



# Corporate Governance Statement

Danakali Ltd (**Danakali** or the **Company**) is committed to high standards of corporate governance in which senior company executives and the Board are accountable to its stakeholders. The Company believes corporate governance is an essential component of sustained value creation. Sound corporate governance practices are reflected in our decision making and culture.

This corporate governance statement (**Statement**) has been approved by the Board and outlines the corporate governance practices in place or adopted by the Board for the financial year ended 31 December 2020. It is current as at 31 March 2021.

The Board of Directors of Danakali is responsible for the corporate governance of the Company, and has developed policies to ensure that an appropriate level of corporate governance is in place. The Company's corporate governance system is reviewed regularly by the Board to ensure that it fulfils the needs of stakeholders and shareholders.

The Board's approach in applying the Australian Stock Exchange (**ASX**) Corporate Governance Council's Corporate Governance Principles and Recommendations (4<sup>th</sup> Edition) (**ASX Principles**), available via the following link: <https://www.asx.com.au/documents/regulation/cgc-principles-and-recommendations-fourth-edn.pdf>, is to ensure that the Company's corporate governance policies and principles are established, implemented, and monitored in such a way so as not to compromise or distract the Board and management from their key goals and to enable the organisation to conduct its business in an efficient and effective manner.

In establishing its approach to corporate governance, the Board has taken into consideration, the circumstances of the Company, the nature of the governance matter, the impact of immediate or accelerated change to comply and the issues and risks associated with deferred implementation of the matter. The Board regularly reviews its governance practices to ensure they remain consistent with the needs of the Company.

This Statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles and also covers disclosures required pursuant to Rule 7.2. of the UK Listing Authority's Disclosure and Transparency Rules (**DTR**). The Company complies with each of the recommendations set out in the ASX Principles to the extent described below. Where the Company's practices depart from an ASX Principle, this Statement identifies the area of divergence and reasons for it, or the alternative practices adopted by the Company.

Further information on the Company's corporate governance policies and practices can be found on the Company's website at [www.danakali.com](http://www.danakali.com).



## **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

*A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.*

### **Recommendation 1.1:**

*A listed entity should have and disclose a board charter setting out:*

- a) The respective roles and responsibilities of its board and management; and*
- b) Those matters expressly reserved to the board and those delegated to management.*

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of those goals, monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The responsibility for the operation and administration of the Company is delegated by the Board to the Chief Executive Officer (CEO) and executive management team. During the year ended 31 December 2020, Mr Niels Wage performed the role of CEO. The Board ensures that both the CEO and the executive team are appropriately qualified and experienced to discharge their responsibilities and have procedures in place to monitor and assess their performance. Senior executives are responsible for supporting and assisting the CEO to conduct the general operations and financial business of the Company in accordance with the delegated authority of the Board and to progress the strategic direction provided by the Board.

On 26 February 2021, the role carried out by Mr Niels Wage was made redundant, and Mr Seamus Cornelius was appointed to the role of Executive Chairman. The Executive Chairman role is considered equivalent to CEO, as referred to in the Company's Board Charter.

### **Recommendation 1.2:**

*A listed entity should:*

- a) Undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and*
- b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

The Company has established a Remuneration and Nomination Committee which is responsible for conducting the appropriate checks prior to the appointment of a person as a director or senior executive of the Company or prior to putting forward to security holders a new candidate for election as a director. Checks undertaken may include checks as to the person's character, experience, education, criminal record and bankruptcy history.

Material information relevant to a decision on whether or not to elect or re-elect a director is provided to security holders in all Notices of Meeting which contain director election or re-election resolutions.

### **Recommendation 1.3:**

*A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*



Non-executive directors are provided with a formal letter of appointment which sets out their duties, responsibilities, rights and directors' fees. Senior executives are employed under individual service contracts which sets out their terms of employment. Major provisions in the senior executive agreements are disclosed in the 2020 Annual Financial Report.

**Recommendation 1.4:**

*The company secretary of a listed entity should be accountable to the board, through the chair, on all matters to do with the proper functioning of the board.*

The Company Secretary has a reporting function to the Board.

The Company Secretary has a direct line of communication with the Chairman and all Directors, and is responsible for supporting the proper functioning of the Board which includes, but is not limited to, providing advice on governance and procedural issues, and the preparation of detailed Board papers and minutes.

