and systems are designed to provide reasonable assurance on the integrity and reliability of the financial and operational management information system. They ensure that assets are safeguarded against material loss and that transactions are recorded and authorised.

(For more on risk management and internal audit, see pages 22 and 36, respectively.)

Council discussions

Council has developed and maintains a standard agenda which sets the framework for its meetings to ensure that each meeting covers all the sections of the industry, from routine business through operational reports and project updates to special items and matters of strategy as well as business development.

The structure of the agenda is such that all material matters for the business are monitored and reported on at appropriate intervals, including those forming part of the marketing strategy and management objectives. The latter two areas are reported on half-yearly, while others are reported on either quarterly or annually.

Each meeting receives reports on organisational activities and performance with respect to:

- Financial performance, including sugar and sucrose price estimates
- Cane testing
- Extension services
- Marketing
- Human capital and industrial relations report
- Sustainability
- International trade issues
- Information technology

ESA is committed to good corporate governance even though its structure is different from that of a normal corporate entity, with its members comprising the ESMA and the ECGA.



Council held four meetings during the year under review. In addition to the regular agenda items, a number of other issues were discussed. At meetings held in:

July 2020	<ul style="list-style-type: none"> Approval that ESA renews the land leases with the mills wherein its sugar warehouses are located for a further 25 years.
September 2020	<ul style="list-style-type: none"> Council adopted the Independent Review Committee report, which had been outstanding for a long time due to the interpretation of the Sugar Industry Agreement by the two parties with regards to the beneficiation of bagasse. It then further delegated the issue on the beneficiation of bagasse to the miller-grower forum in order to find a long-lasting solution. Council also approved the diversion of sugarcane between Ubombo and Simunye mills, which resulted in an overall benefit of E14 million for the industry. The Remuneration Committee presented its report to Council, which included the management succession plan.
December 2020	<ul style="list-style-type: none"> A reviewed Finance Risk Policy and Hedging Strategy was approved that allows for other financial instruments that can be used to manage currency risk. The human rights policy and the environmental policy were adopted for ESA, and members of the industry were encouraged to adapt and adopt these policies. The industry's five-year forecast was discussed.
March 2021	<ul style="list-style-type: none"> The miller-grower forum was delegated to review the sucrose payment process and advise Council accordingly. A donation of E1,3 million was approved to assist the country in the fight against the COVID-19 pandemic.

Council focus areas for FY2021

In the coming year, Council will focus on the following key initiatives:

- Ensuring that the industry continues to monitor the possible impacts of the COVID-19.
- Managing the completion and commissioning of the Ubombo warehouse.
- Guiding management on the efforts to diversify its market base and continue lobbying for preferential access to new markets.

Council subcommittees

Audit and Risk Committee

Membership and meeting attendance

The members of this committee are nominated by their respective associations onto the committee. They all possess the necessary skills and qualifications to be able to discharge the mandate of the committee.

Member	Attendance
B Dlamini <i>Chairman</i>	4/4
A Ngcobo	4/4
S Potts <i>(replaced by D Dhlwayo)</i>	1/4
D Dhlwayo	4/4
L Ndzimandze	4/4
J Msibi	4/4

Mandate

The Audit and Risk Committee is governed by a formal audit charter which provides a guide in terms of objectives, authority and responsibilities. The charter and terms of reference were reviewed by the committee during the year under review and were found to be relevant. The committee recognises its important role as part of the risk management and corporate governance processes and procedures of ESA and has satisfactorily executed its responsibilities as outlined below.

The committee's role is to:

- Assist Council in fulfilling its oversight responsibilities, and in evaluating the adequacy and efficiency of accounting policies, internal financial controls, accuracy of the estimate process, external financial reporting process and compliance with all applicable laws, regulations and policies.

- Ensure that the respective roles and functions of external and internal audits are sufficiently clarified and coordinated, and that the combined assurance received is appropriate to address all significant risks.

Opinion on internal financial controls

Based on the review of internal control systems conducted by the Internal Auditor, as well as information and explanations given by management and discussions held with the external auditors on the results of the audit, the committee believes ESA's system of internal controls is effective and forms a basis for the preparation of reliable financial statements for the year under review. In addition, the committee was not made aware of any material breaches of any laws or legislation or material breaches of internal controls or procedures.

