



Anglo Zimele

Empowering partnerships



Realising people potential

Go-Awaste Management Services handle various waste management operations including the cutting and sorting of reclaimed scrap metal for recycling and resale

Independence through Enterprise

Over the years, Anglo Zimele, Anglo American South Africa's enterprise development and investment fund, has created numerous sustainable commercially viable enterprises and empowered entrepreneurs to operate in the mainstream economy of South Africa.

In 2008, Anglo Zimele – through its Supply Chain Fund, the Anglo Khula Mining Fund and the Small Business Start-Up Fund supported 228 businesses, which provided jobs to 10,419 individuals and collectively turned over R1,3 billion p.a.

Its successful evolution can be attributed to its holistic incubator approach of combined funding with hands-on support, which over a predetermined time period allows the investee company to 'stand on its own feet'.

Long before broad-based black economic empowerment became a legislated mandate in South Africa, mining company Anglo American had started to put significant energy and resources into the development of emerging black business. While these were merely the formative years, the lessons, successes and failures have sculpted the initiative into the enterprise development leader that it is today.

Over the past two decades, Anglo Zimele has developed into a catalyst for emerging black business in South Africa, empowering black entrepreneurs through the creation and transformation of small and medium enterprises (SMEs).

The knock-on effect has been sustainable job creation and socio-economic development in predominantly peri-urban mining communities.

A shining example of this is the success of Anglo Zimele's most recent off-shoot. The Small Business Start-Up Fund is an enterprise

development initiative which, by means of loan finance, supports entrepreneurs and small businesses in the communities in which Anglo American operates. It has assisted 179 entrepreneurs with seed and working capital for their fledgling or emerging enterprises.

Founded in October 2007, the fund has approved loan transactions to the value of R52 million. Collectively, these enterprises employ 1,647 people and have a collective turnover of R78 million.

From Kathu in the Northern Cape to Witbank in Mpumalanga and Burgersfort in the Limpopo province, the geographic footprint of the Small Business Start-Up Fund and its network of 11 Small Business Hubs have been able to change the lives of many, directly through their funding and indirectly for the beneficiaries and families of the entrepreneurs.

The Hubs provide local entrepreneurs with tangible support, including assistance with business plans, training and coaching on the essentials of running a business.

Unlike the Supply Chain Fund, which invests equity and provides loans, the Small Business Start-up Fund only provides loan funding (limited to R1 million per project) and support.

The beneficiary SMEs must operate in Anglo American business unit areas and must comply with the BEE criteria as per the Mining Charter. However, they need not be part of the Anglo American supply chain.

Procuring success

Success is our main focus

Anglo Zimele oversees the Supply Chain Fund and the Anglo Khula Mining Fund, providing hands-on support and guidance to the various investments in areas such as strategy, corporate governance, safety, health, environment, HIV/Aids, legal, accounting, company secretarial aspects and public relations.



Buessy Gededger and Isaac Mashiya run Ikhwezi Fleet Services and offer a fleet of transport and delivery services to companies in the Witbank area

The Supply Chain Fund assists the Group's procurement departments in identifying BEE suppliers and ensuring the channelling of business opportunities to black-empowered SMEs. Anglo Zimele supports BEE enterprises through equity and loan finance.

The roots of this fund or focus area date back to the early 1980s when Anglo American, on the advice of Clem Sunter and his scenario planning team, engaged with the concept of dual-logic economies whereby large, world-class businesses were supported and underpinned by a network of small businesses that produced components for a final product or processes or provided non-core services. Examples include design and manufacturing of underground mining equipment, repair and maintenance of earthmoving buckets, corrosion protection, technical, safety and support services, women and youth development fund, project and civil engineering and rubber recycling.

During 2008, Anglo American South Africa and its business units procured R24,6 billion of transactions for consumables, services and capital with black-owned and -managed small and medium businesses. This represented an increase of 42% in total BEE procurement spend compared to 2007, amounting to 37% of total available spend.

Transforming South Africa's mining landscape

The Anglo Khula Mining Fund handles the exploration and mining related investments and is a joint initiative between Anglo American and Khula Enterprise Finance Limited, a government-owned entity that promotes SME development. The fund assists emerging, black-owned mining companies with equity and loan finance, as well as technical support during the high risk exploration and pre-feasibility phases of projects, bringing them to a commercially bankable position.

Without the fund, many black-owned junior mining companies would not be afforded the opportunity to operate in the mining sector. The fund provides similar support services to those offered by the Supply Chain Fund, and relies on the technical, engineering and mining expertise of Anglo American's divisions.

An example of such an investment is Vaalkrantz Colliery based in Vryheid, KwaZulu-Natal and managed by a black-owned enterprise – Leeuw Mining and Exploration. Without the financial and technical support of the Fund, the operation

would have shut down due to the delayed transfer of funds by a creditor bank. This would have been a huge loss for the local community, living in an isolated area with higher than average unemployment rate and no real alternative for income generation.



Black Wattle Dump, a reclamation operation managed by Zingaro Coal reclaims coal from the Black Wattle Colliery in Witbank, Mpumalanga

International recognition and milestones

The Anglo Zimele model, which has been adopted by the International Finance Corporation (IFC), a member of the World Bank Group, Mondi, De Beers, Barloworld and others, represents a unique approach to provide SMEs with integrated access to markets, financial support, skills transfer and capacity building. The IFC has purported the model as the prescribed approach for companies, around the world, which seek to integrate local SMEs into their supply chains.

In 2007, Anglo Zimele secured a double win at the BigNews Enterprise Development Awards. The unit was praised as the Best Internal Corporate Enterprise Development Programme and received the accolade for Most Outstanding Overall Enterprise Development Programme.

