



WE GIVE YOU THE FULL PICTURE

MANAGED INTEGRITY EVALUATION (PTY) LTD

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1. LETTER FROM THE CEO

Looking back on recent years, there is one thing that remains crucial to the success of businesses across South Africa: hiring the right person for the job.

Conducting comprehensive Background Screening checks - pre- and post-employment - assists organisations in making informed choices in terms of the people they on-board, whilst also helping them to avoid financial and reputational harm along the way.

I founded MIE 28 years ago and, during my time as CEO, I have witnessed the massive escalation in appetite for solutions which prioritise hiring the right person for the job. If we look at MIE's volume alone, the demand for background screening services has risen from 1,615,730 transactions in 2011, to 3,037,273 transactions in 2016. A major trend in this regard is the widespread interest and uptake of qualification verification which is, one of the most requested checks from organisations.

MIE's commitment to innovation is reflected in the various smart vetting solutions we have introduced and implemented over the years, as well as the headway made to ensure that we remain the preferred background screening partner in South Africa and Africa at large. MIE is a subsidiary of the EOH group of companies and have access to a sophisticated network of information services, adding to the comprehensive offering we are able to provide our clients.

Furthermore, our ownership of the NQR® (National Qualifications Register) means that we have access to the records of over 3.8 million graduates from 25 subscribing tertiary institutions. We are also a proud member of the NAPBS (National Association of Professional Background Screeners), an industry body whose annual conference we attended in Palm Desert (California) in 2016. Through such affiliations, we are able to stay in touch and up-to-date with global industry trends and innovations.

In 2016, we acquired vetting organisation, EMPS (Employers' Mutual Protection Service), adding a wealth of expertise, experience and knowledge to the MIE stable and solidifying our place as the oldest, largest and most well-established background screening company in Southern Africa. We firmly believe that our holistic and innovative product and service solutions provide valuable insight into the employability of prospective employees. Ultimately, we help companies take the guesswork out of the selection process.

Looking forward, to strengthen the industry as a whole, I believe we need to form a regulatory association in order to maintain the reputation and standards of the background screening sector and enforce legal compliance. I see MIE playing a significant role in the development of such an industry body which will go far in eliminating the entry of disreputable vetting organisations.

MIE's Annual Background Screening Report highlights our key findings for background checks conducted in 2016. The report also indicates the risks associated with the result of background checks and expands on our global screening capabilities.

I trust that you will find this report and its findings interesting.



2. INTRODUCTION

2016: A Snapshot

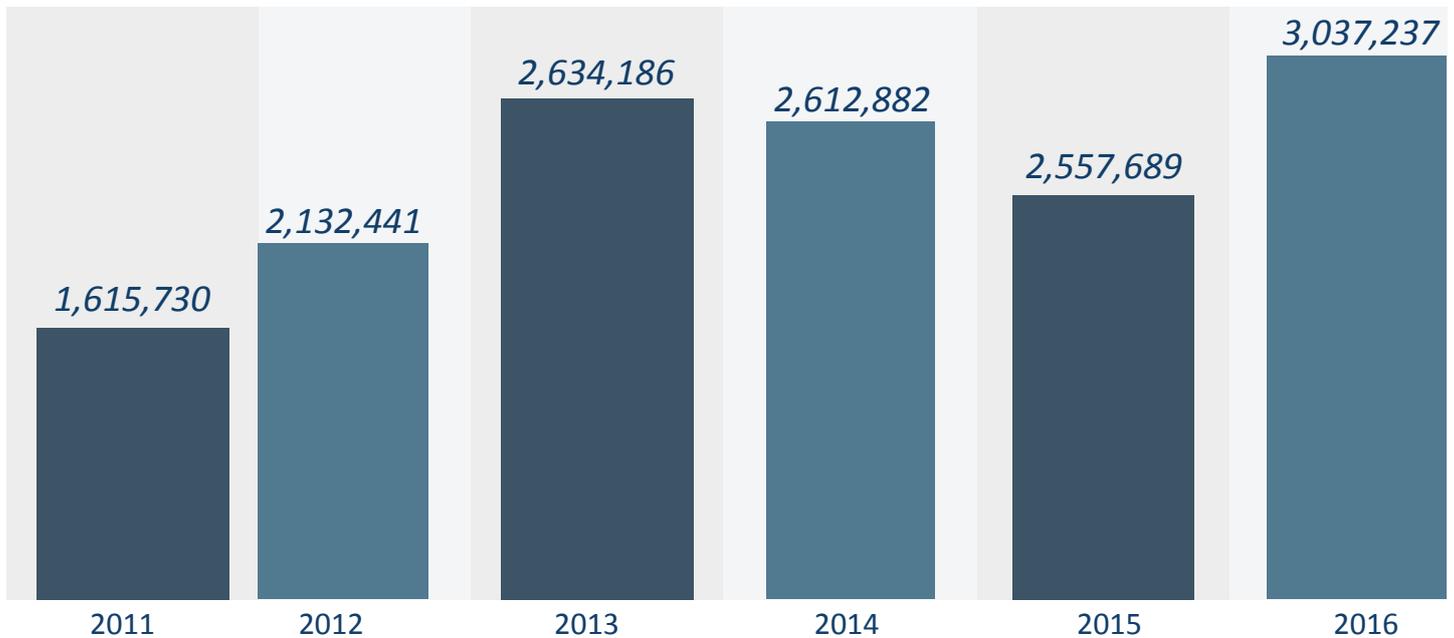
Managed Integrity Evaluation (MIE) noted an overall 14% increase in the demand for background screening services in South Africa and Africa over the last five years.