To the extent that it is practical, the committee has ensured that the external auditors leverage the work performed by the Internal Auditor.

COVID-19 pandemic

The impact of COVID-19 and related government lockdowns was a significant factor during the financial year. Management, supported by Council, responded in a number of ways to ensure that:

- All ESA employees (and their families) remained safe while continuing to perform their duties and responsibilities in an appropriate manner.
- The adequacy and efficiency of internal controls were maintained.
- Controls remained effective where processes and procedures were modified.
- Financial information and financial estimates remained robust and accurate.

The committee is pleased to report that there was no breakdown in controls as a result of the disruption caused by the pandemic.

Our governance continued

Committee activities

The Chairman of the committee has regular and direct access to management at any time to discuss pertinent issues. Together with the Internal Auditor, they also have closed meetings with the external auditors, without the presence of management, on matters that are relevant in fulfilling their functions.

The committee held four virtual meetings during the year under review. In addition to regular agenda items, a number of issues were discussed. At meetings held on:

June 2020	<ul style="list-style-type: none">The committee considered the draft annual financial reports for the year ended 31 March 2020 and recommended their adoption to Council. They also reviewed the performance against the risk register for FY2020 and approved the register for FY2021.
September 2020	<ul style="list-style-type: none">The committee received several internal and external audit reports which covered other standing agenda items. The committee evaluated the performance of PricewaterhouseCoopers Inc. ("PwC") and concluded that it was satisfied with their work. It went on to recommend their reappointment at the AGM.
November 2020	<ul style="list-style-type: none">The committee received and approved, together with the audit fee, the external audit strategy to be followed in the audit for the year ending 31 March 2021. It also reviewed the terms of reference for the committee and submitted proposed amendments (which were not material) to Council.
March 2021	<ul style="list-style-type: none">The committee received several internal and external audit reports which covered other standing agenda items.

Risk management

While Council is ultimately responsible for the maintenance of an effective risk management process, the committee, together with management, assists Council in assessing the adequacy of the risk management process as the committee fulfils an oversight role with regard to financial and operational risks. During the year under review, the committee considered the risk management approach as well as key risks, and believes that the approach is appropriate and that all key risks are being adequately addressed by management.



(For more on risk management, see page 22.)

Internal audit

The internal audit function provides assurance to ESA, via the committee, on the adequacy and effectiveness of its internal control and risk management practices as well as the integrity of its financial reporting systems. Internal audit also assists management by making recommendations for improvements to the control and risk management environment.

The principle of independence of the internal audit unit is upheld. On operational and administrative matters, the Internal Auditor reports to the CEO and Financial Director.

The scope of work for the internal audit unit includes:

- Reviewing, appraising and reporting on the adequacy and effectiveness of the system of internal controls.
- Reviewing the processes and systems which are designed to ensure integrity in reporting of financial and operating information.
- Reviewing the adequacy of compliance with applicable policies, plans, procedures, and applicable laws and regulations.

Specific focus is placed on the system of internal controls to ensure that assets and information are protected against loss, theft or misuse, as well as on those controls which ensure the integrity of key transactional information.

Financial statements

The committee reviewed the statutory financial statements of the ESA and is satisfied that they comply with International Financial Reporting Standards ("IFRS"). In addition, the committee reviewed management's assessment of the appropriateness of the use of the going concern assumption in preparing the financial statements, and is satisfied that it is appropriate.

Integrated Annual Report

The committee was satisfied that all the information disclosed in the Integrated Annual Report is in no way contradictory to the annual financial statements, and recommended to Council the approval of the 2020/21 Integrated Annual Report.

Expertise, resources and experience of the finance function

The committee considered the appropriateness of the expertise and experience of the finance function. In this respect, the committee believes that the finance department possesses the appropriate expertise and experience to meet its responsibilities. The committee further considers that the expertise, resources and experience of the finance function are appropriate based on the nature, complexity and size of the operations.

Remuneration Committee

The Remuneration Committee is chaired by the President and he sits together with four other members. The current members are leaders in their own organisations and possess the necessary skills and experience to discharge their duties.

During the year under review, the committee:

- Reviewed and approved the incentive bonus for the year ended 31 March 2020.
- Reviewed the cost-of-living adjustments for staff and Chairman's remuneration for the year.
- Considered the succession planning for management and chairpersons of Council and other subcommittees.
- Approved allowances payable to all members of ESA Committees and management of ESA.

