

Botswana Ash (Pty) Ltd

Botswana Ash (Pty) Ltd

Strategic Plan (2018 - 2022)

Final

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Botash Strategy: Our Mission, Vision, Values and Strategic Intent

Our vision is to lead the market in the production of natural sodium and related products. This vision is supported by a mission that seeks to drive sustainable manufacture and marketing of our products for industrial and human consumption with a primary focus on the Sub-Saharan region. Our values will drive a culture of customer focus, excellence, integrity, accountability and team work. The Botash strategy on a page is presented below. The outcome of our efforts will result in an EBITDA of 15% year on year until 2025.

01



VISION

Africa's **Leading** Supplier of Natural Sodium and Related Products.

02



MISSION

We manufacture and market natural sodium and **related products** for industrial and human consumption in the Sub-Saharan region, **sustainably**.

03



STRATEGIC INTENT

To **sustainably deliver diversified** sodium based **and related** products (industrial and consumer), drive effective and efficient operations that deliver the right product (quality) at the right price (efficient) and right place (logistics) to meet customer needs, while maintaining an EBITDA growth of 15% year on year **until 2025**

04



STRATEGIC PILLARS

Reliable and predictable production

Defend and grow market share

Diversified product offering

05



OUR VALUES

Accountability



Customer Focus



Excellence



Teamwork



Integrity



SWOT Analysis

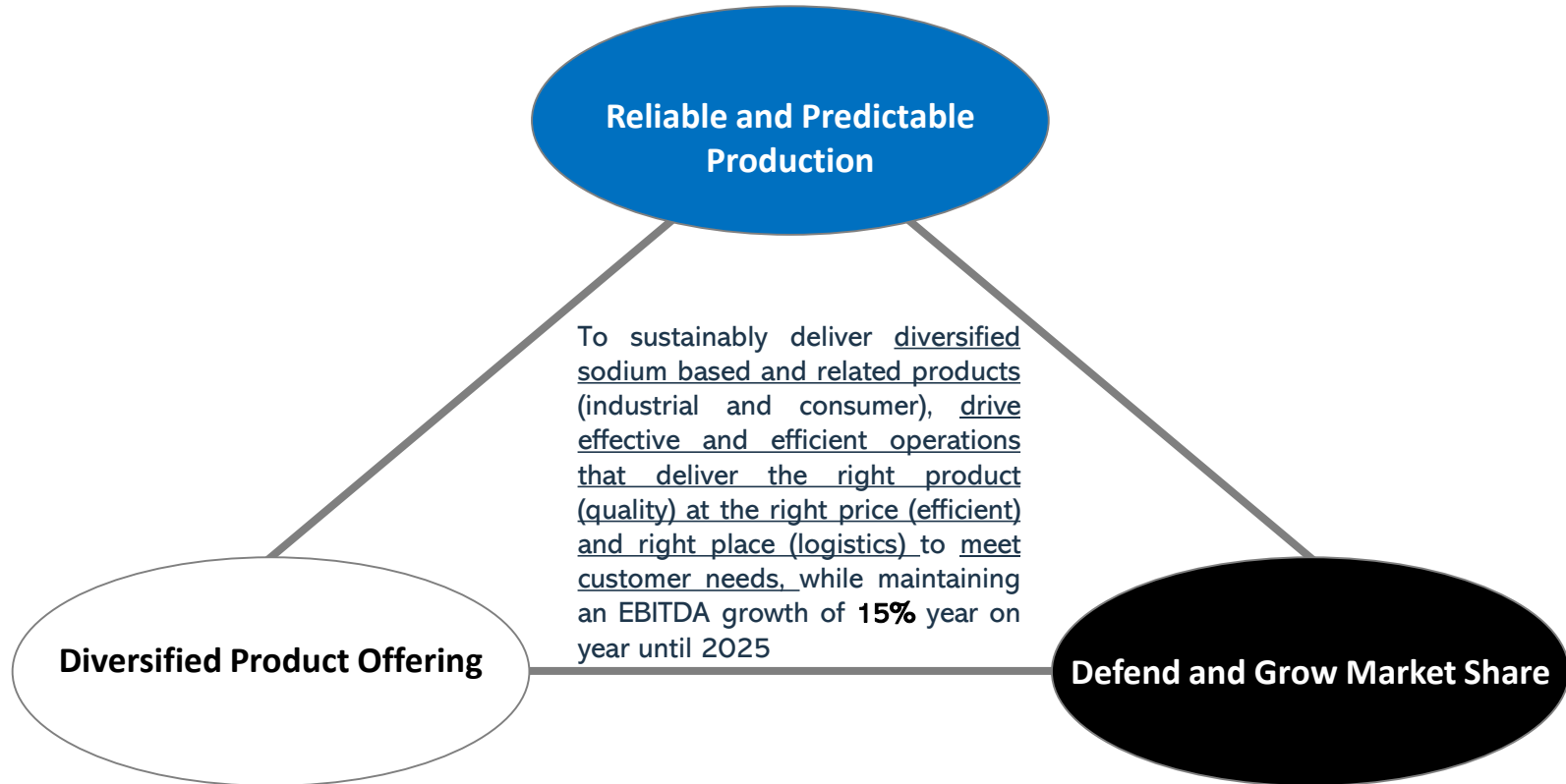
An analysis of our strengths, weaknesses, opportunities and threats was distilled after a detailed interrogation by both management and the Board. The analysis forms the basis of our strategic pillars, objectives, measures and initiatives. The Botash SWOT analysis is presented in the table below.

