

Investing in the future  
Anglo American plc  
Black Empowerment Report  
September 2002



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# Introduction

Facilitating entry for emerging black businesses into South Africa's economic mainstream has been a constant of Anglo American Group policy for many years. Anglo American has been associated with in excess of R13bn of black economic empowerment deals comprising over R10bn in empowerment transactions and over R3bn on procurement from black-owned businesses. This has entailed a dual approach: on the one hand, it is recognised that big deposits and operations, often at depth, and the attendant capital-intensive mining and processing technologies, are simply beyond the reach of the small- and medium-scale entrepreneur. This is the sector where big new empowerment players such as African Rainbow Minerals (ARM) and Mvelaphanda Platinum (Mvela) are forming partnerships with Group companies.

On the other hand, Anglo American, since the establishment of its Labour Intensive Industries Trust (LITET) – now Zimele – almost a quarter of a century ago, has encouraged business development by emerging black businessmen on a smaller scale. In 1989, with the formation of the Small Business Initiative, the Group embarked on a specific programme to focus on business opportunities for small businesses with a significant black ownership component.

## Major empowerment deals

Starting in 1994, with the sale of a 51% shareholding in Southern Life to African Life, Anglo American has been a pioneer in opening up its major business operations to black empowerment partnerships. Since that time, the Group has fostered far-reaching equity participation in substantial, viable ongoing companies and operations. These include the formation of Johnnic, now a highly successful black-owned and -managed business, as well as JCI, both out of the former JCI Limited.

Other prominent examples of assisting the emergence of black partners were to follow as the Group decided to spin off a variety of enterprises in order to concentrate on its core mining and natural resource business and embarked on a new round of mining projects. These include substantial and widespread participation in the platinum mining industry through joint investments with the likes of Mvela, ARM and the Royal Bafokeng Nation.

The gold sector has seen the entry of ARM into AngloGold-managed Vaal Reefs' operations, followed early this year by ARM, in partnership with Harmony, acquiring AngloGold's Freegold assets. Other notable 'big deals' saw the emergence of Eyesizwe as South Africa's fourth largest coal producer, and the SiyaQhubeka initiative, which has resulted in meaningful black participation in ownership and management of substantial timber assets.

## Small business development and procurement

Simultaneously, with the nurturing of a 'big emerging business' sector, Anglo American has its SMEI programme. This is not a social responsibility, nor an affirmative action initiative programme. Rather, strict commercial criteria help provide a bridge between large and small businesses. Today, this initiative, now known as Zimele, provides the hands-on interface between the Anglo

American Group and nascent enterprises, and identifies suitable entrepreneurs. Zimele strives to empower those entrepreneurs, both financially and managerially, so that they can operate independently in both the domestic and international economies.

Zimele's objective is to create sustainable, commercially viable businesses driven by people with passion and entrepreneurial spirit. It invests directly in empowerment companies and encourages Anglo American companies to procure from them, thus benefiting the Group twice over – through equity growth and dividends, and through competitive purchasing from companies it knows intimately. Anglo American's procurement policies and practices have received national and international recognition.

## The way forward

In a recent meeting Anglo American and South African government ministers agreed that a suite of robust, broad-based sustainable empowerment programmes must be developed in the pursuit of a shared vision of a globally competitive mining industry that draws on the human and financial resources of all South Africa's people and offers real benefits to all South Africans. This suite should include employment equity, employee share ownership plans, empowerment units trusts, procurement and small and medium enterprise initiatives, investment in greenfields projects and social investment initiatives.

Employment equity is key to establishing a demographically representative management team in existing companies and to providing the seedbed for future mining entrepreneurs. Anglo American has made significant investment in scholarship holders and bursars at leading universities and technikons, essential in order for the future demographic profile of the workforce to reflect that of South Africa.

New collective forms of investment such as employee share ownership plans and empowerment unit trusts will play an important role. The company is estimated to have a current equity participation by previously disadvantaged South Africans of around 11%. The challenge is to increase the flow of savings into, and the proportion of funds invested in mining equities.

Greenfields projects provide the best opportunity for effective and affordable entry into the mining industry for new investors including historically disadvantaged South Africans. In successful projects all the capital appreciation accrues to the strategic partners. Such strategic partnership opportunities currently cover the gold, coal, base metals, ferrous metals, platinum and diamond sectors.

Corporate social investment makes a vital contribution towards the well being of society as a whole. Anglo American has a long established tradition of community involvement and social investment. In 2001 the Anglo American Chairman's Fund donated R60 million to 650 social initiatives. With a three decade long focus on educational support as the foundation for social progress, the reach of the Fund is very wide: so for example from 1998 – 2001 69,000 teachers received training from projects supported by the Fund, improving the education of some 4,6 million school children.

# Anglo American's major empowerment milestones

**1980** **Labour Intensive Industries Trust (LITET)** established by Anglo American.

**1989** Anglo American started its **Small and Medium Enterprise Initiative** with a particular focus on black entrepreneurs.

**1994** Anglo American sold a 51% interest in **Southern Life** to **African Life** for R163 million.

**1996** The former **JCI Limited** was restructured to bring black empowerment investors into the mainstream of SA's industrial and mining economy. Following the initiative, Anglo American and De Beers sold a 35% interest out of their 47.4% interest in **Johnnic** to the **National Empowerment Consortium (NEC)**. The deal was concluded at R50 per share, or R2.6 billion in total.

**1997** Anglo American and De Beers sold an initial 30% out of their total 47.5% interest in **JCI** in 1996 at R54,50 per share, or R2.5 billion in total, to the **African Mining Group** and Saflife Limited.