Remuneration of employees

ESA's remuneration philosophy is aimed at attracting and retaining appropriately skilled employees at all levels to positively influence the achievement of ESA's strategic objectives. The philosophy also ensures that ESA remains competitive in the labour market.



Remuneration of non-independent and independent members

No members of Council and its subcommittees, except the independent chairpersons, receive any remuneration, and are only reimbursed for costs incurred in attending to ESA business. These costs typically include accommodation and travel costs.

Remuneration of the independent chairpersons is reviewed by the Remuneration Committee on an annual basis, taking into account market information.

Marketing Executive Committee

The Marketing Executive Committee is vested with powers of ESA in the purchase, marketing, sale and disposal of sugar and its by-products manufactured in Eswatini, according to the general policy determined by Council for the year. This committee has equal representation of millers and growers and is chaired by an independent chairperson.

This committee is made of three members appointed equally by ECGA and ESMA and it is chaired by the Chairman of Council. Members of this committee may also sit at Council. During the year under review, the committee:

- Provided guidance on the implementation of the general policy adopted for the marketing and sales of ESA sugar and by-products for the year.
- Provided guidance on the strategy to diversify the sugar markets.
- Monitored the developments around the South African Sugar Value Chain Master Plan and its possible impact on the ESA.

Cane Testing Service Technical Committee

This committee is responsible for the supervision of the cane-testing service at the mills and it advises ESA on all matters relating to the testing of cane in Eswatini. The committee is made of six members and has equal representation of millers and growers and is alternately chaired by a representative of either millers or growers.

During the year under review, the committee:

- Monitored the impact of COVID-19 on the cane testing process.
- Guided the implementation of the electronic cane delivery ticket system.
- Guided the setup of the independent laboratory partnership with the University of Eswatini.

Independent Review Committee

This is an independent committee that deals with technical matters referred to it by Council. The committee consists of a chairperson and two other members and it is appointed by ESA. Members have expertise in sugar processing, finance and legal matters. The committee is currently tasked with the determination of allowances paid to millers for producing refined and VHP sugars and also the determination of the beneficial use of bagasse.

Extension Committee

This committee advises Council on the overall direction of all technical services other than cane testing. It has six members representing the millers and growers equally. The focus

ESA has a Code of Conduct for its members and subcommittees. The code seeks to set minimum standards expected and required of all members of ESA committees. It seeks to ensure that these members uphold principles of integrity, accountability and legal compliance in carrying out their duties and responsibilities.

areas for the committee are crop production research, pest and disease control, extension services, and any ancillary matter. The committee comprises equal representation by millers and growers and is alternately chaired by a representative of either millers or growers.

During the year under review, the committee:

- Advised Council on the industry interventions towards the construction of more dams by the government.
- Worked on piloting solar projects to assist growers in reducing their electricity costs.

Technical Committee

This committee advises Council on investments in infrastructure owned by ESA. It comprises six members with equal representation of millers and growers and is chaired by the Commercial Director.

During the year, the committee monitored the construction of the warehouse and bagging facility, which was at 65% completion by year end.

Finance Committee

This committee advises Council on industry financial issues. It oversees the sugar price estimate process, manages the Finance Risk Policy and Hedging Strategy, and the raising of working capital for ESA. The committee comprises six members with equal representation of the millers and growers and is chaired by the CEO.

During the year under review, the committee amended the Finance Risk Policy and Hedging Strategy to allow for the use of more instruments to manage the foreign currency risk.

Whistle-blowing hotline and follow-up

ESA operates a whistle-blowing hotline. This service, monitored by the Internal Auditor, enables all stakeholders to anonymously report issues that may be fraudulent or unethical. It is the responsibility of all employees and stakeholders to report known or suspected unethical or illegal conduct. Retaliation against whistle-blowers is not tolerated at ESA. Follow-up on all reported matters is coordinated by the Internal Auditor and reported to the Audit and Risk Committee.



Summarised audited group financial statements

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Council members' responsibility statement for the year ended 31 March 2021

Auditor's report on the summary of consolidated financial statements"

The members are responsible for the preparation of the consolidated financial statements which comply with IFRS and which, in accordance with those standards, fairly present the state of affairs of the Association as at the end of the financial year, and the net income and cash flows for that period.

