



Emex Trust Quarterly

December 2010



Message from our COO

With this year coming to an end, we would like to thank each and every client for their continuous support throughout 2010. The milestones reached this year would not have been possible without the feedback and part taking on your behalf.

In this newsletter we will be highlighting Procurement. This section will be beneficial if Procurement will be one of the elements you would like to focus on during your audit. For every Rand you, as the measured entity, spend with your supplier, a certain percentage of that Rand value is recognised as valid B-BBEE Procurement spend for the purpose of calculating your B-BBEE Procurement score. Have a

look at this article with some practical examples on how this works.

As part of our strategy going forward in 2011 to improve on customer service, communication

and making your audit experience a pleasant one, we have scheduled some surveys to be distributed to clients for the customer service week in January 2011 (4 – 7 January 2011) and would appreciate your assistance in completing these surveys for us. This will help Emex Trust to work towards building valuable relationships

with clients and to promote two-way communications in terms of B-BBEE and getting verified. We aim to make 2011 an exciting and productive year, and with your assistance in this regard, the sky really is the limit.

Lastly, we hope that you are all looking forward to the festive season and would like to wish you, your family and friends a Merry Christmas and a happy 2011. We hope that the next year will bring everything you hope it will and look forward to working with all of you next year!

Happy reading!



Nicky Grobler: Chief Operations Officer (COO), Emex Trust

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Industry Updates



Emex Trust is a Level 2 B-BBEE contributor with a B-BBEE Procurement Recognition Level of 125%

B-BBEE Procurement Recognition Levels

The Broad Based Black Economic Empowerment (B-BBEE) Codes of Good Practice prescribes that for every B-BBEE level contributor; there will be an associated B-BBEE Procurement Recognition Level. These Procurement Recognition Levels are set out as follows:

- Level 1: Procurement Recognition Level = 135%
- Level 2: Procurement Recognition Level = 125%
- Level 3: Procurement Recognition Level = 110%
- Level 4: Procurement Recognition Level = 100%
- Level 5: Procurement Recognition Level = 80%
- Level 6: Procurement Recognition Level = 60%
- Level 7: Procurement Recognition Level = 50%
- Level 8: Procurement Recognition Level = 10%
- Non-Compliant Contributor: Procurement Recognition Level = 0%.

What does this mean?

It means that for every Rand you, as the measured entity, spend with your supplier, a certain percentage of that Rand value is recognised as valid B-BBEE Procurement spend for the purpose of calculating your B-BBEE Procurement score under the Preferential Procurement element.

Practical example:

As a first practical example let's consider the following scenario:

You have a supplier with whom you've spent R100 000 within your measurement year (VAT exclusive). Your supplier has a valid B-BBEE scorecard with a B-BBEE level 1. The calculation is as follows:

$$R100\ 000 \times 135\% = R135\ 000$$

Therefore an amount of R135 000 will be taken into account as valid B-BBEE spend with this supplier for the purpose of calculating your B-BBEE procurement score under the Preferential Procurement element.

As a second practical example, let's consider the following scenario:

You have a supplier with whom you've spent R100 000 within your measurement year (VAT exclusive). Your suppliers have a valid B-BBEE scorecard (at least valid for 1 day in your measured period) with a B-BBEE level 8. The calculation is as follows:

$$R100\ 000 \times 10\% = R10\ 000$$

Therefore an amount of R10 000 will be taken into account as valid B-BBEE spend with this supplier for the purpose of calculating your B-BBEE procurement score under the Preferential Procurement element, even though you actually spent R100 000 with this supplier.

What is the significance of this?

The significance of this is quite simply that the better the B-BBEE level of your supplier, the better your own scoring under preferential procurement will be as more procurement spend can be taken into account as valid BEE procurement spend. This may also serve as a mechanism to rank your suppliers according to how valuable they are for your own B-BBEE scoring. Some-

Industry Updates Continues

thing to remember is that if you procure from a non-compliant supplier none of the procurement spend with such a supplier will be taken into account when calculating your score under the Preferential Procurement element.

What is value adding?

Value adding means an entity registered as a vendor under the value-added Tax Act of 1991 whose Net Profit Before Tax summed with its Total Labour Cost exceeds 25% of the value of its total revenue. The measured entity can multiply the amount spent with a value added supplier with 1.25

With Enterprise Development beneficiaries

If you assisted company X (more than 50% black owned) with a grant of R50 000 to develop their financial capacity, but you procured goods or services from them also – then that procurement can be multiplied by 1.2.

