Enterprise Supplier Development Framework

Introduction

Chemin ESD Programme is based on services currently being provided to Ceramic Industries and proposed services to AECI. The programme is based on seeking long term collaborations to support enterprises and a supplier development strategy aimed at achieving maximum points for a Company or multinational seeking points. In the long-term, the private company of multinational must seek to promote sustainable small business development within the Chemical Sector, in line with the BBBEE codes of good practice and the broader small business development plan within South Africa.

Chemin Partnership to service ESD Programme

Fund Manager

Chemin will seek to work with a Fund Manager that specialises in financial services in wholesale and customised lending, provision of credit guarantees to enterprises and for providing specialised Enterprise and Supplier Development (ESD) fund management services. The ESD fund management may include the provision of matching fund in order to increase the loan and grant funding pool.

Chemin

Chemin will be the implementing agent. Chemin is a subsidiary of Seda. Chemin was established in 2002 to assist enterprises in the Chemical sector. Chemin operates nationally and has five (5) incubation centres in Port Elizabeth, East London, Durban, Krugersdorp and Thembisa branches and is headquartered in Midrand. Chemin has since inception established over 220 enterprises, graduated over 40 enterprises from the incubation programme. Chemin incubated enterprises have generated over R60 million revenue and created over 660 permanent jobs whilst in the incubation programme.
# Chemin Enterprise Development and Incubations Services

Chemin as a sector specific chemical incubator, its services are outlined below:

<table>
<thead>
<tr>
<th>Pre-Incubation</th>
<th>Incubation</th>
<th>Graduation</th>
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<tbody>
<tr>
<td>Analysis &amp; Validation</td>
<td>Development</td>
<td>Capital Raising</td>
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<tr>
<td>1 – 6 month</td>
<td>1 - 12 months</td>
<td>1 – 18 months</td>
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<tr>
<td>Chemin</td>
<td>Chemin &amp; Client</td>
<td>Chemin, Client &amp; 3rd party</td>
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</table>

**Entry Selection Criteria:**
- Technology
- Market
- Economics / profit margin
- Management

**Checks and Balances:**
- Compliance
- Opportunity
- Entrepreneurship
- Leadership & Availability

**Training**
- Formulations
- Quality
- Hazardous Material Handling and Storage
- Environmental Health and Safety
- Bookkeeping
- General Business Management Skills

**Support Services:**
- Technology Audits and Analysis
- Feasibility studies
- Market Assessment and Studies
- Techno – economic evaluations
- Business Structuring
- Business Plans

**Support Services:**
- Proof of concept
- Technical Feasibility
- IP Management
- Engineering Prototype and Piloting
- EIA
- Process or Product Refinement
- Product Testing
- Bar Coding
- Product Registrations
- Compliance
- Marketing Materials
- ISO Standards
- Raw Material Plan
- Marketing Plan
- Bankable Business Plan

**Support Services:**
- Governance Structure
- Business Structuring
- Funding Required
- Business Planning
- Risk Diversification
- Investment Mandate

**Key Graduation Criteria:**
- Business Growth Strategy
- Positive Cash Flow
- Business Diversification
- Sustainability
- Monitoring and Evaluation

**Post-Graduation Support**
- Access to markets
- Marketing
- Conferencing
- Accelerator programme
Supplier Development Services (Intervention)

The following services in chronological order will be provided to enterprises in a structured process. Each stage of the process must be completed before proceeding to the next stage.