**Recommendation 1.5:**

*A listed entity should:*

- a) Have and disclose a diversity policy;*
- b) Through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and*
- c) Disclose in relation to each reporting period:*
  - 1) the measurable objectives set for that period to achieve gender diversity;*
  - 2) the entity's progress towards achieving those objectives; and*
  - 3) either:*
    - a. The respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or*
    - b. If the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators," as defined in and published under that Act.*

The Company is committed to diversity and recognises the benefits arising from employee and board diversity.

Danakali has adopted a diversity policy which can be viewed on its website. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Diversity Policy outlines the requirements for the Board to develop objectives for achieving diversity, and to annually assess both the objectives and the progress in achieving those objectives. Given the current phase of Danakali's life cycle, the Board has determined that it is not practicable to set measurable diversity objectives. Accordingly, the Company is not in compliance with ASX Recommendation 1.5(c)(1). It is the Board's intention as the size and complexity of the Company grows, to set and aim to achieve both gender diversity and other diversity objectives.

To assist in fostering diversity, the Company takes diversity of background into account (in addition to candidates' skills and experience in a variety of the specified fields) when selecting new directors, senior management and employees.

As at 31 December 2020, the Company had one female board member and two female Joint Company Secretaries. The Company had two senior executive positions (Chief Executive Officer (CEO), and Chief Financial



Officer (CFO)) at 31 December 2020. The table below sets out the proportion of women in the whole organisation, senior executive positions, directors and officers, and the Board at 31 December 2020.

<b>Positions</b>	<b>Proportion of Women</b>
Whole Organisation	3 out of 15 (20%)
Senior Executive Positions and Officers	2 out of 4 (50%)
Non-Executive Directors	1 out of 7 (14%)

**Recommendation 1.6:**

*A listed entity should:*

- a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*
- b) Disclose for each reporting period whether a performance evaluation was undertaken in accordance with that process during or in respect of that period.*

The Board may undergo periodic formal and informal assessment processes, including assessment of the Board's committees, where applicable. An independent third party consultant may be used to facilitate the assessment.

A formal process of Board review requires each director to complete a questionnaire relating to the role, composition, procedures, practices and behaviour of the Board and its members. Senior executives having most direct contact with the Board may also be invited to complete similar questionnaires. Responses to the questionnaires are confidential and provided directly to the Chair. The Board then holds a facilitated discussion during which each Board member has the opportunity to raise any matter, suggestion for improvement or criticism with the Board.

The Chair of the Board may also meet individually with each Board member to discuss their performance. Non-executive directors may also meet to discuss the performance of the Chair.

During 2020, Board members regularly provided feedback to one another on the functioning of the Board and its committees. In addition, Board members conducted a formal self-assessment on the functioning of the Board and its committees. The Board determined that this performance evaluation process is working effectively and achieves the desired outcomes and as such it was not considered necessary to undertake more formal performance evaluations during the period. The Board was satisfied that it fulfilled its role effectively during 2020.

The Board has established an informal process for providing feedback regarding individual performance of directors and has determined that this informal feedback process has been operating effectively and facilitated open and honest communication. As such, it was determined that formal non-executive director performance evaluations were not necessary during the period.

**Recommendation 1.7:**

*A listed entity should:*

- a) Have and disclose a process for periodically evaluating the performance of its senior executives at least once every reporting period; and*
- b) Disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.*



The Company has established a Remuneration and Nomination Committee which is responsible for undertaking a review of the CEO's performance, at least annually, including setting the CEO goals for the coming year and reviewing progress in achieving those goals. The Remuneration and Nomination Committee is also responsible for reviewing recommendations from the CEO on each senior executive's performance evaluations. The performance of the CEO and senior executives for the year ended 31 December 2020 was assessed against a series of board-approved key performance indicators (KPIs).

The CEO meets with senior management on a half-yearly basis to discuss their performance. These performance meetings occurred during the year.

## **PRINCIPLE 2: STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE**

*A board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.*

### **Recommendation 2.1:**

*The board of a listed entity should:*

- a) *Have a nomination committee which:*
  - 1) *Has at least three members, a majority of whom are independent directors; and*
  - 2) *Is chaired by an independent director, and disclose:*
    - 3) *The charter of the committee;*
    - 4) *The members of the committee; and*
    - 5) *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- b) *If it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

The Board has established a Remuneration and Nomination Committee which has a separate charter which describes its role, composition, functions and responsibilities. A copy of the charter is set out on the Company website.

