

Economic benefits

Enterprise development and procurement

Some of the key economic benefits of our operations are summarised in our financial review.

We believe the primary focus of economic development is creating a viable group of small businesses and business people from whom we can procure goods and services.

These are necessarily owned, run and staffed by HDSAs. Our contribution is co-ordinated through our LED programme, our procurement department and the training we provide our contractors and suppliers. In addition, representatives of Sishen Mine belong to the Northern Cape Mine Managers' Association at which local procurement issues and opportunities are discussed.

We view procurement and SMME (small, medium and micro enterprise) development in the same light. Kumba is committed to supporting and developing black economic empowerment (BEE) in South Africa and considers BEE essential for the successful transformation of our society. Our initiatives in the promotion and advancement of HDSA procurement are to ensure that HDSA suppliers have access to Kumba's supply chain, resulting in an increase in the momentum of HDSA procurement.

Kumba reports HDSA spend on black-empowered (BE), black-influenced (BI) and black-owned (BO) companies. The indicative procurement targets and actual spend for the company are:

- 30% for 2007 – 30% of discretionary spend with HDSA companies in 2007.
- 35% of discretionary spend with HDSA companies by end 2008.

These percentages relate to discretionary spend with companies that have HDSA ownership. Total discretionary spend refers to total procurement spend less spend on government, parastatals and municipalities, imported technology, imported materials not available locally and any other exclusion approved by Kumba's management.

Case study: Employee participation scheme – Envision

In 2006, Kumba implemented an employee share participation scheme – Envision – to give employees an opportunity to benefit by owning a stake in Sishen Iron Ore Company. Accordingly, 3% of Sishen Iron Ore Company's shares were transferred to Envision for allocation to employees. According to Kumba's chief executive, Ras Myburgh, "Envision represents a critical step in our aim to define a new level of operational and people performance in our industry. It also represents one of our key objectives, namely to deliver outstanding sustainable value to all our stakeholders – our employees included."

This scheme is open to permanent employees of Sishen Iron Ore Company who work at one of the business units in South Africa and are not part of any other Sishen Iron Ore Company managerial share-based incentive scheme. In the second quarter of 2007, the company paid the first dividends to participating employees. In total, dividends of R11 million were paid to Envision participants in 2007.

Employees will, on a pro rata basis, benefit from the appreciation of the company's shares through the Envision trust at the end of five years.

Case study: Sishen Mine small enterprise development

Sishen Mine's LED programme has three primary focus areas: healthcare, education and enterprise development. The aim of its enterprise development interventions is to assist local enterprises with finance, skills and mentoring so that these can take root and flourish. Key projects are discussed below.

Wood and charcoal project

The black thorn tree, *Acacia mellifera*, is classified as an indigenous invader – it occupies valuable land and reduces grazing. The wood and charcoal project was conceived in response to the need to clear the area of this pest. The project has now been transferred to local ownership and is a fully fledged small business. It was recently appointed to supply stores in the Kruger National Park with all their wood and charcoal requirements.

Trees on farms are cut down and processed into marketable firewood. Teams are deployed on these infested farms that trim and cut down the trees using Boscut machines. The trimmed wood products are transported to the depot at Deben where they are spread onto conveyor belts to dry for three months before they are ready for market. The wood is packed in 7kg and 20kg bags and transported across the country.

This project employs 15 people as well as two teams of four people each on the farms.

A storeroom is being built and will be used to store buffer stock to ensure continuous supply to customers.

Compost project

This project was initiated as a second phase of the wood and charcoal project at Deben. Only 80% of the black thorn tree is used for firewood and 15% left behind on farms to prevent land erosion. Of the 80%, 45 to 60% is used to produce wood products and the rest disposed of as waste.

The waste product is being used to produce compost for rehabilitating mine dumps. Other components added to the mix are organic material from the Kathu municipal transfer station, horse dung from the Kathu horse stables and grass clippings from the Kalahari golf course.

Since the project started, many tonnes of compost have been produced by the six people employed and the first load of compost was sold to the mine in December 2007.



Compost project, Sishen Mine

Case study:**Small enterprise
development continued****Boitirello Jewellery**

Unique and exquisite silver, gold and other metal jewellery is manufactured by the Boitirello jewellery project, which was founded through the Anglo Zimele programme. The project comprises six women from Kathu.

All jewellery manufactured through the project is designed by the staff. These designers have all completed the NQF 3 qualification – production of jewellery, and are awaiting external moderation of their portfolios of evidence.

A portfolio compiled by Boitirello Jewellery, consisting of a range of designed jewellery and corporate gift items, was sent to Anglo Zimele for display overseas.

Through the project, skills transfer and craftsmanship are ensured in the production of high-quality products.

During the year, Kumba head office placed orders for corporate gifts, such as jewellery, sugar spoons and letter openers. Local government is also a good customer and regularly orders cellphone holders, pen holders and other items.

Carwash project

Any visitor to Sishen Mine is instantly reminded that mining is a dusty business. All mine vehicles are coated with brick-red mud in the rains and a similar coloured powder in the dry season.

This presented an opportunity – the space for a local entrepreneur to deliver a cleaning service to the mine. Currently, the service includes cleaning parts at workshops before they are refitted into vehicles or equipment, as well as sandblasting parts. With regular and thorough cleaning, and this level of attention, the life span of the mine's vehicles is prolonged.

In addition to cleaning parts, an opportunity to wash employee cars was identified. An outside carwash facility is being built to enable mine employees to leave their vehicles for cleaning. Proper and safe detergents will be used at the car wash.