It is the responsibility of the independent auditors to report on the fair presentation of the consolidated financial statements.

The members are ultimately responsible for the internal controls. Management enables the members to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements in terms of IFRS and to adequately safeguard, verify and maintain accountability for the association assets. Accounting policies supported by judgements, estimates, and assumptions which comply with IFRS, are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Based on the information and explanations given by management and the internal auditors, the members are of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the consolidated and separate financial statements in accordance with IFRS and maintaining accountability for the association's assets and liabilities. Nothing has come to the attention of the members to indicate that any breakdown in the functioning of these controls, resulting in material loss to the association, has occurred during the year and up to the date of this report. The members have a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated and separate financial statements.

The consolidated financial statements prepared in accordance with IFRS which appear on pages 42 to 50 were approved by the council members on 6 July 2021 and signed on its behalf by:



Mr T Dlamini Chairman



Dr P F Mnisi Chief Executive Officer



Independent auditor's report on the summary consolidated financial statements

for the year ended 31 March 2021

To the members of Eswatini Sugar Association

Opinion

These summarised financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 March 2021, which have been audited by PricewaterhouseCoopers. An unqualified audit opinion has been issued and the auditor's report on the complete set of financial statements is available for inspection at the Association's registered office.

PricewaterhouseCoopers Inc.

Director: Theo Mason

Registered Auditor

P.O. Box 569 Mbabane, Eswatini

6 July 2021



Council members' report

for the year ended 31 March 2021

Council has pleasure in submitting their report together with the consolidated and separate financial statements of the Association for the financial year ended 31 March 2021.

Business activities

The Association, which is established by an Act of Parliament, is involved in the purchasing and selling of sugar and molasses in Eswatini. The function of the Association under the Act is to regulate the sugar industry, markets and its by-products.

General review of business operations and results

The state of affairs of the Association at 31 March 2021 and the results of its operations for the year then ended, are fully set out in these financial statements.

Results of operations

The Group recorded revenue of E6,10 billion (2020: E5,94 billion). The increase in revenue is mainly attributable to better selling prices and foreign exchange rates compared with the previous year, even though sales volumes were lower. The cost of sales increased from E5,66 billion to E5,92 billion in line with increased distributable proceeds. Profits that are made by the Association are distributed in full to the millers and growers and form part of the cost of sales. Distribution costs incurred during the year were E13,8 million (2020: E13,6 million), increasing marginally compared with the previous year, signifying that the sales terms for export sales were relatively the same compared with the previous year.

Foreign exchange gains of E26,3 million were realised compared to a foreign exchange loss of E4,29 million in the previous year. This is primarily a result of high favourable volatility of the Lilangeni against export currencies during the year. Interest paid decreased from E182,42 million to E87,20 million, a result of a better optimal funding, decreased prime lending rate, as well as good sales performance compared with the previous year. Administration expenses increased from E83,05 million to E109,04 million, as a result of costs incurred for moving sugarcane from the Ubombo mill to the Simunye mill for purposes of crushing, costs incurred for the development of the ESA corporate and marketing strategy as well as costs for developing the concept of the agi-business park.

Net cash flow hedges realised and transferred to profit or loss relate to foreign exchange gains that were recognised in equity in the previous financial year. ESA's policy is to apply hedge accounting in respect of the hedged instruments outstanding at year end and this gain or loss is released to profit or loss as the underlying sale transactions occur.

Consolidated statement of financial position

The carrying value of property, plant and equipment increased from E146,10 million to E209,69 million as a result of additional investment on the Ubombo bagging and warehousing infrastructure.

Inventories decreased from E511,8 million to E291,5 million as a result of lower closing stock quantities when compared to the previous year. Trade receivables decreased by E133,4 million mainly as a result of good sales performance, in the earlier periods of the year, such that towards the end of the financial year there was limited stock available to be bought by customers. In addition, customers settled their debts prior to year end within limited additional sales. Trade payables decreased as a result of the amount payable to the millers for allowances paid in respect of improving the quality of the sugar. Short-term borrowing decreased by E200 million as a result of the settlement of the Public Services Pension Fund loan. Bank overdraft decreased from E146 million to E138 million, in line with inventory and accounts payables.