The Remuneration and Nomination Committee oversees the appointment and induction process for directors and the selection, appointment and succession planning process of the Company's CEO. When a vacancy exists or there is a need for a particular skill, the Committee, in consultation with the Board, determines the selection criteria that will be applied. The Committee will then identify suitable candidates, with assistance from an external consultant if required, and will assist the Board in interviewing and assessing the selected candidates. Directors are initially appointed by the Board and must stand for re-election at the Company's next Annual General Meeting of shareholders. Directors must then retire from office and nominate for re-election at least once every three years.

During 2020, the Remuneration and Nomination Committee was comprised of:

- Mr Andre Liebenberg (Chair)<sup>1</sup>, Mr John Fitzgerald<sup>1</sup>, and Mr Paul Donaldson<sup>2</sup> for the period up until 3 August 2020; and
- Mr Neil Gregson (Chair)<sup>1</sup>, Mr John Fitzgerald<sup>1</sup>, and Mr Seamus Cornelius for the remainder of the year.

<sup>1</sup> Independent Non-Executive Director

<sup>2</sup> Resigned 3 August 2020

The Company, therefore, was compliant with the above ASX recommendation that requires a majority of members to be independent directors and that the committee is chaired by an independent director during 2020.

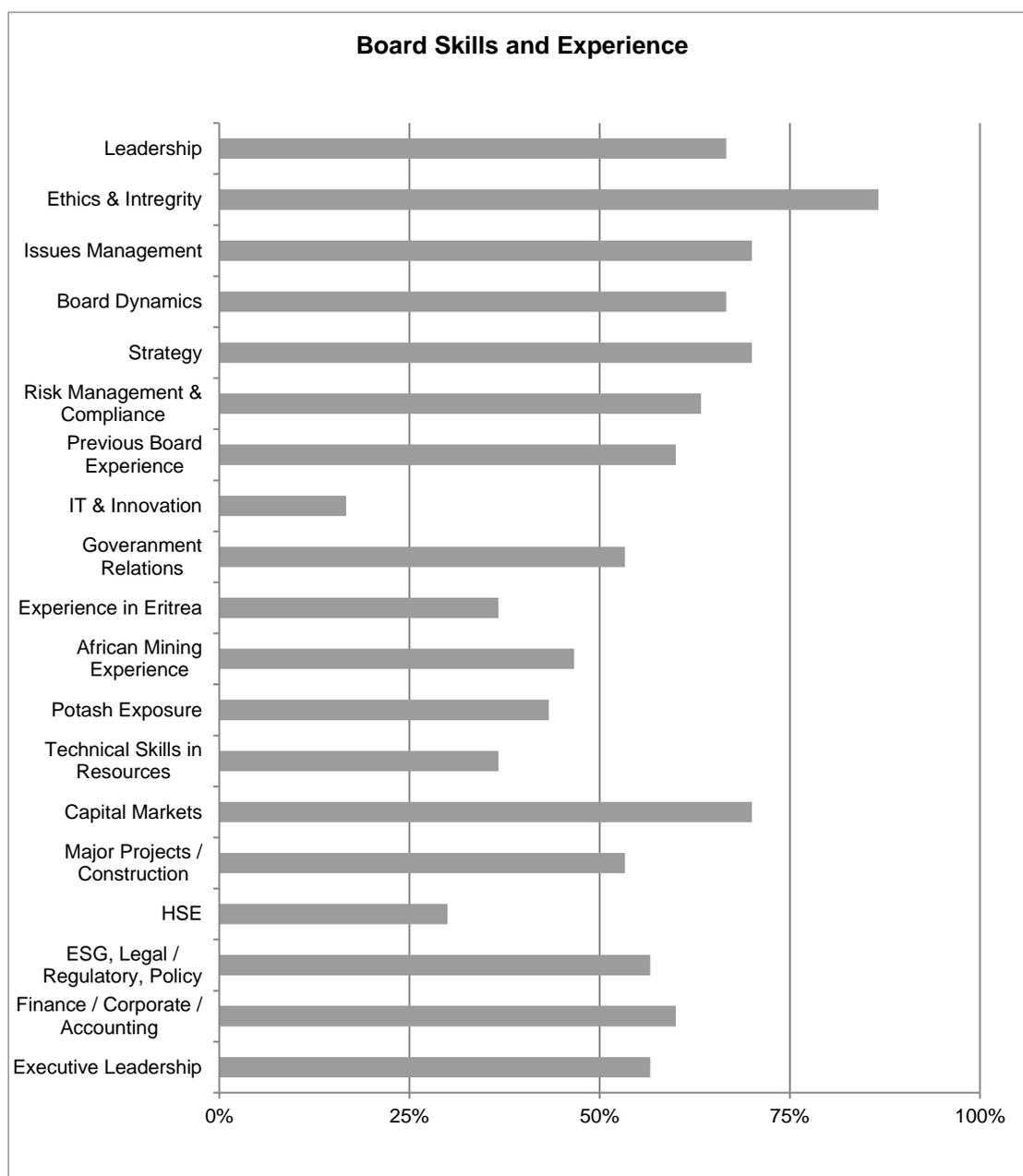
Details of the composition of the Remuneration and Nomination Committee and details of attendance at Remuneration and Nomination Committee meetings are set out in the Company's 2020 Annual Financial Report.