INTERNAL	STRENGTHS	WEAKNESSES
	<ul style="list-style-type: none"> • A large resource base which allows for economies of scale • Strategic storage and distribution centre in the Reef (South Africa) • Capacity to run soda ash plant cost effectively • Membership of Bud Group enables us to leverage on group expertise in some areas • Positive cash flows • Market leaders which allow Botash to influence prices (salt market in the interior - Africa) • Capital intense sector which acts as a barrier to entry • Strong balance sheet 	<ul style="list-style-type: none"> • Long delays for informal customers • Lower quality soda ash product • Weak marketing strategies (in informal markets) • Inadequate management capacity in some areas • High administration costs • Lack of control of logistics to market • Delayed decision making (e.g. Potash feasibility study) • Culture of complacency • No sense of urgency • New employees struggle to fit in
EXTERNAL	OPPORTUNITIES	THREATS
	<ul style="list-style-type: none"> • Improved shareholder input • Opportunity for creation of a SEZ in the Sua Pan • Opportunity to invest in logistics (Secondary distribution) • Stable political and regulatory environment in Botswana • Kazungula bridge - to enable logistics into the interior (Africa) • Investment in a relatively capital intensive sector acts as a potential barrier to entry for potential competitors. 	<ul style="list-style-type: none"> • Increased competition from bigger overseas producers (e.g. Ciner) • Negative impact of the trump factor on the US dollar. • Currency volatility could result in cheaper imports into our key markets • Product contamination (Chrome at NSP)

Botash Strategy: Our Strategy Pillars

The Botash's strategic intent seeks to drive **stakeholder value by sustainably delivering high quality, diversified sodium based and related products efficiently and effectively to customers in alignment with their established needs**. This intent will be supported by delivery of results in three key areas that serve as strategic pillars of the envisaged growth and transformation of Botash, namely (i) Reliable and Predictable Production, (ii) Defend and Grow Market Share and (iii) Diversified Product Offering. Achievement of the expected growth and transformation ambitions of the company are anchored on a committed **organization wide focus** on delivery of great results across all pillars of the strategy.

The Botash's strategic intent and pillars are presented below:



Botash Strategy: Our Strategic Pillars

An account of how Botash plans to drive results from each strategic pillar is presented below.

1. Reliable and Predictable Production

As a way of ensuring reliable production, Botash will continuously evaluate and apply the different strategies for matching capacity with demand in the short, medium and long term. This will be achieved by ensuring that manufacturing assets are able to deliver optimal yields of products reliably and in a predictable manner in alignment with customer demands and needs.

2. Defend and growth Market Share

This pillar will be instrumental in the development of new markets and growing current market share in the Sub-Saharan African region. Growth in market share will be driven by a strong marketing and sales function that uses effective market intelligence/research and a compelling business case as a basis for expansion into a particular market or sector in the region.