COVID-19 outlook and going concern

The COVID-19 pandemic developed rapidly in later parts of 2020 with a significant number of cases noted mainly during the second wave of the pandemic which was experienced during December 2020 and January 2021. Measures taken by various governments to curb the spread of the virus affected economic activity negatively across many industry sectors in the Kingdom.

The Association took a number of measures to monitor and mitigate the disastrous effects of the pandemic as below:

- Where possible employees were encouraged to work virtually from home;
- Sanitisers and temperature testing were introduced in all the Association offices and/or areas of work;
- Utilisation of virtual platforms for conducting all meetings between staff and external important stakeholders; and
- Ensuring social distancing at all the Association offices.

Council have reviewed budgets and flow of funds forecasts for the next few years and considered the Association's ability to continue as a going concern in light of current and anticipated economic conditions. These budgets and flow of funds forecast took the impact of the COVID-19 pandemic into consideration, including projections of the impact on the Association's funding and liquidity requirements, all of which have remained within internal targets.

As part of this assessment, Council considered the sufficiency of the Bank's financial resources throughout the pandemic. The management of the Association's financial resources, which it defines as funding and liquidity, and risk capacity, is a critical enabler of the achievement of the Association's stated growth targets and achieving its mandate as per the Sugar Act.

On the basis of this review, and in light of the current financial position, Council is satisfied that the Association has adequate resources to continue in operating for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.



Subsidiaries and jointly-controlled company

The Association has the following subsidiary companies:

• Eswatini Sugar Assets Limited	100%
• Sugar Assets (Mhlume) Limited	100%
• Sugar Assets (Simunye) Limited	100%

In 2019, Council approved the deregistration of the two dormant companies: Commodity Marketing Company Limited and Sugar Holding Company Limited. This deregistration exercise was completed during this financial year.

The Association has interest in the following jointly-controlled company:

• Sociedade Terminal de Açucar De Maputo Lemitada ("STAM")	25%
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Council

Council is the highest governing body of the Association. Council comprises an equal number of representatives from Eswatini Millers Association and Eswatini Cane Growers Association. The Chairperson is an independent non-executive member. Council members in office at the reporting date were as follows:

• Mr G White	<i>President</i>
• Mr N Jackson	<i>Vice President</i>
• Mr T Dlamini	<i>Chairman</i>
• Mr O Magwenzi	
• Dr A T Dlamini	
• Mr B James	
• Mr S Potts	
• Mr D Dhliwayo	
• Mr L Ndzimandze	
• Mr S Geldenhuys	
• Mr M Maziya	
• Mr M Mndzebele	
• Mr P Myeni	
• Mr P Malandvula	

- Mr M Mabuza
- Mr T Nkambule
- Mr M Hlatshwayo
- Mrs S Magagula
- Mr O Mabuza
- Mr M Jele

Audit and Risk Committee

The Audit and Risk Committee is a sub-committee of Council. The Committee is responsible for overseeing the overall risks of the Association and ensuring that adequate controls are in place to mitigate identified risks. The committee is chaired by an independent non-executive member. Members of the Audit and Risk Committee at the reporting date were as follows:

• Mr B Dlamini	<i>Chairman</i>
• Mr S Potts	
• Mr D Dhliwayo	
• Mr L Ndzimandze	
• Mr A Ngcobo	
• Mr J Msibi	

Secretary

- Mr B Nyamane

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Mbabane

Postal address
P.O. Box 445
Mbabane

Auditors

PricewaterhouseCoopers
Mbabane

P.O. Box 564
Mbabane



Consolidated and separate statements of comprehensive income

for the year ended 31 March 2021

	Notes	Group		Association	
		2021 E'000	2020 E'000	2021 E'000	2020 E'000
Revenue	2	6 101 677	5 939 729	6 101 677	5 939 729
Cost of sales		(5 923 686)	(5 661 296)	(5 936 082)	(5 677 266)
Gross profit		177 991	278 433	165 595	262 463
Other income		6 116	4 568	6 116	4 568
Distribution costs		(13 811)	(13 628)	(13 760)	(13 393)
Overhead expenses		(109 879)	(83 048)	(108 042)	(81 211)
Foreign exchange gain/(loss)		26 280	(4 296)	26 280	(4 296)
Operating profit before financing costs	3	86 697	182 029	76 189	168 131
Finance income		–	–	11 148	14 383
Finance expense		(87 203)	(182 423)	(87 203)	(182 423)
Net financing costs	4	(87 203)	(182 423)	76 055	(168 040)
Share of profit/(loss) of jointly controlled entity (net of tax)		640	485	–	–
Profit before tax		134	91	134	91
Income tax expense		(134)	(91)	(134)	(91)
Profit for the year		–	–	–	–
Transfer to distributable reserves		–	–	–	–
Other comprehensive income		–	–	–	–
<i>Items that are or may be reclassified to profit or loss</i>					
Unrealised cash flow hedges	5	70 578	–	70 578	–
Total comprehensive income for the year		70 578	–	70 578	–