Upon transition from the role of Non-Executive Chairman to Executive Chairman of the Board, consideration was given to Mr Cornelius remaining a member of the Remuneration and Nomination Committee. Given his relevant skills and experience, it was determined that Mr Cornelius would remain a member of the committee. Mr Cornelius is excluded from attending committee meetings where matters are being considered that may represent a potential conflict.

**Recommendation 2.2:**

*A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.*

The Board has identified that the appropriate mix of skills and diversity required of its members to operate effectively and efficiently is achieved by personnel have substantial skills and experience in a variety of areas. The skills and experience of the Board in each of these areas is summarised as follows:



Gaps in the collective skills of the Board are regularly reviewed by the Remuneration and Nomination Committee, with the Remuneration and Nomination Committee proposing candidates for directorships for consideration by the Board having regard to the desired skills and experience required by the Company as well as the proposed candidates' diversity of background.

A profile of each director setting out their skills, experience and expertise is set out in the 2020 Annual Financial Report.

**Recommendation 2.3:**

*A listed entity should disclose:*

- a) The names of the directors considered by the board to be independent directors;*



- b) *If a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and*
- c) *The length of service of each director.*

Directors are considered to be independent when they are independent of management and free from any business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with the exercise of their independent judgement. Materiality levels (as set out in the Board Charter) are considered from both the Company and individual director's perspective. This Recommendation should be read with Recommendation 2.4.

Details of the Directors can be found in the 2020 Annual Financial Report.

**Recommendation 2.4:**

*A majority of the board of a listed entity should be independent directors.*

The Board assesses the independence of a director prior to appointment and of all appointed directors from time to time as appropriate.

Given the Company's background, the nature and size of its business and the current stage of its development the Board comprises seven directors, all of which are non-executive as at 31 December 2020. Three of the Directors are independent, while four are not independent. Therefore the Company is not in compliance with ASX Recommendation 2.4.

Although the Board is of the opinion that the current Board composition is both appropriate and acceptable at this stage of the Company's development, it is the Board's intention to change its composition over time to align with recommendation 2.4.

Mr S Cornelius, Chairman of the Board, is considered not to be an independent director of the Company due to his association with a substantial shareholder and transition to Executive Chairman role on 26 February 2021. The Board considered Mr S Cornelius's independence and is satisfied that his leadership, sound judgement and impartial decision-making abilities in conjunction with his high degree of expertise in cross-border transactions particularly in the resources and finance sectors, corporate experience in legal and commercial negotiations, are to the benefit of the shareholders.

Ms Zhang is associated with a substantial shareholder and is not considered an independent director. Ms Zhang brings international trading and business development experience in China to the Board's skill set which is appropriate for the current position of the Company's development cycle. The Board is satisfied that the quality and independent judgement she brings to relevant issues falls within the scope of her role as director and to the benefit of shareholders.

AFC President and CEO, Samaila Zubairu, and AFC Senior Director for Investment Operations & Execution, Taiwo Adeniji, joined Danakali's Board as Non-Executive Directors on 23 April 2020. These appointments are in accordance with the terms of a subscription agreement which provides AFC the right to appoint two nominees to the Board of Danakali provided AFC's Danakali ownership remains above certain thresholds. Mr Zubairu and Mr Adeniji are not considered to be independent directors given their association to AFC.

**Recommendation 2.5:**

*The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

On 26 February 2021, Mr Seamus Cornelius transitioned from Non-Executive Chairman to Executive Chairman. The Executive Chairman role is considered equivalent to CEO, as referred to in the Company's Board Charter.

As disclosed in Section 2.4, Mr Seamus Cornelius is considered not to be an independent director of the Company. Therefore, the Company is not in compliance with this ASX Recommendation.

**Recommendation 2.6:**

*A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.*

The Company has established a Remuneration and Nomination Committee which is responsible for conducting new director inductions.

All directors are expected to maintain the skills required to discharge their obligations to the Company. The Company provides opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively, and reviews the need for directors to undertake professional development in conjunction with the formal questionnaire process detailed at Recommendation 1.6.