Additionally, the focus will be on managing the threat posed by competition and dumping of products by international competitors. Botswana Ash (Pty) Ltd will also position the cost of production of all its products on the bottom quartile of their respective cost curve while optimizing the cost to serve.

3. Diversified Product Offering

Opportunities exist to harness current resource, by-products and manufacturing capabilities for other related products. As a way of minimising strategic risk, new products and lines of business need to be developed to diversify the company's revenue streams. This will be achieved by developing a deep understanding of industry trends and market needs for various natural sodium-based and related products. Botash will continue to strive for diversification of its product portfolio through the manufacturing of new products including crystalised soda ash, potash, sodium sulphate and sodium bi-carbonate as well as any secondary products that could be viably sold into existing markets. The production of all related products will be based on a solid business case that clearly indicates how the company will capture value from the market and return shareholder value.

Botash Strategy: Our Strategy Pillars – Underlying Assumptions

The strategic pillars are premised on the following assumptions which management identified and if they hold true, should drive achievement of the strategic intent.

Reliable and Predictable Production

- Financial resources will be availed for maintenance and refurbishment of the current plant
- Mitigation against the effect of changes in weather
- Availability of appropriate skills

Defend and Grow Market Share

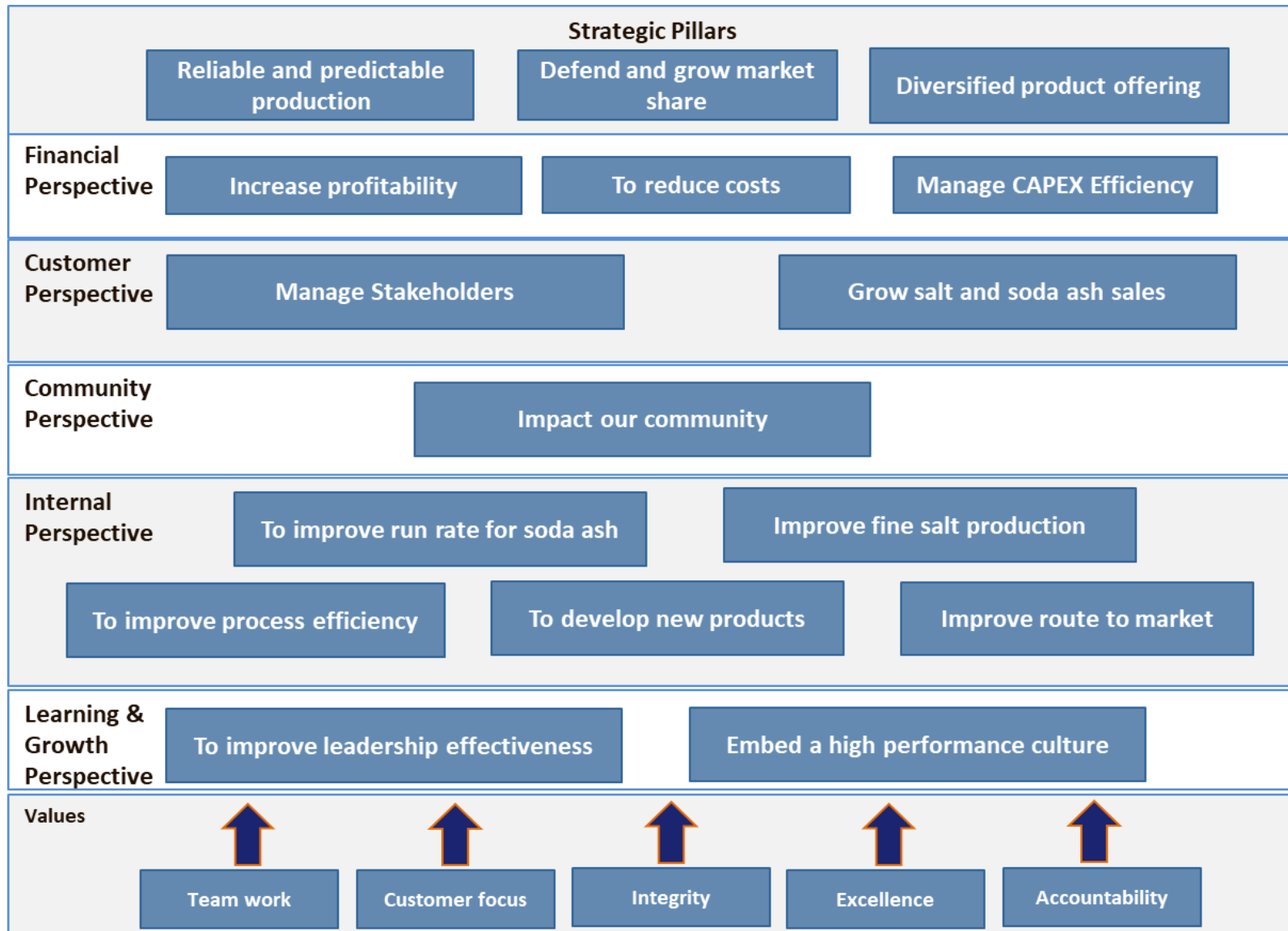
- Glass sector in SA will remain the anchor in the long term and we will defend our market share
- No economic/political collapse in South Africa
- Maintenance of sustainability certification