Anglo American Industrial Corporation sold its wholly-owned subsidiary, **Conlog Holdings Limited**, in a management buy-out to an empowerment consortium for R38 million.

De Beers (an independently managed associate) granted **SA Temane Company** a supply of uncut diamonds through its diamond marketing division, the Central Selling Organisation. This was the first time in history that a black-controlled group had been appointed a shareholder.



Tony Trahar, CEO Anglo American plc, and Phumzile Mlambo-Ngcuka, SA Minister of Minerals and Energy, at the announcement in August 2002 of Anglo Coal's sale of its KwaZulu-Natal coal reserves, comprising around 104 million saleable tons, to Leeuw Mining and Exploration (Pty) Ltd – a new black empowerment company.

**1998** AngloGold Limited (an independently managed subsidiary) sold **Vaal Reefs'** shafts to **African Rainbow Minerals (ARM)** for R38 million. ARM acquired all shafts of Western Holdings and the previously closed Welkom gold plant for R28 million.

In 1998, the **De Beers** group acquired the **Marsfontein** mine mineral rights in the Limpopo Province. In the process of forming a joint venture, a consortium of empowerment partners was established and **Steppon** was formed. The empowerment investment was funded by way of a R200 million loan from **De Beers**. The loan has been repaid and **Steppon** is now financially positioned for future projects. The partners in Steppon include **New Diamond Corporation**. The **Klipspringer Joint Venture**, a project initiated by the empowerment partner was concluded last year to ensure the sustainability of **Steppon**. **Klipspringer** has an estimated life of 13 years.

**1999** De Beers transferred its 60% interest in the high yielding **Marsfontein** mine to a new company for R200 million. De Beers subsequently sold off 49% of the new company to a consortium of black empowerment partners consisting of **New Diamond Corporation (NDC)**, **Domba Investments**, **Umnotho we Sizwe Investment Holdings** and **Vuwani Projects**.

**2000** Anglo Coal and Billiton Coal concluded a transaction with **Eyesizwe Coal** for 80% of the NewCoal assets, for a consideration of R360 million, creating the fourth largest coal producer in South Africa.

Anglo American and De Beers' sale of a controlling stake in **Johnnic** to the **NEC** resulted in the creation of the **Ikageng Johnnic Share Scheme** in 1997. Anglo American and De Beers made available 9.1 million shares, representing 6% of Johnnic's issued share capital to the scheme. An offer was then made to previously disadvantaged groups, resulting in 32,000 mainly small black investors' participation in the scheme. At the closure of the scheme in 2000, Johnnic had over 25,000 black investors.

Anglo Platinum sold a 17.5% interest in **Northam Platinum Limited** to **Mvelaphanda Platinum**. This empowerment transaction was facilitated by Anglo American.

**2001** Anglo Platinum and **ARM** concluded an agreement in terms of which a 50:50 joint venture is to be established between Anglo Platinum and ARM Mining Consortium to undertake the mining at Maandagshoek (now Modikwa), with an initial capital expenditure of R1.35 billion.

Anglo Platinum signed an agreement with the **Royal Bafokeng Nation** for both parties to participate equally in the **Bafokeng-Rasimone** platinum mine and **Styldrift project**.

Anglo Platinum and Lonmin Platinum (Lonplats) agreed to establish the 50:50 **Pandora Joint Venture** to exploit the UG2 Reef which will build up to produce 230,000 ounces of refined platinum per annum from 2007 and will cost R1.42 billion. Discussions are in progress with **Northam** for a 10% participation in the Pandora Joint Venture.

Anglo Coal, a major shareholder in **Richards Bay Coal Terminal**, agreed to waive its participation rights in the coal terminal's expansion in order to give black economic empowerment partners a meaningful stake in the world class export facility.

**SiyaQhubeka Forests**, a consortium comprising Mondi Limited (65%) and **Imbokodvo Lemabalabala Holdings** (10%), and the SA government through SAFCOL, the National Empowerment Fund and employees (25%), received a package of former State forests in a R100 million transaction in December 2001.



Training underground at the Bafokeng-Rasimone platinum mine

Mondi has agreed to facilitate the sale of 14% of its interest in SiyaQhubeka to rural black timber farmers, neighbouring communities (including local traditional leaders) and the empowerment shareholders, thereby reducing its shareholding over time to 51%.

**2002** In January 2002, AngloGold reached agreement for the sale of its Free State assets to the **Freegold Joint Venture (comprising ARM and Harmony)** for R2.2 billion. This transaction allows for meaningful participation of previously disadvantaged groups in both the ownership and management of a substantial gold mining operation.

**De Beers** and **Mvela** signed heads of agreement in February 2002 on a joint venture that commits both parties to grassroots (early stage) exploration for new world-class diamond deposits in the northern part of South Africa. De Beers' shareholding in the new joint venture company is 67% and Mvela holds 33%, with both parties contributing towards exploration expenditure.

The agreement includes a commitment by both parties to provide opportunities for the transfer of skills and employee development.

Black-owned diamond mining company **New Diamond Corporation (NDC)** signed a R38 million deal with **De Beers** in March 2002 for the purchase of the dormant **Kamfersdam** mine and tailings dumps near Kimberley, bringing **NDC** closer to its goal of producing 1 million carats per annum by 2007.

In July, **Anglo Platinum** and the **Royal Bafokeng Nation** announced a joint venture to mine the Boschkoppe and Styldrift farms in the North-West province.

