

EMPOWERDEX 
Economic Empowerment Rating Agency
EMPOWERDEX (Pty) Ltd

ENVIROSERV LIMITED

An Assessment of a the current BEE ownership of ENVIROSERV Holdings

SUMMARY OF ANALYSIS

Empowerdex was approached to conduct an analysis of the ownership in order to provide an assessment of ownership status of Envirosev Holding Limited. The analysis looked at all aspects of the ownership element as articulated in the Codes of Practice and tested the implication of the on each of them. As a result of the analysis Empowerdex has formulated the following opinion:

After the careful analysis of the shareholders register provided by the Envirosev; Empowerdex was able to establish that the majority of the shareholding is through trusts, private individuals, private companies and mandated investments. The table below provides information on the major shareholders within Envirosev with BEE ownership.

Scenario 1: Sale of Equity by Black Shareholders

Company	Major BEE Shareholders	Exclusions	Percentage Shareholding	Effective Voting Rights	Effective Economic Interest	Women (Voting Rights)	Women (Economic Interest)
Envirosev	BB Inv Co (Pty) Ltd	8.60%	33.31%	8.89%	8.89%	4.58%	4.58%
	Envirosev Share Incentive Scheme	8.60%	11.50%	1.01%	1.01%	0.00%	0.00%
	Loss of Equity		8.73%	0.33%	0.33%		
Total Verified		8.60%	53.54%	10.23%	10.23%	4.58%	4.58%

The BEE ownership score resulting from the above figures is presented in the table below. As can be seen from the table, Envirosev scored 11.32 based on verified information.

Indicator	Percentage	Score (Including Sale Of Equity)
Voting Rights	10.23%	1.23
Economic Interest	10.23%	1.64
Women Voting Rights	4.58%	0.92
Women Economic Interest	4.58%	0.92
Designated Groups	3.61%	1.00
Net Value	2.01%	5.62
Bonus Point (ESOP)	3.61%	0.00
New Entrants	2.95%	0.00
Total		11.32

Scenario 2: Treating Zader Investment as a Mandated Investment

Company	Major BEE Shareholders	Exclusions	Percentage Shareholding	Effective Voting Rights	Effective Economic Interest	Women (Voting Rights)	Women (Economic Interest)
Envirosev	BB Inv Co (Pty) Ltd	15.77%	36.50%	9.74%	9.74%	5.02%	5.02%
	Enviroserv Share Incentive Scheme	15.77%	11.50%	1.20%	1.20%	0.00%	0.00%
Total Verified		15.77%	57.57%	10.94%	10.94%	5.02%	5.02%

The BEE ownership score resulting from the above figures is presented in the table below. As can be seen from the table below, Enviroserv scored 12.24 based on verified information.

Indicator	Percentage	Score
Voting Rights	10.94%	1.31
Economic Interest	10.94%	1.75
Women Voting Rights	5.02%	1.00
Women Economic Interest	5.02%	1.00
Designated Groups	3.86%	1.00
Net Value	2.20%	6.16
Bonus Point (ESOP)	3.86%	0.00
New Entrants	3.13%	0.00
Total		12.24

Element	Category	Indicator	Weighting Points	Target %	Scenario 1: Verified Level	Scenario1: Score	Scenario 2: Verified Level	Scenario2: Score
Ownership	Voting rights	Exercisable Voting Rights by Black people	3	25% + 1 vote	10.23%	1.23	10.94%	1.31
		Exercisable Voting Rights by Black Women	2	10%	4.58%	0.92	5.02%	1.00
	Economic Interest	Economic Interest in the Enterprise to which Black people are entitled	4	25%	10.23%	1.64	10.94%	1.75
		Economic Interest in the Enterprise to which Black women are entitled	2	10%	4.58%	0.92	5.02%	1.00
		Economic Interest in the Enterprise to which Black designated groups, ESOPs, B-B Schemes are entitled	1	2.50%	3.61%	1.00	3.86%	1.00
	Net Value	Ownership Fulfillment	1	Fulfilled	Unfulfilled	0.00	Unfulfilled	0.00
		Net Equity Value	7	Graduated Target (Over 10 Years)	2.01%	5.63	2.20%	6.16
	Bonus Points	Ownership by Broad-based New entrants	2	10	2.95%	0.00	3.13%	0.00
		Ownership by Broad-based BEE Schemes, ESOPs and Co-operatives	1	10	3.61%	0.00	3.86%	0.00
	Total Score			23.00			11.32	

INTRODUCTION

Empowerdex is pleased to furnish this assessment analysis of the shareholders of Environserv Holdings Limited ("Enviroserv"). This assessment is meant to provide Environserv with a current picture of its black economic empowerment shareholders. We hope that this assessment will provide Environserv with the necessary information required to measure its BEE ownership contributions.