Diversified Product Offering

- Rail Infrastructure able to carry increased volume
- Availability of utilities (power, water & coal)
- Project funding accessible
- New skills available to deliver/operate/maintain new assets

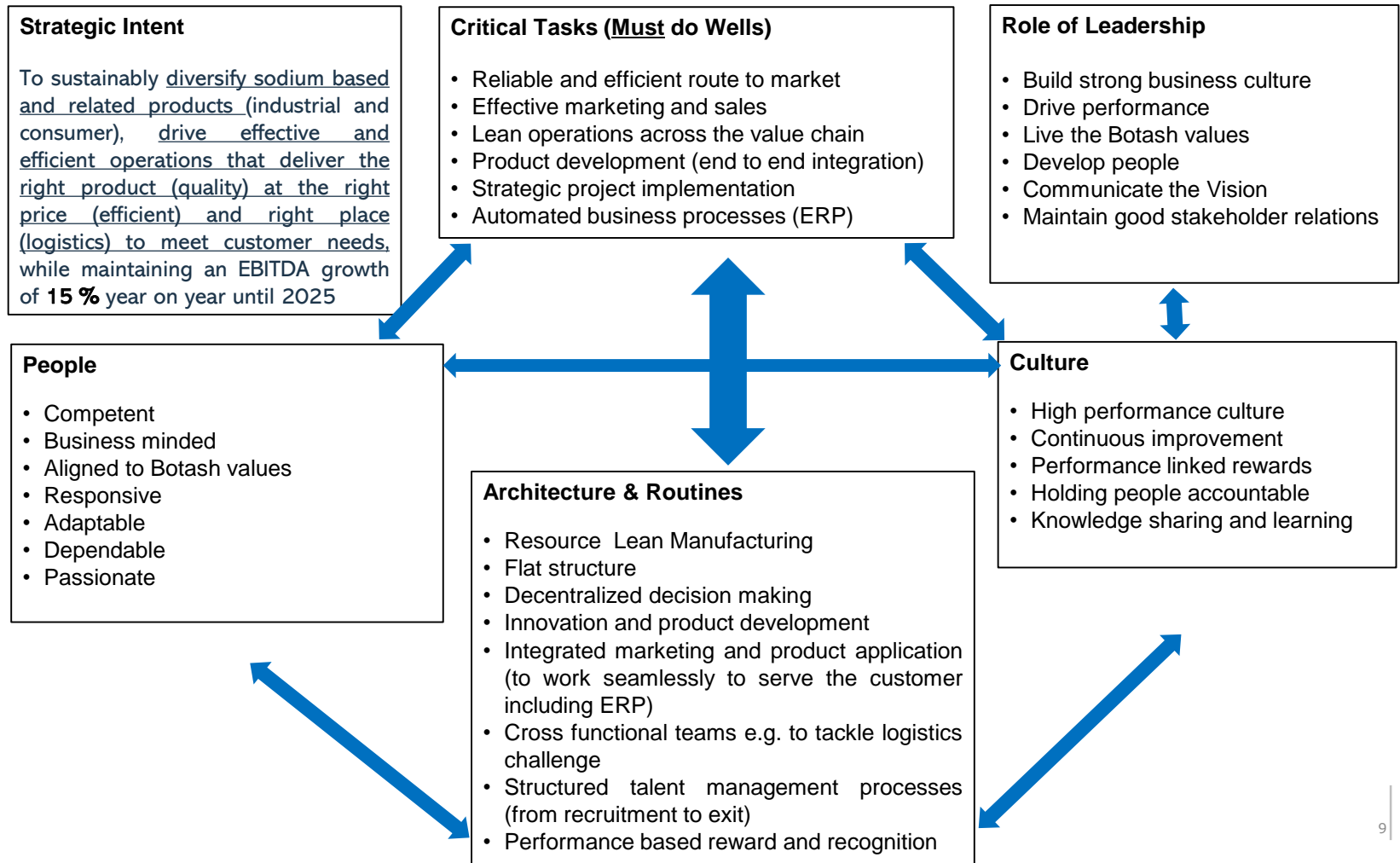
Botash Strategy: Our Strategy Map

The amended and/or refocused strategic objectives are illustrated in the strategy map in figure below.



Botash Strategy: Our Aligned Organisation Design

A number of critical tasks that will drive the Botash strategy have been identified and are highlighted in the figure below. These critical tasks will be driven by organisation design dimensions that comprise (i) the types of people, skills and competencies required, (ii) the organisational structure, policies and practices that empower people to deliver on the critical tasks, (iii) the type of leadership style, beliefs and behavior that will drive the critical tasks and (iv) the necessary organisational culture (shared behaviour, beliefs, norms and values) that create an environment for high performance. The aligned organizational dimensions are presented below.



