16. Provision

Reconciliation of provision - Group - 2023

	Opening balance	Change in estimate	Income statement movement	Unwinding of discount	Reclassificatic n to asset held for sale	Payments	Total
Environmental rehabilitation	269,695	(113,516)	(31,466)	10,873	11,693	(5,042)	142,237

Reconciliation of provision - Group - 2022

	Opening balance	Change in estimate	Income statement movement	Unwinding of discount	Reclassificatic n to asset held for sale	Payments	Total
Environmental rehabilitation	190,161	92,317	(553)	15,796	(24,261)	(3,765)	269,695

	Group		**Company**	
	2023 R '000	**2022 R '000**	**2023 R '000**	**2022 R '000**
Non-current liabilities	131,330	265,350	-	-
Current liabilities	10,907	4,345	-	-
	142,237	**269,695**	**-**	**-**

Environmental rehabilitation

The provision for closure and restoration costs is for liability for the rehabilitation of land involved in any prospecting or mining operations of the Group and to discharge any liability which may arise in terms of the Atmospheric Pollution Prevention Act No. 45 of 1965, the Environment Conservation Act, No. 73 of 1989, the Minerals Act, No. 50 of 1991, the Water Act, No. 54 of 1956, NEMA No. 107 of 1998 and any such other legislation that may be enacted in the future. The environmental obligations and corresponding liability remain the sole responsibility of the Venture. The draft NEMA Financial Provision Regulations No. 765, gazetted on 27 August 2021, were not enacted at the reporting date.

The Venture has provided guarantees to the Department of Mineral Resources with respect to the liability for closure and restoration costs. These guarantees are in the name of Glencore, relate to the Venture, and are disclosed in note 27. The guarantees are not recognised as liabilities in the financial statements. The estimated cost of rehabilitation is based on environmental plans in accordance with current technology, environmental and regulatory requirements and the measurements of an independent professional surveyor. The change in estimate relates to a reassessment of the provision based on changes in discount rates, expected timing of rehabilitation for operations and closure cost estimates based on the most recent assessment performed.

The measurement of the environmental rehabilitation and decommissioning provisions is a key area where management's judgement is required. The closure provisions are measured at the present value of the expected future cash flows required for rehabilitation and decommissioning. This calculation involves using specific estimates and assumptions when determining the amount and timing of the future cash flows and the discount rate. The closure provisions are updated at each reporting date for changes in the estimates of the amount or timing of future cash flows, inflationary changes in the expected cash flows, utilisation of prior year provisions and changes in the discount rate. The life of mine plan (LoMP) on which accounting estimates are based only includes proved and probable ore reserves as disclosed in Merafe's annual ore reserves and mineral resources statement.

During the current period, the discount rate applied in calculating the environmental rehabilitation provision was increased from 3.8% to 7.3%. This resulted in a change in estimate of R114m (2022: R92m credit). The prior year's discount rate of 3.8% was estimated using the 20-year historical average of a 20-year government bond yield and inflation rates. The change in the current year to a discount rate of 7.3% is based on a 1-year historical average of a 20-year government bond yield.

Notes to the Consolidated and Separate Annual Financial Statements

16. Provision (continued)

In the prior year, the Group's investment in Boshoek mine has been classified as held for sale and is disclosed in note 39. The liability associated with the sale of Boshoek mine is the environmental rehabilitation obligation of R13m (2022: R24m) measured at the reporting date.

For calculating the provision for closure and restoration costs, management has assumed a risk-free real inflation rate representative of future cash flows and a nominal discount rate of 7.3%. This is compared to the prior year, when management assumed a risk-free real inflation rate and a nominal discount rate of 3.8%. A 10% increase in the discount rate would have an R16m decrease in profit, and a 10% decrease would have a R17m increase in profit. The timing of the cash outflows relating to the provision is uncertain but is expected to range between two and thirty years. The short-term portion of the provision refers to the best estimate for ongoing rehabilitation activities.

17. Cash-settled share-based payment arrangements

	Group		Company	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000
Cash-settled share-based payment liability				
Balance at the beginning of the year	20,312	9,748	20,312	9,748
Share-based payment expense*	11,115	12,848	11,115	12,848
Share grants vested and paid	(10,129)	(2,284)	(10,129)	(2,284)
Balance at the end of the year	**21,298**	**20,312**	**21,298**	**20,312**
Non-current liability	10,040	12,518	10,040	12,518
Current liability	11,258	7,794	11,258	7,794
	21,298	**20,312**	**21,298**	**20,312**

* the expense is charged to profit and loss R11m (2022: R13m).

Cash-settled grants

Shareholders approved the Share Incentive Scheme (Scheme) on 13 April 2010. Over time, various share grants and options were issued to directors and employees of the Company.

The purpose of the share incentive scheme is to serve as an incentive and reward to employees (including executive directors) of the Company and its subsidiaries for services rendered and to be rendered, aimed at promoting the continued growth of the Company by giving employees an opportunity to acquire shares in the Company and to serve as a retention mechanism for employees whose services are regarded by the Company to be crucial to the future growth and sustainability of the Company's business. The Board grants share options and share grants on the recommendation of the Remuneration Committee.

1m (2022: 1.4m) share grants were forfeited due to performance conditions not being met.

The Monte Carlo option pricing model was used to determine the fair value of the share grants.

The vesting of the grants is based solely on performance measured based on two conditions: 50% based on Merafe's total shareholder return (TSR) and 50% based on HEPS growth.

If Merafe's TSR over the three years places it in one of the top four positions, then 50% of the number of performance shares granted (TSR Portion) will vest in equal proportions on the 3rd, 4th and 5th anniversaries of their grant. If Merafe's TSR over the three years places it in 6th position, then one-third of the TSR Portion will vest in equal proportions on the 3rd, 4th and 5th anniversaries of their grant. If Merafe's performance over the three years lies between any of the above points, then a prorated number of the TSR Portion will vest in equal proportions on the 3rd, 4th and 5th anniversaries of their grant. No share grants will vest for positions seven and less.