In August, **Anglo Platinum** and **ARM** announced a joint venture to mine Maandagshoek on the eastern limb of the Bushveld complex.

**Anglo Platinum** will also sell 50% of discrete portions of each of the Twickenham and Der Brocken project areas to two BEE partners.

# Operating a continuous miner at Arnot underground colliery, now part of Eyesizwe



Anglo American Group companies have been at the forefront of facilitating the entry of black entrepreneurs into South Africa's big-business sector

# Black empowerment mining

Anglo American's thrust in empowering black people in South Africa's mining industry has been twin-pronged. On the one hand, the big deposits and existing large-scale operations are clearly beyond the scope of the small- and medium-scale mining sector. In this category, pioneering moves in the mid-'90s created the African Mining Group as well as Johnnic out of the old JCI Limited. These were followed by AngloGold's former Vaal Reefs shafts being acquired by ARM and ARM's purchase, with Harmony, of AngloGold's extensive Freegold assets.

Other 'critical mass' empowerment deals include Mvela's 22.5% stake in Northam and the agreement with the Royal Bafokeng Nation to participate equally with Anglo Platinum in the Bafokeng-Rasimone mine and Styldrift project. In 2001, a 50:50 joint venture agreement was reached between Anglo Platinum and ARM to undertake mining at Modikwa, set to enter production from 2004.

In the coal sector, the transaction by Anglo Coal and Billiton with Eyesizwe in 2000 created South Africa's fourth largest coal producer. The waiving by Anglo Coal of its participation rights in the expansion of the Richards Bay Coal Terminal will afford black entrepreneurs a meaningful participation in this world-class export facility.

De Beers last year embarked on the Sedibeng Mining project (re-treating mine dumps), costing R2,7 million, involving the Kimberley Multi-Stakeholder Forum and the Kimberley Small Mining Forum. The De Beers Dumpco project was initially started by a number of retrenched employees and was intended as a job creation initiative to treat old tailings and rehabilitate the mine dumps. Through extensive mentoring of business skills, and operational fundamentals, this has become a sustainable business.

On the other hand, there are numerous small deposits and mines that are simply uneconomic for Anglo. Chichane Refurbishment and Salvage Management, for example, was born in 2001 out of the commercialisation of a salvage yard division at Anglo Platinum and is now managed as an independent business by former employees. In order to address this challenge, Zimele has created a separate small-scale mining development fund that can leverage off other financial institutions. Here, Zimele's expertise has been recognised by the Industrial Development Corporation and the Department of Trade and Industry's SMEI support unit Khula, which have chosen Zimele as a key channel for progressing SMEI development within the new mining context in South Africa.

In respect of the new Minerals and Petroleum Resources Development Bill, Anglo American and its Group companies support the political imperative of involving historically disadvantaged South Africans in the mining industry. In August 2002, Anglo American agreed to invest R20 million in the Anglo Khula Mining Fund, a joint venture between Zimele and Khula Enterprise Finance Limited. The Fund will invest in viable small and medium sized companies that are involved in small-scale mining and related activities within South Africa. Anglo American believes that greater black economic empowerment is essential and that black South Africans must gain access to more skills, and need to be much better represented in the skilled, professional, supervisory and managerial ranks of employed South Africans. A much larger proportion of sub-contracting and procurement must be directed to black-owned and black-run companies. It is Zimele's aim that black-owned mining ventures add more dynamism to the well-established mining sector and fuel sustainable economic growth and the creation of employment opportunities.



Anglo Platinum signed an agreement with the Royal Bafokeng Nation in 2001 for equal participation in the Bafokeng-Rasimone mine and Styldrift Project

# In the big league

## Eyesizwe

On 22 February 2001, Eyesizwe celebrated the conclusion of an empowerment transaction facilitated by Anglo Coal and Billiton Coal (for a consideration of R360 million), creating a large, balanced, financially viable black-controlled coal mining group.

The transaction had its origins in the acquisition by Anglo Coal of Gold Fields Coal in July 1998 and was the joint vision of the then chairmen of Anglo Coal and Billiton Coal.

The assets initially consolidated under the name NewCoal and now owned by Eyesizwe are Matla Coal, an underground colliery which is contracted to supply around 10 million tons per annum to Eskom's Matla power station; New Clydesdale colliery, an underground mine which produces around 1 million tons per annum largely for the export market; Arnot underground colliery, contracted to supply around 4 million tons to Eskom's Arnot power station; Glisa colliery, an opencast and underground mine producing around 1 million tons per year largely for supply to the domestic industrial market; a shareholding in the Richards Bay Coal Terminal; and unexploited resources of some 5 billion tons.

A lengthy process followed, which was deliberate, considered, consultative, participatory, transparent, and sought from the outset to avoid many of the pitfalls and problems which had plagued prior empowerment transactions. It was considered important to maintain this approach throughout the process and not to compromise the integrity or transparency of the process, even though this was secured at the expense of time.

An open call for proposals allowed as wide a spectrum of participants as possible to elect to participate in the process. While the selection process was underway, a common corporate governance system and a consolidated financial reporting system to enable the effective management and administration of the NewCoal assets was progressively introduced.

Eyesizwe – headed by Siphon Nkhosi whose career includes periods with Amcoal (the forerunner of Anglo Coal) and Southern Life, Ingwe Coal and ABB – was one of the three consortia nominated in September 1999 as preferred bidders for NewCoal. These parties conducted a due diligence examination of the company, prior to submitting a detailed proposal to acquire a controlling interest in NewCoal during March 2000. On 7 November 2000, a signing ceremony marked the completion of the deal.