The advantage of procuring from Emex Trust

Emex Trust is a Level 2 B-BBEE contributor with a B-BBEE Procurement

Recognition Level of 125%. The advantage of this to you is that if you choose Emex as your B-BBEE Verification Agency more of what you actually spend with Emex will be taken into account for your scoring under the Preferential Procurement element. Let's consider the following scenario:

You choose Emex as your B-BBEE Verification Agency.

- *Emex Trust has a B-BBEE recognition level of 125% (Level 2 B-BBEE status)*

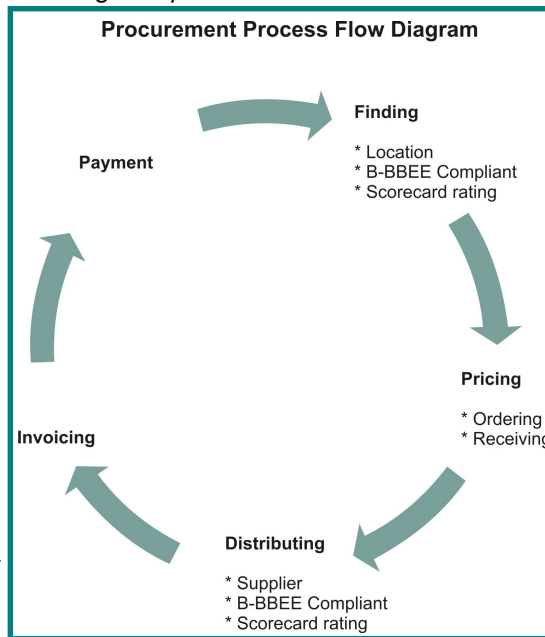
- *Emex Trust is a Value Adding supplier, therefore the invoice amount is also multiplied by 1.25*

For example:

Emex has invoiced you for an amount of R10 000 (VAT exclusive). The calculation will be as follows:

$$R10\ 000 \times 125\% \times 1.25 = R15\ 625$$

Therefore an amount of R15 625 will be taken into account as valid B-BBEE spend with Emex Trust for the purpose of calculating your B-BBEE procurement score, even though you actually only spent R10 000.



For more information and practical examples on procurement, you can attend our workshops that we have scheduled for 2011. Please visit page five in this newsletter for more details on the workshops.

We look forward to seeing you there!



Emex In The News



Identifying risks in your B-BBEE audits

What risks do clients face receiving certificates from verification agencies? Reducing risks when audited by verification agencies should become priority within organisations to ensure accurate certificates are received.

Obtaining a B-BBEE certificate is becoming a competitive advantage for organisations; therefore they need to ensure that the information provided is factually correct.

Risk factors:

- Points received in the verification process might not be justified
- Agencies might not be SANAS accredited, which means that certificates received from them might not be valid
- Not being evaluated according to the correct sector code
- Not necessarily interpreting the law directly - Stances are then made with ideas not founded within the law. E.g. If you meet the Economic Active Population (EAP) target which is currently 54.3% then you will be able to receive bonus points, but some agencies penalise clients by chang-

ing the EAP percentage to 87% which is unfounded.

- Not ensuring that site visits are done prior to the actual audit in order to determine the documentation required for the audit
- Fraudulent documentation used for B-BBEE evaluations or B-BBEE certification

“In the modern times we live in, a company’s documents can be fraudulently manipulated without too much difficulty. By having a system in place where such matters are dealt with speedily and decisively and by reporting such matters to the appropriate authorities, such behaviour can effectively be deterred” Explains Corne Bester: Legal and Compliance Manager, Emex Trust.

In order to mitigate risks in receiving incorrect B-BBEE certificates, it is important to understand under which sector you will need to be evaluated and what the verification agency will look at. Sector codes include:

Construction Sector Code:

Application of this code contains:

- Should the majority of the entity’s turnover be obtained from con-

struction-related activities, this sector code applies

- If they don’t obtain majority turnover from construction-related activities, then the sector code won’t apply. The entity will then be governed by any sector code applicable, if not, they will then be audited in terms of the DTI Codes of Good Practice

Tourism Sector Code

This code applies to all privately owned enterprises within this sector as well as parts of the value chain in the sector and binding to all organs of state and public entities, organised labour, and communities involved within this industry. Some of them include:

- Accommodation
- Hospitality and related services
- Travel distribution systems

Forest Sector Code

This sector code applies to all enterprises involved with commercial forestry as well as first-level processing of wood products. This will include the following sub-sectors:

- Growers sub-sector
- Contracting sub-sector
- Fibre sub-sector
- Sawmilling sub-sector

Emex In News Continues

- Pole sub-sector
- Charcoal sub-sector

Transport Sector Code

Sub-sectors within this sector include:

- Bus, commuter and coach services sub-sector code
- Public sector transport sub-sector code
- Maritime transport and services industry sub-sector code
- Domestic aviation sub-sector code

Mitigating the risk factors

Sector codes

- Organisations need to ensure that they are evaluated within the correct sector code and that verification agencies are accredited by SANAS

- Agencies to be accredited by SANAS
- Agencies accredited by SANAS will supply certificates to organisations containing the SANAS logo, and are listed on their website: www.sanas.co.za/directory/bbee_default.php.
- B-BBEE certificates should contain a SANAS logo
- Should the agency not be accredited then the certificate won't have a SANAS logo, this means that the B-BBEE certificate won't be valid if issued after 1 February 2010
- Preparation site visits
- Preparation site visits or pre-audits are vital to ensure that clients discuss documents required prior to audits

as agencies won't be allowed to accept documentation once the audit is completed.

B-BBEE verification risks are becoming an important factor in terms of being rated and receiving B-BBEE certificates from verification agencies. Another contributing factor that needs to be taken into consideration is suppliers and supplier verification – their certificates will have an effect on your certificate as well. Therefore, it is important to focus on reducing risks in order to receive an accurate certificate which will assist organisations in business transactions as well as transformation and development.



Be sure to look out for our article published in the October issue of the Enterprise Risk magazine on Risk in the B-BBEE industry. This article will also be uploaded to our website: www.emex.co.za/mediarticles/

Workshops

First Quarter 2011

Centurion - 9 February 2011
 Boksburg – 17 February 2011
 Cape Town – 10 March 2011
 Midrand – 16 March 2011

Second Quarter

Durban – 13 April 2011
 Richard's Bay – 14 April 2011
 George – 18 May 2011
 Belville – 19 May 2011
 Fourways – 14 June 2011
 Port Elizabeth – 22 June 2011

Third Quarter

Nelspruit – 12 July 2011
 Secunda – 13 July 2011
 Midrand – 11 August 2011
 Rustenburg – 17 August 2011
 Pietermaritzburg – 20 September 2011
 Durban – 21 September 2011
 Pretoria East – 17 November 2011

Fourth Quarter

Knysna – 19 October 2011
 Rondebosch – 20 October 2011
 Randburg – 9 November 2011



What our clients say



“I have found the pre-audit and information obtained from your website very informative and it has certainly helped me in a great way to prepare for the actual audit. Secondly, we were very happy with our Verification Analyst, Trevor Ragan. The whole audit procedure ran very smoothly and overall we were just very happy with Trevor in the manner he conducted the audit. I can honestly say I am looking forward to next year’s audit and see how we can improve on our rating next year compared to what our rating will be this year. Once again, I thank

Emex for an overall professional approach from beginning to end.”

**Louise Welthagen,
ABE Projects and
Maintenance**

“Thank you very much the patience and customer care you show is excellent I wish SA had a customer service base you always efficient and ready to help. Be rest assured that I will refer all my contacts who need your assistance with pleasure.”

**Emily, Rainbow Moon
Trading 136 CC**

“I would like to thank Emex and yourself for

the great service you guys provide. I would also like to thank and compliment Koshal in particular, on his professionalism and mannerism in which he conducted the audit. He explained the entire procedure and requirements to me in a way that I could understand with ease. It is the first time that I understood how the BBBEE system works and thanks to Koshal I am now more informed and aware of all the requirements for BBBEE.”

**Kuben Chetty, Prodec
Paint**



In the next quarter for Emex Trust

Customer Service week

Emex Trust would like to make use of this week to highlight the services we provide to Emex Trust clients as well as any general queries that we receive. We will be measuring our service delivery by means of

distributing surveys to clients.

Clients will have a chance to rate the services that we provide in order to assist us in growing in terms of communications and new suggestions from clients.

We would like to encour-

age clients to assist us in this regard, as this exercise is purely to make your experience with Emex a better and more valuable one.

Please look out for this email, or request a survey form from [com-ments@emex.co.za](mailto:comments@emex.co.za).



We want to hear from you!

It is always great to hear from our clients. This helps us to make use of your comments and to improve in areas you feel need improvement here at Emex Trust.

All comments can be sent to us via email (comments@emex.co.za).

We look forward to hearing from all of you!



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Emex Trust

B-BBEE Verification Agency