<table>
<thead>
<tr>
<th>Signature Programmes/Interventions</th>
<th>List of Service</th>
<th>Description</th>
<th>KPI Measures</th>
<th>Costing/Budget</th>
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</thead>
<tbody>
<tr>
<td>Assessments</td>
<td>Gap Analysis</td>
<td>Gap Analysis at the beginning of supplier development phase</td>
<td># of assessments reports</td>
<td>R30 000 per enterprise</td>
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<tr>
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<td>Close out analysis</td>
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<tr>
<td>Compliance</td>
<td>Legislative Compliance and Technical Certification</td>
<td>Environmental Impact Assessment (EIA)</td>
<td># of completed applications</td>
<td>R400 000 per enterprise</td>
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<td>Water Use Licence Application (WULA)</td>
<td># of successful applications</td>
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<td>Waste Management License</td>
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<td>Storage, Collection and Transportation of Waste</td>
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<td>Transportation and Handling of Dangerous Goods</td>
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<td>NRCS - National Regulations for Compulsory Specifications</td>
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<td>Occupational, Health and Safety Certification (OHS)</td>
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<td>Quality Management System</td>
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<td>Quality - Product and Process Certification</td>
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<td></td>
<td>IP Management Issues (AECI and Enterprise)</td>
<td>IP Search</td>
<td># of completed applications and # of successful applications</td>
<td>R100 000 per enterprise</td>
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<td>Patents (PCT)</td>
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<td>Trade Marks</td>
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<td>Designs</td>
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<td>Barcodes</td>
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<td>Copyrights</td>
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<td>License</td>
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<td>Finance Management Cluster</td>
<td>Finance and Accounting Systems</td>
<td>Finance Systems</td>
<td># of systems implemented for SMEs</td>
<td>R75 000 per enterprise</td>
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<td>Payroll System</td>
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<td>Financial compliance</td>
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<td>Taxation</td>
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<td>Governance Systems</td>
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<td>Management of assets</td>
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<td>Bankable Plan</td>
<td>Formulate a bankable business plan</td>
<td># of bankable plans submitted</td>
<td>R80 000 per enterprise</td>
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<td>Address business diversification</td>
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<td>Address market options</td>
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<tr>
<td>Business Development Support Services</td>
<td>Business Processing Systems</td>
<td>Business Process Outsourcing (HR, invoicing, billing and ICT)</td>
<td># of implemented business processing systems</td>
<td>R150 000 per enterprise</td>
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<td>Office Automation (document scanning, routing, workflow and electronic management)</td>
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<td>Output Management (software solutions)</td>
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<td>Information Trends (analysis, forecast, insights, advice and best practices)</td>
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**Equity Process**

Chemin will use various models or terms for funding the enterprises based on the opportunity and risk assessment profiles. The funds may be disbursed in exchange of license/royalty, equity or joint ventures. The figure below provides a generic overview of Chemin’s commercialisation strategy. Chemin will be responsible for the investment into qualifying enterprises. The entire process will be undertaken in conjunction with Emergent Research. Preferably only equity in innovative or technology based enterprises irrespective of the sector will be pursued. This will be through Chemin’s commercial entity, the Chemin Enterprise (currently being converted from Chemin Trust).
Pre Approval

Step 1. Deal Source
• Chemin collaborates with partners to identify enterprises needing equity funding or enterprises that are suitable to equity not loans

Step 2. Initial Screening
• Chemin provides enterprises with capacity to develop the business plans.
• Chemin helps the enterprises secure all necessary docs including financials, BEE and contract details.

Step 3. Evaluation of proposal
• Chemin and partners will evaluate the suitability of the submission against the criteria.

Approval

Step 1. Investment Committee
• The submission is presented to Investment Committee which comprises AECI, Sefa and Chemin

Post Approval

Step 1. Implementation
• Personal and Business Development plan for enterprises
• Sign off on deal
• Disbursement of funds in conjunction with Sefa

Step 2. Monitoring and mentorship
• Chemin will support and grow the entrepreneur
• Chemin will also introduce governance structures including board and audit

Step 2. Exit
• Chemin with Sefa will handle dividend and exit options as the business demonstrates sustainability and financial stability
ESD Beneficiaries Business Mentorship

The mentorship of Enterprises signed into the ESD programme will be through the GrowthWheel Mentorship Tool. It is mandatory for enterprises signed into the incubation programme (entire Seda Network) to be on the mentorship tool. Consequently, the tool will be extended to enterprises on the programme.

Each enterprise will be assigned a business mentor to be paid through the ESD Programme. Mentorship fees will be related to the services as outlined in the Supplier Development Service (interventions) outlined above and will be paid a flat rate. Chemin will create a pool of business mentors based on their experience and skills. Mentors will be precluded from taking shareholding in enterprises. There will be a maximum of three (3) enterprises per mentor.

Business Mentors will submit monthly reports on the progress of the enterprises under supervision. The reports will include the following:

- Signed business mentorship (GrowthWheel Reports),
- Signed monthly management accounts by enterprise and mentor,
- Quarterly reports,
- Signed Annual Financial Statements.