Anglo Coal and Billiton Coal retained respective 11% and 9% equity interests in Eyesizwe and undertook to hold this interest for at least two years. As part of their commitment to support Eyesizwe, both companies entered into temporary service agreements in terms of which they would provide technical services at market-related rates to assist in the efficient transfer to and commencement of Eyesizwe's operations – now the fourth largest coal company in South Africa with an annual sales volume of some 18 million tons.



(left to right) former CEO of Ingwe Coal Dave Murray, Eyesizwe CEO Siphon Nkhosi and chairman Mandla Mchunu and Anglo Coal chairman and CEO Tony Redman at the celebration which marked the creation of the fourth largest coal producer in South Africa – Eyesizwe – which produces around 18 million tons of coal per annum with an annual turnover in excess of R1 billion

# Empowerment in the hands of black investors

## Ikageng

The Ikageng Johnnic Share Scheme came into being in April 1997, following the sale by Anglo American Corporation and De Beers of a controlling stake in Johnnic to black-controlled National Empowerment Consortium (NEC), which was led by Cyril Ramaphosa. As part of the deal, Anglo American and De Beers made available 9,1 million shares, representing 6% of JCI Limited's issued share capital, to the Scheme. An offer was then made to previously disadvantaged groups, resulting in 32,000 mainly small black investors participating in the Scheme on payment of a deposit of R6 per share.

On closure, the 32,000 participants were invited to either purchase their shares out of the Scheme or indicate that they wished to sell their shares.

With an average close-out price of R90 per share, shareholders who chose to sell all or part of their shares received a return of 400% on their initial cash outlay of R6 per share. At the closure of the scheme, Johnnic had over 25,000 black investors.



Anglo American pioneered the successful Ikageng Johnnic Share Scheme which resulted in a substantial black shareholding in Johnnic. It not only proved to be a benchmark for black economic empowerment, but paved the way for similar schemes and demonstrated that small black investors can participate and benefit from investing in listed companies. Hazel Ralefeta, chairperson Ikageng and Cyril Ramaphosa at the press conference

## SiyaQhubeka

On 6 December 2001, the Minister of Public Enterprises, Jeff Radebe, and the Minister of Water Affairs and Forestry, Ronnie Kasrils, together with the community of Kwambonambi, celebrated the transfer of forests to SiyaQhubeka.

The SiyaQhubeka Consortium comprises Mondi Limited (a member of the Anglo American plc group) and its empowerment partner Imbokodovo Lemabalabala Holdings (IL Holdings). IL Holdings is chaired by Moses Molefe and counts black business representatives and traditional leaders among its shareholders. The Consortium's shareholding amounts to 75%, with Mondi holding an initial 65% and IL Holdings 10%. Government, through SAFCOL, the National Empowerment Fund and employees, holds the balance of 25% of the shares.

Mondi has agreed to sell 14% of its interest in SiyaQhubeka to rural black timber farmers, neighbouring communities (including local traditional leaders) and the empowerment shareholders.

The strong local community involvement ensures that, through the forestry initiative, black economic empowerment is fostered and local communities are uplifted.

A noteworthy aspect of this R100 million transaction was the decision to remove forest plantations from part of the western shores of Lake St Lucia. The rehabilitated land will be incorporated into the Greater St Lucia Wetland Park, adding 11,000 hectares to the park. SiyaQhubeka has supported moving the boundary fence of the park to include a sizeable portion of its plantations, allowing for better management and freer movement of animals. This is a world first for commercial plantation forestry and a World Heritage Site and is a prime example of sustainable development in action.



Ronnie Kasrils, Minister of Water Affairs and Forestry (left), and Andrew Thompson, CEO of Mondi Limited, at the SiyaQhubeka Launch on 6 December 2001, which marked an important milestone in the process of restructuring State forests involving 22,000 hectares of SAFCOL commercial forestry assets

# Empowerment in small and medium enterprises

## Zimele

The Group's initiatives in the area of small and medium enterprises have been based on a dual approach – procurement and business development – which ensures success and sustainability.

### Procurement

The procurement aspect is run by business development officers in Anglo American's subsidiaries and divisions. Opportunities for the procurement of goods and services from black economic empowerment companies are identified. Training, support and mentorship are provided. Adherence to commercial principles such as quality, price, delivery service and cost savings is essential. The Group does not pay a premium in order to support BEE companies.

### Milestones

In **1995**, in addition to **spending R200 million** in assisting to establish businesses in the Anglo American Group, **procurement business worth R67 million** was placed with small black businesses.

In **1996**, Anglo American facilitated business to the value of **R250 million** in 201 emerging businesses, creating employment for around 3,700 people. Added to this, Group companies spent a further **R187 million** with small businesses.

Up to the end of **1999**, Anglo American had facilitated business transactions to the value of **R800 million** in **500** emerging enterprises, employing close to 7,000 people. This represented a turnover per job of around R67,500.

In **2001**, the Group's companies supported black-owned ventures to the tune of **R1.3 billion** and the Group's small business activities expanded **23%** over the previous year. During this period, the 21 investments produced an annual turnover of R145 million and collectively employed 1,234 people.