BACKGROUND TO THE ANALYSIS

Empowerdex was briefed by Enviroserv to conduct an ownership analysis on of the currecnt shareholding of Enviroserv.

Envoroserv's largest shareholder is the BB INV CO (Pty) Ltd holding 36.50% of the issued share capital. The other major shareholders within Enviroserv are Raphia Trust, Enviroserv Share Incentive Scheme (11.50%) and Enviroserv Investment (Pty) Ltd.

In our conducting the ownership analysis our opinion of the transaction we had due regards for the Broad Based Black Economic Act 53 of 2003 and the draft Code of Good Practice on Broad Based Black Economic Empowerment (henceforth referred to as the Codes).

ANALYSIS

Scenario 1: Sale of Equity by Black Shareholders

Ownership by Private Companies

The largest shareholder within Enviroserv is BB Inv Co (Pty) Ltd, a company owned by Bidvest Limited. When one flows through BEE ownership from Bidvest, BB Invo Co is found to be contribute 8.89% black shareholding with Enviroserv; with 8.89% voting rights and 8.89% economic interest in the hands of black people. Black women hold 4.58% of Enviroserv as a result of having equity in BB Invo Co.

Sale of Shares by Black Participants

Zader Investments SPV was a 100% black owned company which sold of its equity to Old Mutual. The company owned 8.73% of the issued shares of Envirosev prior to the sale. After using applying the guidelines provided in the Codes, it was found that recognising this sale of shares will only contribute **0.33%** to the black ownership within Enviroserv. This percentage was determined the following guidelines as contained in Code 100, Statement 100 of the Codes.

3.5 The recognition of ownership after the sale or loss of shares by black participants:

3.5.1 A Measured Entity is allowed to recognise a portion of black ownership after a black participant has exited through the sale or loss of shares subject to the following criteria:

3.5.1.1 the black participant has held shares for a period of 3 years;

3.5.1.2 value must have been created in the hands of black people;

3.5.1.3 transformation has taken place within the measured enterprise.

3.5.2 black participation arising from continued recognition of black ownership cannot contribute more than 40% of the score on the ownership scorecard.

3.5.3 In the case of a loss of shares by the black investor, the following additional rules apply:

3.5.3.1 a written tripartite agreement between the Measured Enterprise, the black Participant and a lender must record the loan or security arrangement, unless the Measured Entity is the lender; and

3.5.3.2 The period over which the points were allocated or recognised will not exceed the period over which the shares were held.

3.5.4 The ownership points under this paragraph that are attributable to the Measured Entity will be calculated by multiplying the following elements;

3.5.4.1 The value created in black hands as a percentage of the value of the Measured Entity at the date of the loss of shares as a percentage of Measured Entity's value;

3.5.4.2 The B-BBEE status of the Measured Entity based on the balanced scorecard at the date of measurement; and

3.5.4.3 The ownership points that were attributable to the Measured Enterprise on the date of sale or loss.

Ownership by Employee Share Ownership Scheme

Our analysis showed that the employees share ownership scheme (trust) holds 11 826 799 shares within Envirosev which is equivalent to 11.50% of the issued share capital of Enviroserv. However the black employees only hold 1.01% of the equity within Enviroserv.

Private Equity Funds and Mandated Investment

Shareholding held by banks or mandated investments was calculated to be 10 787 054 equivalent to 8.60% of the total Enviroserv shareholding. These included shareholding from various pension funds and private equity funds. There is a specific criterion for determining whether a private equity fund is black or not however Empowerdex was not privy to this information hence these institutions were excluded from the ownership element.

The Codes of Good Practice to allow for the recognition of private equity funds as being black. The requirements for the recognition of such funds is as follows as per Code 100, Statement 100, paragraph 5,

5.1. A Measured Entity may treat any of its ownership arising from a Private Equity Fund as if that ownership were held by black people, where the Private Equity Fund meets the following criteria:

5.1.1 more than 50% of any exercisable voting rights associated with the Equity Instruments through which the Private Equity Fund holds rights of ownership, be held by black people;

- 5.1.2 more than 50% of the profits made by the Private Equity Fund after realising that any investment made by it, must by written agreement, accrue to black people;**
- 5.1.3 the Private Equity Fund manager must be a BEE Owned Company as defined; and**
- 5.1.4 more than 50% of the value of funds invested by any Private Equity Fund must at all times be invested in the black owned enterprises that were at least 25% black owned before the investment of the Private Equity Fund.**

Empowerdex was not privy to any information that would evidence that any of the Private Equity Funds holding equity within Enviroserv meets the criteria stipulated above. Hence the private equity funds and mandated investments were excluded from the ownership calculation.