**PRINCIPLE 3: INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY**

*A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.*

**Recommendation 3.1:**

*A listed entity should articulate and disclose its values.*

The Company's core values (being People, Integrity, Planet, Performance, Simplicity) are guiding principles that define internal conduct and relationships with the external operating environment. Danakali's core values are detailed on the Company's website.

**Recommendation 3.2:**

*A listed entity should:*

- a) *Have and disclose a code of conduct for its directors, senior executives and employees; and*
  - a. *Ensure that the board or a committee of the board is informed of any material breaches of that code by a director or senior executive; and*
  - b. *Any other material breaches of that code that call into question the culture of the organisation.*

The Company recognises the importance of establishing and maintaining high ethical standards and decision making in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. All directors, managers and employees are expected to act with



the utmost integrity, honesty and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Company has established a Code of Conduct which can be viewed on its website. Unethical practices, including fraud, legal and regulatory breaches and policy breaches are required to be reported on a timely basis to management. As set out in its charter, the Audit and Risk Committee is responsible for reviewing any reported material breaches of the Code Conduct.

**Recommendation 3.3:**

*A listed entity should:*

- a) *Have and disclose a whistleblower policy; and*
- b) *Ensure that the board or a committee of the board is informed of any material incidents reported under that policy.*

The Company has established a Whistleblower Policy which can be viewed on its website. The Policy is aligned to Danakali's value of Integrity and the belief in speaking out against something that is wrong. The Policy affirms the Company's responsibility and commitment to full compliance with applicable laws and regulations.

As set out in its charter, the Audit and Risk Committee is responsible for reviewing any material incidents reported under the Whistleblower Policy.

**Recommendation 3.4:**

*A listed entity should:*

- a) *Have and disclose an anti-bribery and corruption policy; and*
- b) *Ensure that the board or a committee of the board is informed of any material incidents reported under that policy.*

The Company has established an Anti-Bribery Policy which can be viewed on its website. Aligned to Danakali's value of Integrity and is in accordance with the Company's Code of Conduct, this Policy affirms the Company's responsibility and commitment to full compliance with applicable anti-bribery or anti-corruption laws and the provision of assistance to the relevant authorities to detect and prevent criminal activity.

As set out in its charter, the Audit and Risk Committee is responsible for reviewing any material breaches reported under Danakali's Anti-Bribery Policy.

**PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTS**

*A listed entity should have appropriate processes to verify the integrity of its corporate reports.*

**Recommendation 4.1:**

*The board of a listed entity should:*

- a) *Have an audit committee which:*
  - 1) *Has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
  - 2) *Is chaired by an independent director, who is not the chair of the board, and disclose:*



- 3) *The charter of the committee;*
  - 4) *The relevant qualifications and experience of the members of the committee; and*
  - 5) *In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- b) *If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

On 23 January 2020, the Company's Audit Committee was reformed to become the Audit and Risk Committee. References made to the Audit and Risk Committee within this section reflect the fact that this was the committee in place during the relevant reporting period.

During 2020, the Audit and Risk Committee comprised of:

- Mr John Fitzgerald (Chair)<sup>1</sup>, Mr Seamus Cornelius and Mr Andre Liebenberg<sup>1,2</sup> during the period until 3 August 2020; and
- Mr John Fitzgerald (Chair)<sup>1</sup>, Mr Seamus Cornelius and Mr Robert Connochie<sup>1</sup> for the remainder of the year.

<sup>1</sup> Independent Non-Executive Director

<sup>2</sup> Resigned 3 August 2020

With the exception that Mr Seamus Cornelius who is not considered an independent director, the Company was in compliance with the above ASX recommendations at 31 December 2020; the majority of members are independent directors and the committee is chaired by an independent director. The Audit and Risk Committee chair Mr Fitzgerald is an accountant by profession, and all members of the Audit and Risk Committee are considered financially literate and have significant understanding of the industry in which the Company operates.

All matters that might properly be dealt with by the Audit and Risk Committee are subject to regular scrutiny at full board meetings.

The relevant qualifications and experience of Committee members and details of individual attendance at Audit and Risk Committee meetings is disclosed in the Company's 2020 Annual Financial Report.

The external auditor has a policy for the rotation of the lead audit partner in accordance with the requirements of the Corporations Act. Pursuant to section 324DAC of the Corporations Act 2001, the Company resolved to grant approval of Mr Gavin Buckingham of Ernst & Young to play a significant role in the audit of the Company for an additional one financial year through to the financial year ending 31 December 2020. In granting this extension, the Board satisfied itself that the approval was consistent with maintaining the quality of the audit provided to the Company and would not give rise to a conflict of interest.