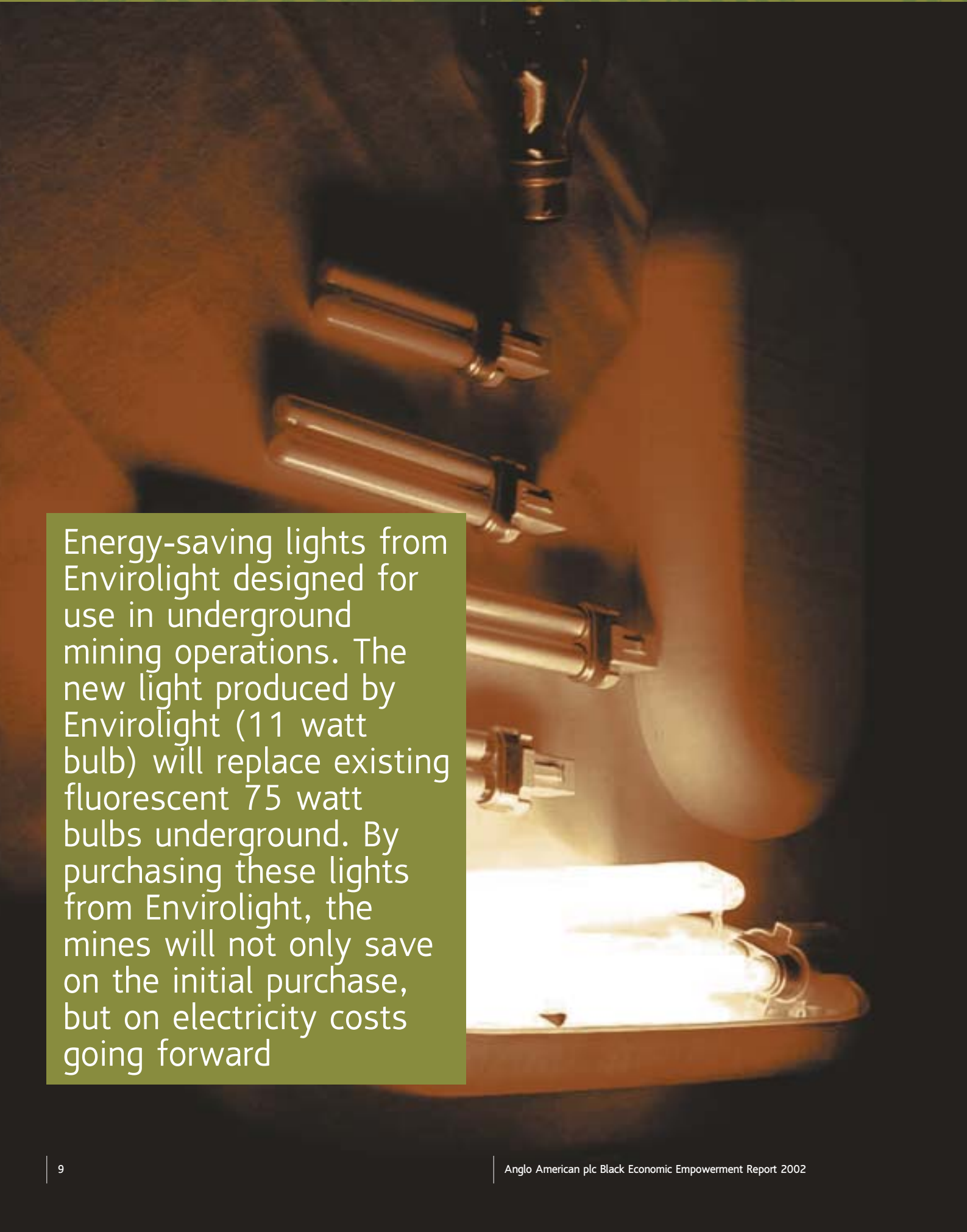
### Business development

The second aspect of the BEE model is that of business development. This grew out of the Group's investigation into the outsourcing of non-core activities. Where BEE companies have not existed, Zimele has endeavoured to start such enterprises, using entrepreneurs employed within the Group companies, or identifying those outside the Group.

Zimele adds value by providing funding through loans and equity on the one hand and, on the other, imparting business knowledge and skills through assisting with business plans, strategy, systems and corporate governance. When the business is viable and sustainable, Zimele exits, enabling Anglo American to use the funds for new initiatives.



Zimele's management team and business development support officers. Seated: Lia Vangelatos, senior business development manager, Zimele; Cain Farrel, senior divisional secretary, Zimele. Standing (left to right): Nick van Rensburg, vice president, Zimele and managing director, Zimele Fund; Sifiso Ndwandwe, senior business development manager, Mondi; Phillip du Plessis, senior business development manager, Anglo Platinum; Louwrens de Jager, senior business development manager, Anglo Coal



Energy-saving lights from Envirolight designed for use in underground mining operations. The new light produced by Envirolight (11 watt bulb) will replace existing fluorescent 75 watt bulbs underground. By purchasing these lights from Envirolight, the mines will not only save on the initial purchase, but on electricity costs going forward

# The Anglo American model – a success story

## In Khazakstan

Privatised steel plant Ispat Karmet, employing roughly 50,000 workers, is the key engine of economic development for Karaganda, a poor, isolated region of Khazakstan. Ispat Karmet's ties with the local private sector need to be deepened to allow more of Karaganda's people to share in its benefits.

Seeking a proven model for supply-chain development, the International Finance Corporation (IFC) last year studied Anglo American's Zimele programme in South Africa. With financing and technical support on a for-profit basis, Zimele has not only groomed 300 local SMEs as Anglo American suppliers but has also built their sustainability and value by helping them compete in the broader marketplace.