Profit for the year is attributable to members of the Association.

Total comprehensive income of the group is attributed to the members of the Association.

Consolidated and separate statement of financial position

at 31 March 2021

	Notes	Group		Association	
		2021 E'000	2020 E'000	2021 E'000	2020 E'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	209 680	146 123	9 459	7 716
Investment in subsidiaries		–	–	–	–
Jointly-controlled entity		36 989	44 001	39 362	39 362
Total non-current assets		246 669	190 124	48 821	47 078
Current assets					
Loans to subsidiaries		–	–	199 923	138 112
Inventories		291 542	511 794	291 542	511 794
Trade and other receivables		537 995	671 419	537 995	671 419
Contract asset		70 578	–	70 578	–
Current tax asset		–	89	–	89
Cash and cash equivalents		25 168	4 608	25 168	4 608
Total current assets		925 283	1 187 910	1 125 206	1 326 022
Total assets		1 171 952	1 378 034	1 174 027	1 373 100
RESERVES AND LIABILITIES					
Non-distributable reserve		3 934	3 934	3 934	3 934
Cash flow hedge reserve		70 578	–	70 578	–
Total reserves		74 512	3 934	74 512	3 934
Non-current liabilities					
Long-term liabilities	7	150 000	150 000	150 000	150 000
Current liabilities					
Bank overdraft		138 429	146 004	138 429	146 004
Current tax liability		45	–	45	–
Short-term borrowings		296 978	500 330	296 978	500 330
Contract liabilities		–	20 884	–	20 884
Trade and other payables		511 988	556 882	514 063	551 948
Total current liabilities		947 440	1 224 100	949 515	1 219 166
Total liabilities		1 097 440	1 374 100	1 099 515	1 369 166
Total reserves and liabilities		1 171 952	1 378 034	1 174 027	1 373 100

Consolidated and separate statements of cash flows

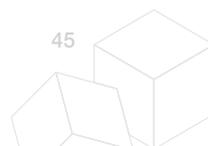
for the year ended 31 March 2021

	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
Cash flows from operating activities				
Cash generated from operations	388 461	986 062	369 066	963 259
Interest received	–	–	11 148	14 383
Interest paid	(87 203)	(182 423)	(87 203)	(182 423)
Taxation paid	–	(52)	–	(52)
<i>Net cash inflows/outflows from operating activities</i>	301 258	803 587	293 011	795 167
Cash flows from investing activities				
Acquisition of property, plant and equipment	(73 584)	(15 832)	(3 526)	(652)
Proceeds from the sale of property, plant and equipment	461	6	461	6
<i>Net cash outflows from investing activities</i>	(73 123)	(15 826)	(3 065)	(646)
Cash flows from financing activities				
Loans received from short-term borrowings	–	130 000	–	130 000
Loans repaid from short-term borrowings	200 000	(100 000)	200 000	(100 000)
Loans to subsidiary companies received/(repaid)	–	–	(61 811)	(6 760)
<i>Net cash (outflow)/inflow from financing activities</i>	200 000	30 000	261 811	23 240
Nets increase in cash and cash equivalents	28 135	817 761	28 135	817 761
Cash and cash equivalents at the beginning of the year	(141 396)	(959 157)	(141 396)	(959 157)
Cash and cash equivalents at the end of the year	(113 261)	(141 396)	(113 261)	(141 396)

Consolidated statements of changes in reserves

for the year ended 31 March 2021

	Non-distributable reserve E'000	Other reserve E'000	Total equity E'000
Group and Association 2021			
Balance at beginning of year	3 934	-	3 934
Changes in fair value of cash flow hedges	-	70 578	70 578
Balance at end of year	3 934	70 578	74 512
Group and Association 2020			
Balance at beginning of year	3 934		3 934
Changes in fair value of cash flow hedges	-	20 884	20 884
Cash flow hedges realised and reclassified to profit and loss	-	(20 884)	(20 884)
Balance at end of year	3 934	-	3 934



Notes to the summarised audited financial statements

for the year ended 31 March 2021

1. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these summarised consolidated financial statements, and have been applied consistently by Group entities.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated 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 Lilangeni at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated to Emalangeni at foreign exchange rates ruling at the date the fair value was determined. These foreign currency exchange differences are also recognised in profit or loss.