This increased appetite for vetting solutions through a reputable background screening partner - which assists in finding top talent and minimising the risk of bad hires - is largely due to organisations recognising the benefits such solutions have on business operations.

Why Background Screening?

- Improves quality of hires;
- Improves staff retention;
- Mitigates risk and reputational harm;
- Assists in managing costs; and
- Uncovers discrepancies

MIE TRANSACTIONS 2011 - 2016



**Taking the rights of candidates into consideration, relating to the Protection of Personal Information Act (POPI), MIE only conducts background verifications on consenting candidates. It is also important to note that MIE is a registered Credit Bureau and complies with the regulations set out in the National Credit Act.*

Questionable links in the procurement chain, fraudulent credentials (of individuals and businesses alike), and unqualified staff all pose huge financial risks for companies. However, the associated reputational risks and damages are often even more far-reaching. That's why MIE recommends background screening checks as the first step organisations need to take before employing potential candidates, entering into new business ventures or appointing new suppliers.

Background Screening Industry Challenges

- Information availability
- Compliance requirements*
- Turnaround time
- IT security
- Lack of industry regulation

3. QUALIFICATION SCREENING

Background Screening is the process of checking the academic, criminal, or credit history of an employee pre- or post-employment.

Through our annual Background Screening Report, we show via - quantitative and qualitative data - how background screening is one of the most effective ways to determine the accuracy or authenticity of a candidate's claimed academic, professional, criminal or credit histories.

Qualification Verifications

The majority of MIE's qualification verifications are processed through the National Qualifications Register (NQR®) which is owned and operated by MIE.

With a database of over 3.8 million graduate records and 25 subscribing tertiary institutions, NQR® verifications are renowned for their accuracy.

TWEET THIS...

In 2016, MIE conducted a total of 561,346 qualification verifications. This reflects an increase of 17% when compared to 2015's statistics.



FACE THE FACTS...

According to MIE statistics, qualification verification is one of the most requested background screening checks.