The name Zimele is derived from the African languages Zulu and Xhosa meaning 'to be independent'.

Building the right foundations

Vukani Musa Construction specialises in building and civil works in the rapidly expanding Kathu region of the Northern Cape.



Vukani Musa
Construction
partners Willem Smit
and Joseph Kente

Its founder, Joseph Kente, is a man determined to succeed. Despite having to cut his schooling short because of financial hardship, he continued studying while training as a carpenter at Kumba Iron Ore's Sishen Mine. He passed matric and his trade test and then went on to qualify as a building inspector in 2001.

He soon realised that there were few black-owned companies that could deliver high-quality building services and approached the Kumba Small Business Hub for assistance.

Recognising his talent and determination, the Hub facilitated the granting of a loan of

R680,000 from the Small Business Start-up Fund. Joseph founded Vukani Musa Construction in April 2008, and has already employed 18 people. He holds a 50% stake in the company, while his partner, Willem Smit, who has over 20 years experience in the building trade, owns the remaining shares.

Vukani Musa has already commenced a number of projects, including the upgrading of various buildings at Sishen, as well as the construction of a pre-primary facility at a local school.

Joseph is living a long-nurtured dream.

There's a doctor in the house

Supporting our community

An excellent example of the depth and diversity of the businesses supported by the Anglo Platinum Small Business Hub initiative is the medical practice owned by Dr Lorna Maphuthuma in Burgersfort in the Limpopo Province.

Lorna was faced with the opportunity of a lifetime when the owner of a thriving medical practice where she acted as a locum, asked her if she wanted to take over the business.

Lorna received a loan from the Small Business Start-up Fund, which enabled her to buy the practice. Lorna intends to develop the facility, which already incorporates a resident physiotherapist, an optometrist and a radiographer into a 'one-stop shop'. The practice serves both private and general patients, and is a preferred service provider to the Anglo Platinum Health Scheme for which it operates an after-hour treatment service.

Lorna is full of praise for the support she receives from the Hub, particularly the quarterly audit of her books that allows her to concentrate on patients, secure in the knowledge that her financial affairs are in good hands.



The proud owner of a medical practice in Burgersfort in the Limpopo Province, Dr Lorna Maphuthuma

Lucky Sebigi helps run Boiterilo Jewellers, a Kathu-based business, which makes jewellery and a variety of decorative ware and cutlery



Delivering success

Giving back to the community

Reditsego Transport provides a collection and delivery service for Anglo Coal Central Laboratory in Witbank.

Owner Sybo Ditsego was due to retire when he received the entrepreneurial opportunity of a lifetime. The laboratory had previously employed contractors to collect geological and coal samples from the division's collieries.

However, this service proved to be unreliable and it was suggested that Sybo take over the

role himself. With a loan from the Hub, Sybo has purchased two vehicles, office and personal protective equipment.

Sybo, who currently employs a driver and two general workers, is eager to grow his business so that he can give something back to his community by employing more people.



Xoli Ndebele, Gugu Hadebe, Solomon Sihlangu and Sybo Ditsego with a newly acquired vehicle purchased with assistance from the Small Business Start-up Fund

Who is eligible for funding?

Black-owned small and medium enterprises and small-scale black-owned mining companies in start-up and expansion phase. For the Small

Business Start-up Fund, entrepreneurs must be located within a 50km radius of an Anglo American operation.

What are the general funding criteria?

- Commercial viability – the business must be sustainable in the long term and meet return requirements.
- Transfer of skills – there must be potential for BEE entrepreneurial development.
- Owner's equity contribution – minimum of 10%.
- For the Supply Chain Fund, there must be an existing or potential link into the Anglo supply chain.
- The owners of the investee companies must be involved in the day-to-day management and operation of the business.

What are the financial funding criteria?

- Maximum funding per deal:
 - Supply Chain Fund – R5 million
 - Anglo Khula Mining Fund – R20 million
 - Small Business Start-up Fund – R1 million
- For the Supply Chain Fund and the Anglo Khula Mining Fund, Anglo Zimele acquires minority equity participation (10-49%).
- Working capital requirements will be funded through shareholder loans at prime plus 1% (flat 10% for Small Business Start-up Fund) with commercial repayment terms and conditions.

In addition:

- An exit strategy for Anglo Zimele must be clearly defined at the outset.
- For established business proposals, a new company is the preferred route.
- The business must be registered as a (Pty) Ltd company and as such must have an appointed auditor.
- Proper accounting records must be maintained by either an internal resource or outsourced to an independent third party. This resource must be approved by Anglo Zimele.

Anglo Zimele reserves the right to decline investment proposals even though they may meet the specified criteria.

How to apply for funding:

Step One

The first step is to prepare a business plan, which should cover areas such as:

- Description of business and opportunity
- Industry and market analysis
- Technology, operations, and logistics
- Management and human resources
- Financial analysis and business systems
- Legal aspects
- Action plan with time line
- Contingency plans.

You need to establish a conservative basis with a clear link between contracts and revenue generation. All overheads and expenditures should be scrutinised on a zero budgeting basis.

Step Two

If your business plan is successfully approved by the Anglo Zimele board, Anglo Zimele acquires a minority equity stake in your business and is represented on your new company's board of directors. Only loan funding applies to the Small Business Start-up Fund.

Step Three

Following the expression of interest to pursue this deal, you sign confidentiality and terms of engagement agreements with Anglo Zimele.

Shareholders and loan agreements will be compiled by Anglo Zimele, which will have as annexures Anglo's good corporate citizenship principles and Anglo Zimele's financial reporting and safety, health and environmental (SHE) requirements. A due diligence exercise is also undertaken.



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