1.2 Inventories

Inventories of sugar and molasses on hand at the year-end are valued at the amounts distributable to the growers and millers in accordance with the final estimate. The final estimate which represents the amounts to be paid by the Association to growers and millers is considered to be the lower of cost and net realisable value and, is determined as the estimated selling price in the ordinary course of business, less estimated volume rebates, discounts, and point of sale costs.

Management's determination of the final estimate is based on the most reliable evidence available at reporting date.

Other stocks are valued at the lower of cost and net realisable value, on a first-in, first-out basis.

1.3 Revenue

The Group adopted IFRS 15, "Revenue from contracts with customers" from 1 April 2018 which resulted in changes in accounting policies.

New accounting policies on revenue from contracts with customers are summarised below.

Revenue is derived from sale of sugar and molasses. Revenue is recognised when or as the Group satisfies performance obligations by transferring a good or service to a customer. The Group has determined that it generates all its revenues at a point in time. Revenue is measured based on the consideration specified in the different contracts with customers and net of value-added tax, rebates and discounts.

i) Sugar and molasses sales

The group buys and sells sugar and molasses from millers and growers. Revenue is recognised when control of sugar and molasses has transferred, when the sugar or molasses is delivered to the customer. For the local market delivery is generally when the sugar or molasses is released from the warehouse to the customer, while for the export market, depending on the terms of the sale, if Free On Board, the sale is recognised upon loading the sugar to the carrier and issuance of the bill of lading. In the case of cost-insurance-freight sale, revenue is recognised when the carrier has discharged the sugar to the customer, at the customer's port destination. Molasses revenue is for the local market and revenue is recognised upon release to the customer at the warehouse. The group has full discretion over the channels and price to sell sugar and molasses, and there are no unfulfilled obligation that can affect customer's acceptance of sugar or molasses.

Revenue from the sale of sugar and molasses is recognised in profit or loss when significant risks and rewards of ownership have been transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of strategic rebates, export rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described above. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

ii) Export sales

Export sales proceeds are translated at the rate ruling when the risk and rewards have passed to the buyer. The difference between the actual rates of exchange at transaction date and the rate at which the group has obtained advances in foreign currencies for those sales or, where applicable, the rates of exchange actually realised after taking account of forward-exchange contracts, is recognised in profit or loss as a foreign currency gain or loss.



	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
2. Revenue – disaggregation of revenue from contracts with customers				
The group derives revenue from transfer of goods at a point in time in the following major product lines and channels				
Revenue by product type comprises:				
– Sugar sales	5 920 584	5 743 642	5 920 584	5 743 642
– Molasses sales	181 093	196 087	181 093	196 087
	6 101 677	5 939 729	6 101 677	5 939 729
Revenue by channel comprises:				
SACU market	4 229 909	4 070 243	4 229 909	4 070 243
Regional market	505 360	570 695	505 360	570 695
International market	1 366 408	1 298 791	1 366 408	1 298 791
	6 101 677	5 939 729	6 101 677	5 939 729

Sugar is sold into the SACU, regional and international markets. Molasses is sold within the SACU market.