BOTASH CORPORATE SCORECARD

BOTASH 2020 - 2022 CORPORATE SCORECARD																		
Objective		Measure	Source of Measure	Measure formula						Strategic Initiative	Start Date	End Date	Budget	RACI MATRIX				
					2019			2020	2021					2022	R	A	C	I
					Baseline 2018 Actual	Budget	Actual											
Financial Perspective																		
Increase Profitability	EBIDTA	Audited Financial Statements	Earnings- (interest+tax + depreciation + amortization) * 10% y-o-y	P257M	P309M	P248M	P309M	P331,76m	P381,52m	15% EBIDTA growth year on year	2019	2022		VT	MD	ALL	BOARD	
Reduce Costs	Unit Cost US\$/T	Audited Financial Statements	Total Cash Costs /Production(MT)	\$112	\$106	\$119	\$105	\$100	\$95	Reduce unit cost to \$95/tonne by 2022	2019	2022		VT	MD	ALL	BOARD	
Manage CAPEX EFFICIENCY	CAPEX EFFICIENCY	CAPEX REPORT	CAPEX cashflow Benefit Analysis							Cashflow Control on Approved CAPEX Benefits Achieved against Plan	2019	2022		VT/KD	MD	ALL	BOARD	
Business & Community Perspective																		
Manage Stakeholders	% Stakeholder satisfaction	Stakeholder satisfaction Survey	Yr1 Implementation, Yr 2 &3 Audit Scores	Not Started	Together For Sustainability (TFS) Audit	Together For Sustainability (TFS) Score 52%	75%	60%	65%	Implement the Towards Sustainable Mining Programme (TSM)	2019	2022		KD	MD	ALL	ALL	
Grow Salt and Soda Ash Sales	Fine salt TPA	Sales Report	Volume (tpa)	69,659	79,493	72,385	85,000	90,000	95,000	Increase fine salt sales by 15000 tonnes (to 95Ktpa)	2019	2022		OL	MD	KD/MM	ALL	
	Soda Ash TPA	Sales Report	Volume (tpa)	291,971	279,710	266,575	300,000	305,000	310,000	Find additional markets for soda ash	2019	2022		PD/OL	MD	KD/MM	ALL	
	Food grade course salt TPA	Sales Report	Volume (tpa)	124,666	113,238	108,912	106,949	121,949	136,949	Increase food grade coarse salt sales by 15000 tonnes (from 125Ktpa)	2019	2022		OL	MD	KD/MM	ALL	
Community Perspective																		
Impact our Community	Community Perception + Spend	Perception Survey + Investment	Community Feedback + Spend	14,925,501		23,500,699	22,101,770	1% of Revenue	1% of Revenue	To be determined through community engagements	2019	2022		MD	MD	ALL	BOARD	
Internal Process Perspective																		
To Improve Run Rate for Soda Ash	Soda ash production	Production Report	tonnes per annum (tpm)	297,236	300,084	263,304	300,000	305,000	310,000	1.Improve the reliability of the power plant	2019	2022		KD/MM	MD	ALL	ALL	
										2. Improve the operability and efficiency of the ash unit	2019	2022		OS/MM	MD	ALL	ALL	
										3. Improve the abstraction rate of the wellfield to ≥ 2 500 m³/hr	2019	2021		MM	MD	ALL	ALL	
										4. Improve the concentration protection capacity of the ponds system	2019	2022		MM	MD	ALL	ALL	
										5. Improve the management of the annual maintenance shutdown	2019	2021		OS	MD	KD/MM	ALL	
Improve Fine Salt Production	Fine salt production	Production Report	tonnes per annum (tpm)	70,246	79,495	73,601	85,000	90,000	95,000	Build fine salt storage warehouse and improve loading facilities	2020	2021		KD	MD	MM/OL	ALL	