A copy of the current Audit and Risk Committee charter is located on the Company's website. The charter describes the Audit and Risk Committee's role, composition, functions and responsibilities.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations. The Audit and Risk



Committee also provides the Board with additional assurance regarding the reliability of the financial information for inclusion in the financial reports. The Audit and Risk Committee's responsibilities include:

- reviewing procedures to ensure compliance with statutory responsibilities relating to accounting policy and disclosure;
- liaising with, discussing and resolving relevant issues with the auditors;
- overseeing the establishment and implementation of effective financial internal control systems and to review the Company's application of those systems; and
- reviewing half-year and annual financial statements before submission to the Board, and review of other financial information distributed externally.

Mr Cornelius' transition from Non-Executive to Executive Chairman on 26 February 2021 means that the Company no longer complies with the above ASX recommendations at the date of release of this report. The Board has considered and determined that given Mr Cornelius' skills and experience, that he should remain on the committee.

**Recommendation 4.2:**

*The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

In accordance with Recommendation 4.2 and Section 295A of the Corporations Act 2001 the Board receives a signed declaration from the CFO and CEO (or equivalent) prior to the approval of the Company's financial statements.

**Recommendation 4.3:**

*A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.*

The Company has established a process whereby periodic corporate reports are subject to review by the Audit and Risk Committee prior to release to the market (includes the Appendix 5B / quarterly cashflow report).

**PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

*A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.*

**Recommendation 5.1:**

*A listed entity should:*

- a) *Have and disclose a written policy for complying with its continuous disclosure obligations under Listing Rule 3.1*

The Company has established policies and procedures to ensure timely disclosure of all material matters and ensure that investors have access to information on financial performance. This ensures the Company is compliant with the information disclosure requirements under the ASX Listing Rules, the UKLA Listing Rules, the DTRs and Regulation (EU) No 596/2014 of the European Parliament of the Council (Market Abuse Regulation).



The policies and procedures include a Continuous Disclosure Policy that includes identification of matters that may have a material impact on the price of the Company's securities, notifying them to the ASX and LSE, posting relevant information on the Company's website and issuing media releases.

Matters involving potential market sensitive information must first be reported to the CEO (or equivalent) either directly or via the Company Secretary. The CEO (or equivalent) will advise the Board if the issue is important enough and if necessary seek external advice. In all cases the appropriate action must be determined and carried out in a timely manner in order for the Company to comply with the information disclosure requirements of the ASX, UKLA Listing Rules, the DTRs and the Market Abuse Regulation.

The Company has policies in place detailing processes relating to the delayed disclosure of inside information under the Market Abuse Regulation. Where necessary, the Company will submit delayed disclosure of inside information notifications pursuant to the Market Abuse Regulation to the UK Financial Conduct Authority.

A copy of the Continuous Disclosure Policy is available on the Company's website. The Board receives regular reports on the status of the Company's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at Board meetings.

**Recommendation 5.2:**

*A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.*

The Company has established a process whereby all directors receive notification of all announcements immediately upon release to the market.

**Recommendation 5.3:**

*A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.*

The Company releases copies of its presentation materials via the market announcements platform ahead of presentations.

**PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS**

*A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.*

**Recommendation 6.1:**

*A listed entity should provide information about itself and its governance to investors via its website.*

The Company values its relationship with shareholders and understands the importance of communication with them. To keep shareholders informed, the Company maintains a website at [www.danakali.com](http://www.danakali.com)

The Company's website provides information on the Company including its background, objectives, projects and contact details. The Corporate Governance page provides access to key policies, procedures and charters of the Company, such as the Board and Committee charters, securities trading policy, and latest Corporate Governance Statement.

ASX and LSE announcements, Company reports and presentations are uploaded to the website following release to the ASX and LSE. Editorial content is updated on a regular basis.

**Recommendation 6.2:**

*A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

The Company has formulated a Security Holder Communication Policy which can be viewed on the Company's website.

The Company has a proactive approach to communicating the Company's business to Shareholders and the wider investment community, and encourages ongoing Shareholder feedback and participation at general meetings.

To support the Company's communication strategy, the Company has engaged an external firm to promote the Company's investor communications.

Shareholders may at any time direct questions to, or request information from the Chairman, CEO, executive management, directors, Company Secretary or public relations representative. Full contact details are available on the Company's website. Market announcements include relevant contact details.