	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
3. Operating profit before financing costs				
Operating profit before financing costs is arrived at after charging the following:				
Income:				
Administration expenses:				
Auditor's remuneration				
– Current year	3	101	3	101
– Prior year	713	786	713	786
Depreciation	9 847	9 591	1 603	1 170
Lease expenses	1 381	1 283	1 381	1 283
Management fees				
– Computer-related	2 046	1 627	2 046	1 627
Payroll costs	43 498	38 892	43 498	38 892

Notes to the summarised audited financial statements

for the year ended 31 March 2021

	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
4. Net financing costs				
Finance income and expense				
Finance expense on financial liabilities				
Measured at amortised cost	(87 203)	(182 423)	(87 203)	(182 423)
Interest income on loans originated by the association	-	-	11 148	14 383
Finance expenses	(87 203)	(182 423)	(76 055)	(168 040)
Finance income on financial assets				
Foreign exchange loss	-	(20 758)		(20 758)
Foreign exchange gain	26 280	16 462	26 280	16 462
Finance income	26 280	4 296	26 280	4 296
5. Contract assets / liabilities				
Cash flow hedge reserve				
Balance at the beginning of the year	-	-	-	-
Effective portion of changes in fair value of cash flow hedges	70 578	-	70 578	20 884
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	(20 884)
Balance at the end of the year	70 578	-	70 578	-

6. Property, plant and equipment

	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
Allocation of depreciation				
Direct cost of sales	722	331	722	331
Direct analysis of cane	209	233	209	233
Extension services	211	209	211	209
Administration	461	397	461	397
Operating expense	8 244	8 422	–	–
Total	9 847	9 592	1 603	1 170

Reconciliation of the opening and closing carrying amounts – 2021

	Opening carrying amount E'000	Additions E'000	Disposals E'000	Transfer E'000	Depreciation E'000	Closing carrying amount E'000
Association						
Freehold land and buildings	1 589	160	–	24	(171)	1 602
Leasehold land and buildings	1	–	–	–	–	1
Plant and equipment	3 613	1 158	–	–	(762)	4 009
Furniture and fittings	551	98	–	–	(56)	593
Motor vehicles	1 379	2 110	(180)	–	(614)	2 695
Capital work in progress	583	–	–	(24)	–	559
	7 716	3 526	(180)	–	(1 603)	9 459

Notes to the summarised audited financial statements

for the year ended 31 March 2021

6. Property, plant and equipment (continued)

Reconciliation of the opening and closing carrying amounts – 2021

	Opening carrying Amount E'000	Additions E'000	Disposals E'000	Transfer E'000	Depreciation E'000	Closing carrying amount E'000
Group						
Freehold land and buildings	1 589	160	-	24	(171)	1 602
Leasehold land and buildings	1	-	-	-	-	1
Plant and equipment	3 613	1 158	-	-	(762)	4 009
Furniture and fittings	551	98	-	-	(56)	593
Motor vehicles	2 926	2 110	(180)	-	(703)	4 153
Conditioning silo buildings	33 314	-	-	-	(1 562)	31 752
Sugar store buildings	49 124	767	-	-	(2 303)	47 588
Conditioning silo equipment	5 573	-	-	-	(756)	4 817
Sugar store equipment	35 657	1 526	-	-	(3 068)	34 115
Molasses storage equipment	7 885	-	-	-	(466)	7 419
Capital work in progress	5 890	67 765	-	(24)	-	73 631
	146 123	73 584	(180)	-	(9 847)	209 680

7. Long-term liabilities

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

Fixed term loan from Public Service Pensions Fund

The loan will be repaid in full on 30 June 2023. Interest is negotiated on a renewal basis and is linked to the prime lending rate. The loan is unsecured.

Less: current portion transferred to current liabilities

Total non-current portion

	Group		Association	
	2021 E'000	2020 E'000	2021 E'000	2020 E'000
	150 000	250 000	150 000	250 000
	-	(100 000)	-	(100 000)
Total non-current portion	150 000	150 000	150 000	150 000

Abbreviations

AGM	Annual General Meeting
AfCFTA	Africa Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
COVID-19	coronavirus disease
ECGA	Eswatini Cane Growers Association
EPA	Economic Partnership Agreement
ESA	Eswatini Sugar Association
ESMA	Eswatini Sugar Millers Association
EU	European Union
FTA	Free Trade Agreement
IFRS	International Financial Reporting Standards
<IR>	Integrated Reporting
LTM	Long-term mean
REMCO	Remuneration Committee
QMS	Quality management system
SACU	Southern African Customs Union
SADC	Southern African Development Community
SLA	Service level agreement
TCH	Tonnes of cane per hectare
TSH	Tonnes of sucrose per hectare
TFTA	Tripartite Free Trade Agreement
TRQ	Tariff Rate Quota
USA	United States of America
VHP	Very high polarity (sugar)

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