To Improve Process Efficiency	Savings or Improvement in Efficiency	Cost Report	Savings or Contributions (P)	Carbonation Cooling Technology Upgraded			P20 Mil	P10 Mil		Capacitate and roll out manufacturing effectiveness -Implement Cost Savin & Efficiency Improvment Initiatives	2019	2021		MD	MD	ALL	ALL	
										Process to market integration (ERP)	2019	2022		LM	MD	MM/OL	ALL	
Improve Route to Market	Unit Cost (P/tonne)	Distribution Report	Cost/tonne				580.00	535.60	557.02	Reduce Logistic unit cost (per tonne)	2019	2022		OL	MD	MD	ALL	
	Turn Around (Days)	Distribution Report	Days		8	23	8	8	7	Improve turnaround time for rail to NSP to 7 day	2019	2022		OL	MD	MD	ALL	
To Develop new products	Number of new products developed	Strategic Projects Updates	Number of Products	Scoping Study Complete	Pre-Feasibility Complete	Approvals	0	0	0	1. Progress development of new products (Soda Ash 130ktpa, Sodium Bicarbonate 50kta -Feasibility Study Complete -Funding Decision	2019	2022		OS	MD	MD/KD/VT	ALL	
				Scoping Study Complete	Pre-Feasibility Complete	Approvals	0	0	0	2. Progress development of new products (Potash 81ktpa, and Sodium Sulphate 161ktpa) - Scoping Study Complete -Preliminary Process Design & Class 4 Cost Estimate Complete -Feasibility Study Complete & Funding Decision	Jan-20	Dec-21	P996 Mil	OS	MD	MD/KD/VT	ALL	
Learning and Growth Perspective																		
Embed a high-performance culture	(%) Culture Index	Culture Survey Report	Index	PMS Scorecards in place	Strategy Review completed	Index not measured	60%	65%	75%	1. Develop scorecards and cascade strategy - Align departmental & individual scorecards with strategy - Embedd regular performance review practices within the business - Align performance with recognition & rewards strategies	2020	2020		SM	MD	ALL		
										1. Capacitate organisational Development - Recruit experienced OD Practitioner - Carryout OD industry benchmarks - Implement value add OD initiatives - Embedd & Integrate OD principles with other HR processes	2020	2022		SM	MD	ALL	ALL	
	PMS score	Employee performance management system	Average employee performance	PMS Scorecards in place			70%	75%	80%	1. Implement Performance Management System that measures input & results - Automation of PMS process complete - Carry out quality checks of departmental & individual objectives - Train supervisors on performance management skills - Measure impact of PMS process & implement best practice	2019	2022		SM	MD	ALL	ALL	
To Improve Leadership Effectiveness	(%) Leadership Index	Leadership survey report	Index			Index not measured	55%	65%	70%	Implement value's based leadership 360° assessments on values ongoing - Develop IDP's for Managers & implement - Develop professional Coaching Skills for all supervisory levels - Intergrate with other processes (recruitment & Recognition Awards) Decentralise decision making and hold people accountable - Conduct organisational review & manpower utilisation	2020	2022		SM	MD	ALL	ALL	