After discussions with the IFC, Anglo American agreed to help transfer its model to Karaganda. IFC and Ispat Karmet have now teamed up to finance a \$6.9 million SME fund that will make up to 20 job-creating investments in local SMEs that supply the steel mill, while also supporting them with technical expertise and management training. The project should go a long way towards filling the financing and knowledge gaps faced by these SMEs and, in the process, reduce the steel producer's operating costs by strengthening its local supply chain.

## International recognition

Anglo American's model of small business development is attracting attention throughout the world. The IFC has adopted the model as a linking programme between big and small business, while the World Association for Small and Medium Enterprises has been keen to share the Anglo American experience in Linking Big and Small.

Such is the international recognition being accorded the Anglo American model that Anglo American's experience in empowering emerging entrepreneurs formed keynote presentations in 2001 at the International Small Business Congress held in Sweden and the Africa Project Development Forum in Lisbon. In September 2002, at a conference on effective business-linkage programmes held in Rio under the aegis of the United Nations Council for Trade and Development (Unctad), Anglo American, on the basis of its successful business-development model, was chosen once again to be one of the main speakers and active participants.



The Zimele model has received international acclaim in countries as far afield as Sweden, Spain and Khazakstan. Featured is an IFC delegation on the tour of Ispat Karmet steelworks in Khazakstan, where the Zimele model is being replicated

# Zimele – empowerment in action

## Simunye Engineering

The idea for the formation of Simunye in 1991 came from Isaac Sibanyoni, a 33-year old unemployed Rastafarian, who, at the time was living in a squatter camp. He had formed an organisation called *Unemployed Voice of Kwaguqa*, and was assisting jobless people in his community. Isaac had previously worked as a cleaner on colliery draglines in the Witbank area and he proposed the creation of a dragline cleaning company.

Since Sibanyoni had no technical expertise, it seemed prudent to find him a business partner with complementary skills. Anglo approached Koot Du Preez, a retired foreman, who was running a basic welding course for the local community. He joined Isaac, and Simunye Engineering Services was formed with equity of R24,000 and a loan from Zimele of R30,000. Koot and Isaac held equal shares in the company (40%) and Zimele the remaining 20%.

The company flourished, and in March 1993 Simunye combined with Phumalanga Engineering, a sole proprietorship of Simon Mdau, a highly skilled artisan with an aptitude for metallurgically complex welding techniques.

Anglo American identified the synergies between the two companies, and facilitated the merger, with Isaac, Koot and Simon each holding a 30% stake, and Zimele the remaining 10%. The range of services expanded beyond dragline cleaning to include scraper bucket refurbishment, roof cleaning and railway repair. Simunye is currently refocusing its efforts on mining projects.

After beginning with a single contract with Anglo Coal's Kleinkopje mine, the company has expanded to provide services to Eskom, JCI, Billiton Coal and Steinmüller.

Simunye has 13 permanent staff members and has employed an average of 700 contractors per month for the past 12 months. Sales revenue reached R21 million in 2001.



Isaac Sibanyoni (left) with Fielies Mkhonto at Simunye Engineering, which boasts a 12-year relationship with Anglo American

## Dube's MSL Transport Services

Two former drivers with Boart Longyear's manufacturing plant in Roodepoort independently motivated the outsourcing of transportation services and, with assistance from Boart Longyear, have established their own trucking companies.

The entrepreneurs set up their own closed corporations, received finance from Boart to purchase a number of its heavy-duty trucks and were awarded contracts to transport the group's capital equipment, products and pneumatic machines and spares to customers around the country. The combined value of Boart's support in 2001 totalled over R500,000.

Wesley Masuku and McKenzie Dube operate a fleet of seven vehicles.



These two former Boart Longyear employees Wesley Masuku (left) and McKenzie Dube now operate a thriving small truck business

## African Biotechnologies

The idea for African Biotechnologies (ABT) was conceived when two black entrepreneurs and ex-employees of AECL, Mrs Khanana Memela and Dr Blessed Okole, requested the Council for Scientific and Industrial Research (CSIR) to help structure a deal to purchase Kynoch Plant Laboratories, a subsidiary of AECL. Anglo American was approached to help finance the deal through Zimele. Two further shareholders were invited on board, namely Rob Morris, also an ex-employee of AECL, and EPA Development. The purchase of the laboratory was financed with R600,000 shareholders' equity and R1.5 million from the Industrial Development Corporation. The new company began operations on 1 September 1998.

The management team, which has extensive experience in tissue culture technology, comprises Memela, managing director, Dr Okole, production director, and Morris, marketing director, each holding an 18% stake in the company. EPA Development (a group of black professionals involved in agricultural research development) and Zimele, have 26% and 20%, respectively. ABT has 40 staff members.

In October 2000, ABT joined hands with Dutch plant company Pothos which has acquired an 18% shareholding in the black empowerment company.

The joint venture enables ABT to produce flower cultures for Pothos, facilitating expansion and benefiting from Pothos' strong marketing expertise.

Zimele has since exited this business, which continues to operate successfully.