**Recommendation 6.3:**

*A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.*

The Board encourages the attendance of Shareholders at Shareholders' meetings and sets the time and location of each meeting to promote the Company's investor relations program.

As many directors as possible seek to attend shareholder meetings, so as to be available to provide input on specific shareholder queries that may be put to the board. Where it is not possible for a director to attend shareholder meetings in person, the Company makes use of technology to enable those directors to attend meetings via video or tele conference facilities.

The Company affords shareholders who are not able to attend meetings and exercise their right to ask questions about, or make comments on, the management of the entity, the opportunity to provide questions or comments ahead of the meeting. Notices of meeting documents lodged via the market announcements platform provides contact details where further information regarding the meeting can be sought. Questions can be submitted to these contacts. Where appropriate, questions and comments received from shareholders or proxies are addressed at the meeting.

**Recommendation 6.4:**

*A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.*

The Company complies with this recommendation.

**Recommendation 6.5:**

Danakali Limited



*A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

The Company encourages the use of electronic communication and offers Security Holders the option to receive and send electronic communication to the Company and its share registry where possible.

The Annual Report is made available to shareholders and other stakeholders in a timely manner in both print and on-line versions. The Company's financial reports and presentations can be freely downloaded from the Company's website.

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

*A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.*

### **Recommendation 7.1:**

*The board of a listed entity should:*

- a) *Have a committee or committees to oversee risk, each of which:*
  - 1) *Has at least three members, a majority of whom are independent directors; and*
  - 2) *Is chaired by an independent director,*  
*and disclose:*
    - 3) *The charter of the committee;*
    - 4) *The members of the committee; and*
    - 5) *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- b) *If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

On 23 January 2020, the Company's Technical and Risk Committee was ceased. The risk oversight function that had resided with the Technical and Risk Committee was moved to the Audit and Risk Committee (which was similarly reconstituted on 23 January 2020 as detailed above).

During 2020, the Audit and Risk Committee comprised of:

- Mr John Fitzgerald (Chair)<sup>1</sup>, Mr Seamus Cornelius and Mr Andre Liebenberg<sup>1,2</sup> during the period until 3 August 2020; and
- Mr John Fitzgerald (Chair)<sup>1</sup>, Mr Seamus Cornelius and Mr Robert Connochie<sup>1</sup> for the remainder of the year.

<sup>1</sup> Independent Non-Executive Director

<sup>2</sup> Resigned 3 August 2020

With the exception that Mr Seamus Cornelius who is not considered an independent director, the Company is in compliance with the above ASX recommendations; the majority of members are independent directors and the committee is chaired by an independent director.



The Audit and Risk Committee chair Mr Fitzgerald is an accountant by profession, and all members of the Audit and Risk Committee are considered financially literate and have significant understanding of the industry in which the Company operates.

Mr Robert Connochie is an independent non-executive director with considerable experience in risk management and has a significant understanding of the industry in which the Company operates.

The Board assessed Mr Seamus Cornelius's independence and is satisfied that his leadership, sound judgement and impartial decision-making abilities in conjunction with his high degree of expertise in cross-border transactions particularly in the resources and finance sectors, corporate experience in legal and commercial negotiations, are to the benefit of the committee.

The Audit and Risk Committee is responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of those systems. A copy of the Company's Risk Management Policy (updated 18 March 2019), can be viewed on the Company website.

Major risk categories reported include strategic risk, operational risk, compliance risk, financial risk (including financial reporting, treasury, information technology and taxation), reputation risk and project risk.

The relevant qualifications and experience of Committee members and details of individual attendance at committee meetings are disclosed in the Company's 2020 Annual Report.

All matters that might properly be dealt with by the Committee are subject to regular scrutiny at full board meetings.

A copy of the current Audit and Risk Committee charter (that committee currently responsible for overseeing risk) is located on the Company's website. The charter describes the Audit and Risk Committee's role, composition, functions and responsibilities. The members of the Audit and Risk Committee are all independent directors, and accordingly, the Company is in compliance with Recommendation 7.1 as at the date of release of this report.

**Recommendation 7.2:**

*The board or a committee of the board should:*

- a) *Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and*
- b) *Disclose, in relation to each reporting period, whether such a review has taken place.*

During 2020 the Audit and Risk Committee was responsible for reviewing the Company's risk management framework.

Risk management framework reviews occur no less than annually. Throughout the year and between annual reviews, the committee is presented with any material changes to the risk management framework which require review by the Committee. There were no material changes to the framework during 2020. Throughout the year and between annual reviews, the Committee is also presented with material changes to the business that may give rise to material changes in the Company's risks or risk profile.