Botash Strategy: Our Strategic Initiatives - Reliable Predictable Production Capacity

By focusing on this theme, the company will achieve high performance by ensuring that the company's production plant is able to deliver optimal product yield.

The theme seeks to drive the removal of all bottlenecks that currently compromise effective and efficient plant operation.

Key initiatives to be achieved under this theme are as follows:-

1. Improve the reliability of the power plant
 - 1.1 Rebuild boiler unit 1 & 2
 - 1.2 Renew steam and condensate system
 - 1.3 Improve thermal efficiency
2. Improve the operability and efficiency of the ash unit
 - 2.1 Upgrade the carbonation cooling technology
 - 2.2 Refurbish the carbon dioxide (CO₂) plant
 - 2.3 Debottleneck the calcining stage (cake dewatering)
 - 2.4 Upgrade/replace compaction technology
 - 2.5 Renew the soda ash plant structure
3. Improve the abstraction rate of the wellfield to $\geq 2\,500\text{ m}^3/\text{hr}$
 - 3.1 Improve the electrical protection of the wellfield system
 - 3.2 Re-organize the operations/maintenance team
 - 3.3 Renew the main infrastructure (feeder and main header)
 - 3.4 Renew/upgrade cable joints
4. Improve the concentration protection capacity of the ponds system
 - 4.1 Maintain a depth of 2 m at the start of Oct (start of the rainy season) for the ponds E4, ST1 and ST2
 - 4.2 Re-engineer the management system in the light of climate change
5. Improve the management of the annual maintenance shutdown
 - 5.1 Improve the planning and preparatory steps
 - 5.2 Improve man-hour utilization
 - 5.3 Drive localization of expatriate labour

Botash Strategy: Our Strategic Initiatives - Market Growth

By focusing on this theme, Botash will achieve high performance by defending and growing market share in the Sub-Saharan African region and internationally in the longer term. We will do this by ensuring that we continue to be a value for money producer of various natural sodium-based and related products with strong and effective marketing and sales capability.

This theme will also focus the company on managing the threat posed by dumping of products by international competitors. Botash will also look at establishing strategic partnerships or where appropriate making acquisitions that will help grow market share.

Key initiatives to be achieved under this theme are as follows:-

1. Retain key contracts -
 - 1.1 In the anchor glass sector (Consol Glass, PFG),
 - 1.2 Chemical sector (Lanxess),
 - 1.3 Chlor - alkali sector (Sasol)
 - 1.4 Glass sector (Nampak)
2. Transition all soda ash accounts to be supplied by product produced on the Sua Pan - wean customers off imported soda ash
3. Grow food grade market share
 - 3.1 Recover market share in Zimbabwe from 50 % to ≥ 85 %
 - 3.2 Recover market share in Malawi to ≥ 85 %
 - 3.3 Maintain a steady increase of 8 % per annum of food grade salt into Zambia|DRC
 - 3.4 Enhance market capability
4. Implement an operational effectiveness programme
 - 4.1 Improve cash cost of soda ash production from \$154/tonne to \$95/tonne over the period 2018 - 2022.
 - 4.2 Establish a reliable and effective route to market
 - 4.3 **Integrate marketing and technical support to better understand and serve customers.**

Botash Strategy: Our Strategic Initiatives - Diversified Product Offering

By focusing on this pillar, the Botswana Ash (Pty) Ltd will achieve high performance by better understanding the needs of its market for various natural sodium-based and related products. Botash will then develop capability to innovate and supply additional new products where a viable proposition is established.

This focal area will initially target three products being crystalized soda ash, potash and sodium bi-carbonate as well as any secondary products that could be viably sold into our markets. The pillar will also drive the company towards beneficiation of soda ash into higher value products.