Scenario 2: Treating Zader Investments as a Mandated Investments

Ownership by Private Companies

As earlier stated, the largest shareholder within Envirosev is BB Inv Co (Pty) Ltd, a company owned by Bidvest Limited. When one flows through BEE ownership from Bidvest, BB Invo Co is found to be contribute 9.74% black shareholding with Envirosev; with 9.74% voting rights and 9.74% economic interest in the hands of black people. Black women hold 5.02% of Envirosev as a result of having equity in BB Invo Co.

For the purposes of this assessment, Zader Investments SPV was treated as mandated investments as it is wholly owned by the Old Mutual Assurance Company.

Ownership by Employee Share Ownership Scheme

Our analysis showed that the employees share ownership scheme (trust) holds 11 826 799 shares within Envirosev which is equivalent to 11.50% of the issued share capital of Envirosev. However the black employees only hold 1.09% of the equity within Envirosev.

Private Equity Funds and Mandated Investment

Shareholding held by banks or mandated investments was calculated to be 19 773 190 equivalent to 15.77% of the total Envirosev shareholding. These included shareholding from various pension funds and private equity funds.

IMPACT ON THE B-BBEE STATUS OF ENVIROSERV HOLDINGS SOUTH AFRICA LIMITED

Scenario 1: Sale of Equity by Black Shareholders

Voting Rights

Our analysis has shown that 10.23% of the voting rights and economic interest are held by black people through BB Inv Co and the Envirosev Share Incentive Scheme.

Black women account for 4.58% of the voting rights and economic interest.

A number of shareholders could possibly be shown to be black as per the definition of the Act and the Codes. However due to the limited information at the disposal of Empowerdex, we could not adequately verify this information.

Economic Interest

Also, the entities mentioned above were shown to have effective 10.23% of the economic interest.

Net Equity Interest

In order to determine the Net Equity Interest held by Black Participants in the Measured Entity; there needs to be an analysis of the deemed current value of the instruments held by black participants. We were able to work-out what the deemed current value is based on the ownership assessment of Bidvest; and it was found that 2.01% of the measured entity (Enviroserv) will be unencumbered.

Scenario 2: Treating Zader Investments SPV as a Mandated Investment

Voting Rights

Our analysis has shown that 10.94% of the voting rights are held by black people through BB Inv Co and the Envirosev Share Incentive Scheme.

The equity held by women in this scenario accounts for 5.02% of the total issued capital.

Economic Interest

Also, the entities mentioned above were shown to have effective 10.94% of the economic interest.

Net Equity Interest

The Net Value based on this scenario was also based on the the deemed current value in black shareholders hands through the ownership assessment of Bidvest; and it was found that 2.20% of the measured entity (Enviroserv) will be unencumbered.

CONCLUSION:

The table below provides a comparison between scenario 1 and scenario 2 discussed above. The 2 scenarios give result that differs by almost a point (0.92) on the ownership scorecard.

Element	Category	Indicator	Weighting Points	Target %	Scenario 1: Verified Level	Scenario1: Score	Scenario 2: Verified Level	Scenario2: Score	
Ownership	Voting rights	Exercisable Voting Rights by Black people	3	25% + 1 vote	10.23%	1.23	10.94%	1.31	
		Exercisable Voting Rights by Black Women	2	10%	4.58%	0.92	5.02%	1.00	
	Economic Interest	Economic Interest in the Enterprise to which Black people are entitled	4	25%	10.23%	1.64	10.94%	1.75	
		Economic Interest in the Enterprise to which Black women are entitled	2	10%	4.58%	0.92	5.02%	1.00	
		Economic Interest in the Enterprise to which Black designated groups, ESOPs, B-B Schemes are entitled	1	2.50%	3.61%	1.00	3.86%	1.00	
	Net Value	Ownership Fulfillment	1	Fulfilled	Unfulfilled	0	Unfulfilled		
		Net Equity Value	7	Graduated Target (Over 10 Years)	2.01%	5.63	2.20%	6.16	
	Bonus Points	Ownership by Broad-based New entrants	2	10	2.95%	0.00	3.13%	0.00	
		Ownership by Broad-based BEE Schemes, ESOPs and Co-operatives	1	10	3.61%	0.00	3.86%	0.00	
	Total Score			23.00			11.32		12.24