Banana tissue culture is ABT's core business and it currently produces bananas for local and export markets. Locally, the company sells to farmers in Tzaneen, Levubu, Hazyview, Nelspruit and the North and South coasts of KwaZulu-Natal. The export market includes Cameroon, Côte d'Ivoire, Ghana, Swaziland, Zimbabwe and the Caribbean islands of St. Vincent, Grenada and Dominica

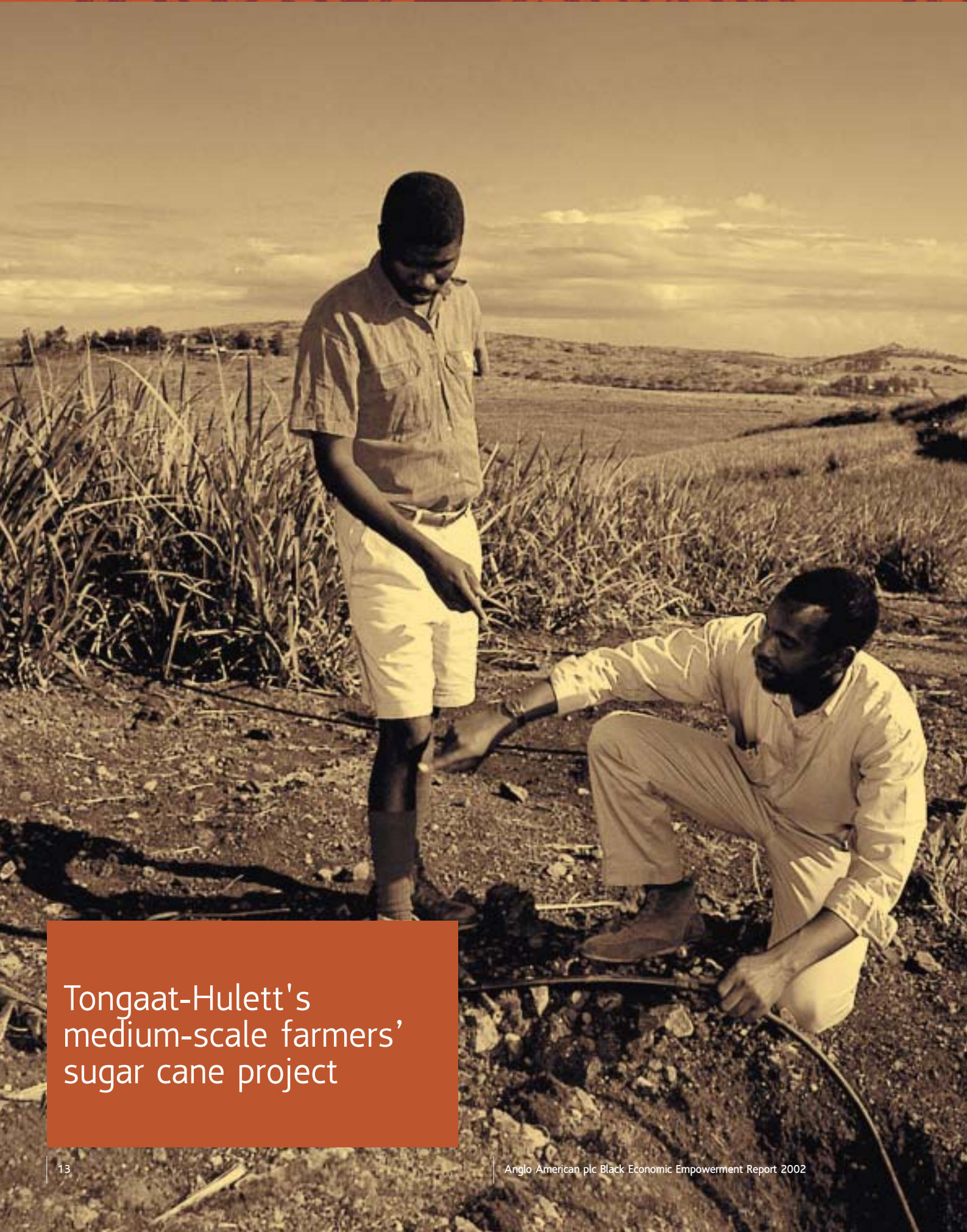
## Bambanani

In February 2000, Bambanani Health and Safety (Pty) Ltd began business, supplying equipment to the mining industry.

Solomon Magola, who holds 67% of the company, has gained valuable commercial experience in the coal mining industry where he rose from being a fitter to the position of production manager of Sturrock and Robson. Zimele owns the balance of the shares.



Bambanani Health and Safety is a distribution agent of Daloz International, a world-renowned company that manufactures a range of ear, eye and respiratory protection equipment for use in mining and hazardous industrial operations



Tongaat-Hulett's  
medium-scale farmers'  
sugar cane project

# Naledi Computer Systems

Anglo American's involvement in the development of Naledi began when Zimele procured 20% of Naledi's shares in August 1997. In keeping with Zimele's policy of black empowerment, 40% was held by previously disadvantaged individuals, while the remaining 40% was divided among the directors and employees of Naledi.

Led by Joe Monakali, the highly skilled Naledi team immerses itself continuously in the latest technological trends. Naledi's consulting services include both server and network consulting, installations, configurations, performance tuning, migration and integration strategies and total cost of ownership strategies.

On 27 September 2000, AST Group, a JSE-listed IT company, acquired a 20% shareholding in Naledi. Joe Monakali (MD) and Jaco du Toit, technical director, now hold stakes of 50.5% and 9.5% respectively.

Through AST, Naledi has access to a larger pool of resources, best practices and expertise that can be applied both locally and globally.

Naledi has contracts with Anglo American, Primedia's Direct Response Marketing, Sasol, and Maccauvlei Training and Conference Centre. Recently, Naledi was part of a consortium which was awarded a contract by the Department of Justice.