Key initiatives to be achieved under this theme are as follows:-

1. Develop the production of fertilizer grade potash on the Sua Pan
 - 1.1 To develop the technology of extracting sulphate of potash from Sua brines
 - 1.2 Carry out a feasibility study on the potash option
 - 1.3 Proceed with EPC of the potash plant
 - 1.4 Prepare manpower for the operational phase
2. Investigate the expansion of the soda ash unit coupled with quality upgrade of the soda ash product
 - 2.1 Explore possible upgrades to current soda ash processing technology
 - 2.2 Carry out a feasibility study on expansion of the soda ash unit
 - 2.3 Proceed with EPC of the expanded soda ash unit
 - 2.4 Prepare manpower for the operational phase (transitional)
3. Investigate the production of sodium bi-carbonate (SBC) for sale
 - 3.1 Validate the sustainability of Botswana Power Corporation (BPC)'s demand of SBC - to be supported through imports
 - 3.2 Carry out a feasibility study on the production of SBC
 - 3.4 Proceed with EPC of an SBC facility
 - 3.5 Prepare manpower for the operational phase
4. Investigate beneficiation of soda ash (freed by circular economy) into higher value products
 - 4.1 Carry out desk study for sodium meta sulphate and lithium carbonate
 - 4.2 Explore partnership with other investors

Appendix A - Botash Strategy: Review of Strategic Objectives

A review of the strategic objectives resulted in a number of amendments and additions that will enable a greater focus on the delivery on the strategic pillars. The issues related to each amended or additional strategic objective are noted as follows:

1. Improve route to market. This is a new strategic objective that seeks to address the persistent and unreliable logistics and transport situation that has a negative impact on customer delivery and relationships that have been built over a period of time. As a response, management undertakes to identify a cost-effective transport solution (s) that enhances reliability and customer service in the long term.

2. Grow salt and soda ash sales. This strategic objective has been enhanced to assume a twin focus on both soda ash and fine salt. To date, the focus has been largely skewed to soda ash to the detriment of fine salt sales despite potential demand for the product in the Southern African market. Therefore management should focus more effort on growing both products going forward as another mechanism to drive business growth and shareholder value. The northern markets in the SADC region including DRC, Zambia and Zimbabwe present potentially lucrative market that will be explored further in the medium to long term.

3. Manage key stakeholders. This is a new objective that seeks to ensure that all key stakeholders in the value chain are managed optimally to reduce any negative impact on customer service and product delivery. The key stakeholders in this regard include Customers, Shareholders, Unions, Government, Botswana Railways, Transnet and Local Communities

4. Impact our community. This is a new objective that was suggested by the Board and it commits Botash to the sustainability agenda and challenges the company to build strong and impactful relations with the community.

Appendix A - Botash Strategy: Review of Strategic Objectives (Continued)

5. Develop new products. The focus of this objective, which seeks to diversify the production of sodium-based products for industrial and consumer use, has been enhanced. It now projects a more aggressive approach to diversifying the Botash product portfolio. It also supports the quest to transform the company into a sustainable business that provides shareholder value while tapping into its latent potential. Specifically, Botash seeks to develop the necessary product development capability that will respond timeously to identified market needs. The company aims to produce potash, sodium bicarbonate and sodium sulphate based on clear business cases and market potential.

6. Increase the run rate for soda ash and fine salt. This objective has been refocused by pronouncing the need to increase the run rate for fine salt production in addition to soda ash. The strategy here is to target viable markets in Southern Africa outside of South Africa. Increase in both soda ash and salt production will be dictated solely by set production plans that are driven by market demand.

7. Embed a high-performance culture. This is a new objective that responds to the identified root cause of some of the performance challenges that the business endures at the moment. The singular issue that could compromise effective strategy execution is the prevailing misaligned organisational culture. The new competitive pressure and other inherent market risks dictate that Botash deliberately chooses a **high-performance culture** that places people at the centre of the envisaged growth and transformation agenda of the company.

8. Manage Capex Efficiency: This objective aims at managing increased Capex spend and its delivery on EBITDA