**Recommendation 7.3:**

*A listed entity should disclose:*

- a) If it has an internal audit function, how the function is structured and what role it performs; or*
- b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk and internal control processes.*

Given the Company's size and current stage of development it does not have an internal audit function.

During 2020, the Audit and Risk Committee was responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of those systems. The Audit and Risk Committee is responsible for overseeing the effectiveness of governance and internal control processes.

**Recommendation 7.4:**

*A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.*

The Company's material exposures to environmental or social risks and mitigating factors are as follows:

- Environmental risk – the Company is currently exposed to few risks due to the present stage of pre-development. The Company has an Environmental Policy which is available on the Company's website.
- Social risk – at the present stage of development the Company is exposed to few social risks. The Company has a Human Rights Policy which is available on the Company's website.

The Company seeks to manage these risks in a pro-active manner through periodic monitoring and assessment. The Company has engaged the services of a senior consultant with experience in Corporate Social Responsibility (CSR) programs including policy and process development, operational governance, environmental monitoring and public awareness initiatives with stakeholders and the public.

**PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

***A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.***

**Recommendation 8.1:**

*The board of a listed entity should:*

- a) Have a remuneration committee which:
  - 1) Has at least three members, a majority of whom are independent directors; and*
  - 2) Is chaired by an independent director,*and disclose:
  - 3) The charter of the committee;*
  - 4) The members of the committee; and*
  - 5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- b) If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

As previously stated in Principle 2, the Board has established a Remuneration and Nomination Committee. Please refer to commentary under Recommendation 2.1.

**Recommendation 8.2:**

*A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

The structure of Non-Executive Director remuneration is clearly distinguishable from that of other senior executives.

Full details of the Company's policies and practices regarding the remuneration of executive and non-executive directors and other senior executives are disclosed in the Company's 2020 Annual Financial Report.

**Recommendation 8.3:**

*A listed entity which has an equity-based remuneration scheme should:*

- a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- b) Disclose that policy or a summary of it.*

Directors and senior executives are prohibited from entering into transactions which limit the risk of participating in invested entitlements under any equity-based remuneration scheme.

The Company has established a Code for Dealing in Danakali Securities (**Code**) which sets out the requirements for persons discharging managerial responsibilities (**PDMR**), persons closely associated with PDMRs (**PCA**), employees, consultants and contractors of Danakali Ltd and its subsidiaries dealing in Danakali securities.

A copy of this Code may be found on the Company's website.

**DISCLOSURES REQUIRED BY PUBLICLY TRADED COMPANIES UNDER RULE 7.2.6R OF THE UK LISTING AUTHORITY'S DISCLOSURE AND TRANSPARENCY RULES**

The following disclosures are made pursuant to Rule 7.2.6.R of the UK Listing Authority's Disclosure and Transparency Rules (**DTR**).

As at 31 December 2020:

- a) Details of significant direct or indirect holdings of securities of the Company are set out in the ASX Additional Information included in the year ended 31 December 2020 financial report (Financial Report). The Company is not aware of any agreements between shareholders which may result in restrictions on the transfer of securities or on voting rights.
- b) There are no persons who hold securities carrying special rights regarding control of the Company.
- c) All ordinary shares carry one vote per share without restriction. Holders of unlisted options and performance rights do not have voting rights.



- d) The Company's rules about the appointment and replacement of Directors are contained in the company's constitution and accord with the Corporations Act. Amendments to the company's constitution must be approved by the Company's shareholders by passing a special resolution.
- e) The Company may exercise in any manner permitted by the Corporations Act, any power which a public company limited by shares may exercise under the Corporations Act. The business of the Company is managed by or under the direction of the directors. The directors may exercise all the powers of the Company except any powers that the Corporations Act or the constitution requires the Company to exercise in a general meeting.

Subject to any rights and restrictions attached to a class of shares and in compliance with the Corporations Act, the Company may allot and issue unissued shares and grant options over unissued shares, on any terms, at any time and for any consideration, as the directors resolve. This power of the Company can only be exercised by the directors.

The Company may reduce its share capital and buy-back shares in itself on any terms and at any time. However, the Corporations Act sets out certain procedures which must be followed in relation to reductions in share capital and the buy-back of shares.

Seamus Cornelius, Executive Chairman

<b>Approved by:</b>	Seamus Cornelius	<b>Approval date:</b>	31 March 2021
<b>Position:</b>	Executive Chairman		