Joe Monakali (far left), MD of Naledi, presenting Naledi's credentials to David Fish (Zimele trustee), Gerrie de Klerk (chairman AST Group) and Tony Trahar (Anglo American CEO)

# Ikhwezi

When Zimele learned of Isaac Mashiya's business idea for a postal and transport service in 1996, it offered to help with the drafting of a business plan and pricing, and held negotiations with the Highveld Steel management where his business was to be located. This culminated in the establishment of Ikhwezi Postal and Transit services in February 1999 under the management of Isaac Mashiya and Phillip Nkosi.

Ikhwezi employs four people and offers transport services to employees, visiting doctors and those called to site for emergencies. It also provides post, delivery and shuttle services between Highveld Steel and Witbank. Other clients include Vantra, Vanchem, Rand Carbide and Transalloys, enabling these companies to focus on their core business and reduce indirect costs. Ikhwezi recently successfully negotiated a contract with Anglo Coal.



Isaac Mashiya and Phillip Nkosi, prime examples of the empowerment of former employees and their development as successful entrepreneurs

## Stimela Rail

Stimela Rail Construction (Pty) Ltd began as an outsourcing opportunity with an investment by Zimele of R25,000. When Zimele exited it sold its shares for R600,000.

Stimela Rail was formed in 1996 with Johan Meyer, the MD, holding 40%, John Mokwena, operations director 40%, and Zimele 20% of the shares.

The company, which offers a high quality service of surface and underground railway maintenance and construction, employs 288 people. Its services also include labour supply, concrete work, earthmoving and a range of construction and civil works.

Stimela has adopted a stringent safety policy. Staff are continuously exposed to training and development programmes to improve efficiencies and to maintain the level of service for which Stimela has become renowned.

In its first year of operation, turnover was over R2 million. At the end of 2001, five years later, Stimela reported turnover of R10 million. A recently acquired contract will double this figure for 2002.



Stimela is thriving as an empowerment enterprise and reputable service provider, employing highly qualified artisans who supervise each of the business areas. Stimela has service contracts with Anglo Coal, Highveld Steel, Billiton Coal, Iscor and Freegold

## Continental Meco

Continental Meco, a member of the world's largest conveyor company, in April 2000 finalised a black empowerment deal for a significant stake in the business. Zimele acted as a facilitator in the transaction.

Peter Davidson, chairman of Sebenza Mining, the first black-owned and -managed mining company in South Africa, was appointed non-executive director and was the first outside shareholder of this privately owned global conveyor giant.

Continental Meco, a leader in coal, minerals and aggregates conveying, manufactures a complete range of idlers, bases and accessories to suit any conveyor system for on-surface or underground applications.



At the launch in Johannesburg of Continental Meco were (left to right) Howard Parsons (former managing director of Continental Conveyor Limited (UK)), Doug Rome (managing director, Continental Meco), Peter Davidson (director, Continental Meco), Johan Kruger (general manager: commercial services, De Beers), Nick van Rensburg (vice president Zimele) and Phillip du Plessis (senior business development manager, Zimele)

Anglo American plc Black Economic Empowerment Report 2002

## Semane Consulting Engineers

Semane Consulting Engineers (Pty) Ltd, an independent, medium-sized engineering consultancy offering civil engineering and environmental management services, was born out of a decision by Anglo Technical Division to outsource certain detailed engineering work in the civil engineering department.

Semane provides a commercially driven design and drawing service to clients, which includes conceptual or broad base design, feasibility testing, detailed design, detailed specifications and the drawing up of bills of quantities.

The company now holds interests in three joint ventures in the railway, architectural and construction fields. Semane Railway Consultants (26%) focuses on the design and maintenance of specialist railway systems. SemArch Architectural Engineering (45%) concentrates on architectural engineering design, project and facilities management in the mining, industrial and institutional sectors. The third company, Semane Global Paradigm (49%), has expertise in construction materials technology.

Semane, which has also formed alliances with a number of engineering firms, including Aquisim, SRK, Osborn, EHL and Karabo Engineering, has a combined staff complement of over 50.



For Semane, empowerment is seen as an economic imperative, necessary for long-term sustainability. Semane's strategy addresses both black economic empowerment and building self-sustainability through entrepreneurship

## Reef Food Services

Reef Food Services (Pty) Ltd, which provides the full spectrum of catering services to mining and industrial operations, is another Anglo American BEE success story.

There are many large companies which outsource catering and it was with this fact in mind that Anglo American recommended the establishment of Reef Food Services in 1990.

The company started as a joint venture between four black entrepreneurs, Zweli Nkosi, Martin Sebesho, Elliot Mnguni and Cornelius Nouse collectively holding (55%), Supervision Food Services (35%) and Zimele (10%).

The entrepreneurs became increasingly involved in hands-on management and the company has actively sought to train its own staff, in particular, to identify and nurture black managerial talent.

Reef Food Services started operating at Anglo Coal mines in February 1991, providing meals to 1,200 employees, effecting a monthly saving of approximately R20,000 to the mine. The savings to Anglo American Group companies have since increased more than tenfold.

When Zimele and the four partners exited the business some years later, Reef Food had a turnover of R90 million and Zimele had created its first black millionaires.



Reef Food Services has continued as an empowerment company and from its small beginnings has grown to a successful business, currently employing 367 people with 38 contracts, and preparing over 30,000 meals a day

# De-barking at SiyaQhubeka



Small Business –  
Charcoal Community  
Project – women strip  
the bark from felled  
wattle trees for use in  
adhesive manufacturing

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Published by Anglo American Corporation's Corporate Communication Department  
Designed and produced by Creativity  
Printed by Ultra Digital