Fifteen people are currently employed at the parts wash bays.

New Horizon Entrepreneurial Project

The New Horizon Entrepreneurial Project was launched in Kimberley in 2007 under the custodianship of the premier of the Northern Cape. Grade 10 learners from all high schools in the province were invited to submit business plans to be evaluated by a skilled panel for possible implementation.

In 2007, the project attracted 75 submissions of which 24 business plans were successful and subsequently funded with start-up capital of R5,000, donated by the mine. These businesses will be given an opportunity to grow and be evaluated against each other. The winning businesses (winner and two runners-up) will be announced in October 2008 and awarded prizes.

Businesses established vary from a scrap metal dealer, a florist, a school tuck shop, to catering services and sandblasted glass to sell to tourists.

When learners leave school, they will have the option to continue with their businesses or sell them back to their school.

Dingleton Cleaning Services

The contractor responsible for maintaining houses in Dingleton needed a sub-contractor to provide cleaning services, specifically cleaning carpets and lounge suites after maintenance work was completed.

The mine assisted with the establishment of a cleaning business by providing industrial carpet cleaning machines and an industrial vacuum cleaner to deliver the service.

Dingleton Tuck Shop

The previous owner of a very basic spaza shop – outside table and limited range of goods – expressed a need to raise her business's tempo by expanding the range of items sold.

With the assistance of the mine, she now owns a small shop complete with electricity, shelving and a telephone and is on her way to self-sufficiency. Sishen Mine renovated an old building from which she now runs her small enterprise.

Plumbing enterprise

Kathu's unprecedented growth has tied up the town's entire complement of plumbers on large projects and thus individual home occupants have been left without a plumber.

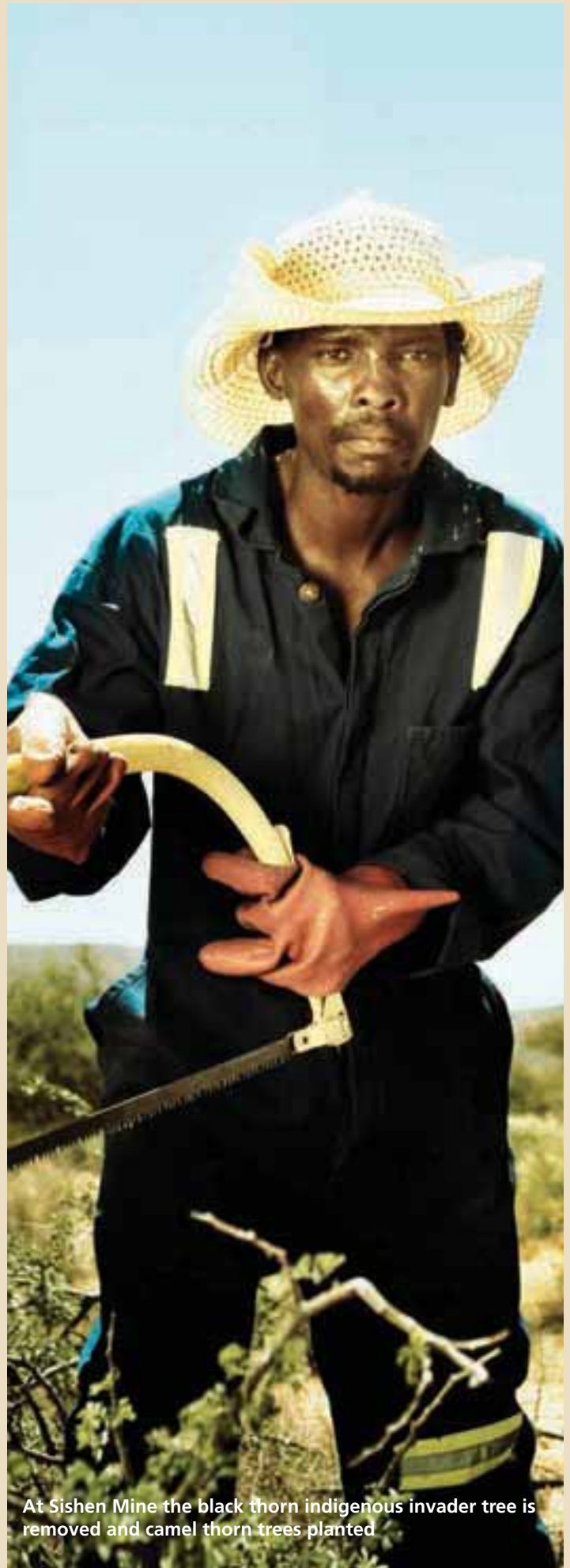
This gap has been partly filled – a Drain Surgeon franchise has been set up and is owned in part by an HDSA. This person was recruited via Anglo Zimele and is now unblocking Kathu's drains.

Tyre recycling project

Part of the waste recycling strategy at Sishen Mine includes recycling tyres. Research was done and, through the Anglo Zimele programme, a joint venture concluded with a company called ART (Alternative Recycling Technology). ART has the necessary rights for various methods of tyre recycling.

The second part of the project saw advertisements placed to recruit HDSA candidates to partner the initiative. The project will have three shareholders: Anglo Zimele, ART and an HDSA company.

Tyres will be bought from the mine and processed into different products. Extracting the rubber is done using a stripping machine. One of the products that will be produced and sold back to the mine will be rubber granules which are used as part of the blasting process. This initiative will produce many other spin-offs which will allow for more job creation and empowerment.



At Sishen Mine the black thorn indigenous invader tree is removed and camel thorn trees planted