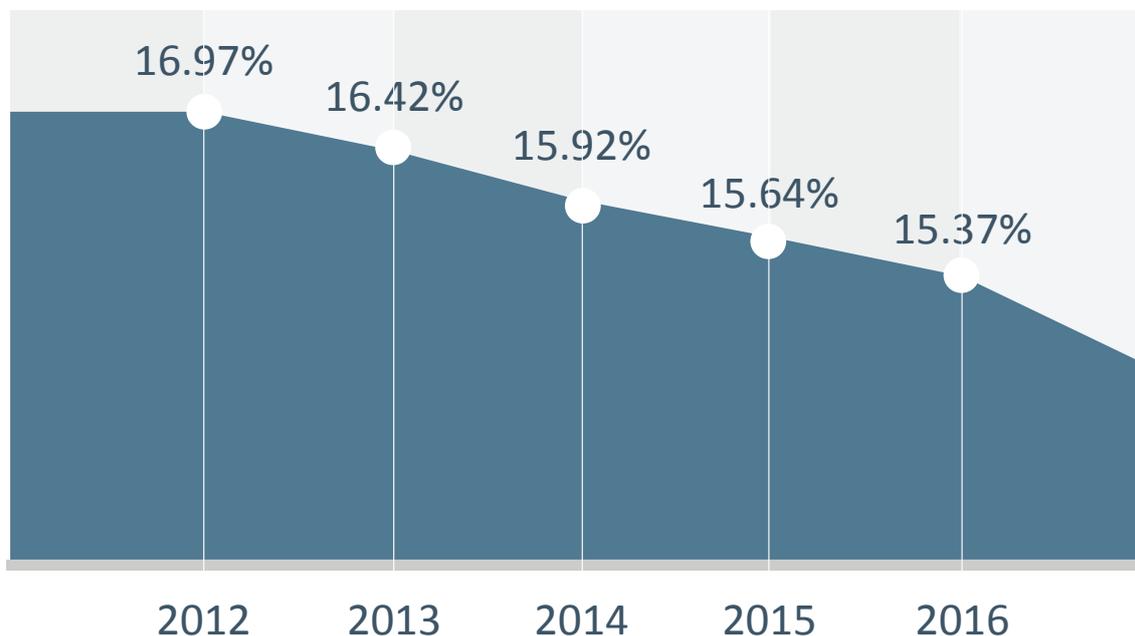
MAJOR VS. MINOR DISCREPANCIES

MIE's results highlight that a candidate's educational history is the most likely aspect to contain discrepancies when compared to other background screening checks. Within these parameters, lies major and minor discrepancies.

FACT: Minor discrepancies include misrepresented results such as a candidate being in the process of completing their qualification, rather than having been awarded their qualification.

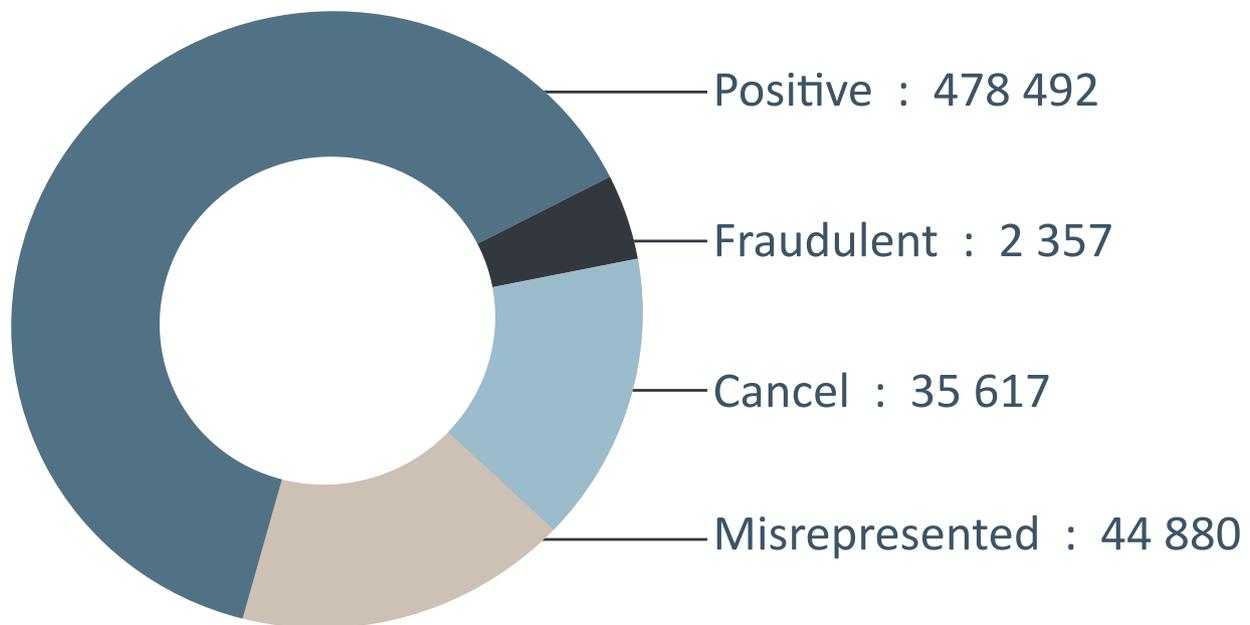
FACT: Major discrepancies include fraudulent results. Such results include a candidate forging or altering their certificate deliberately, or never having been awarded the qualification in the first place.

QUALIFICATION RISK 2012 – 2016



3. QUALIFICATION SCREENING

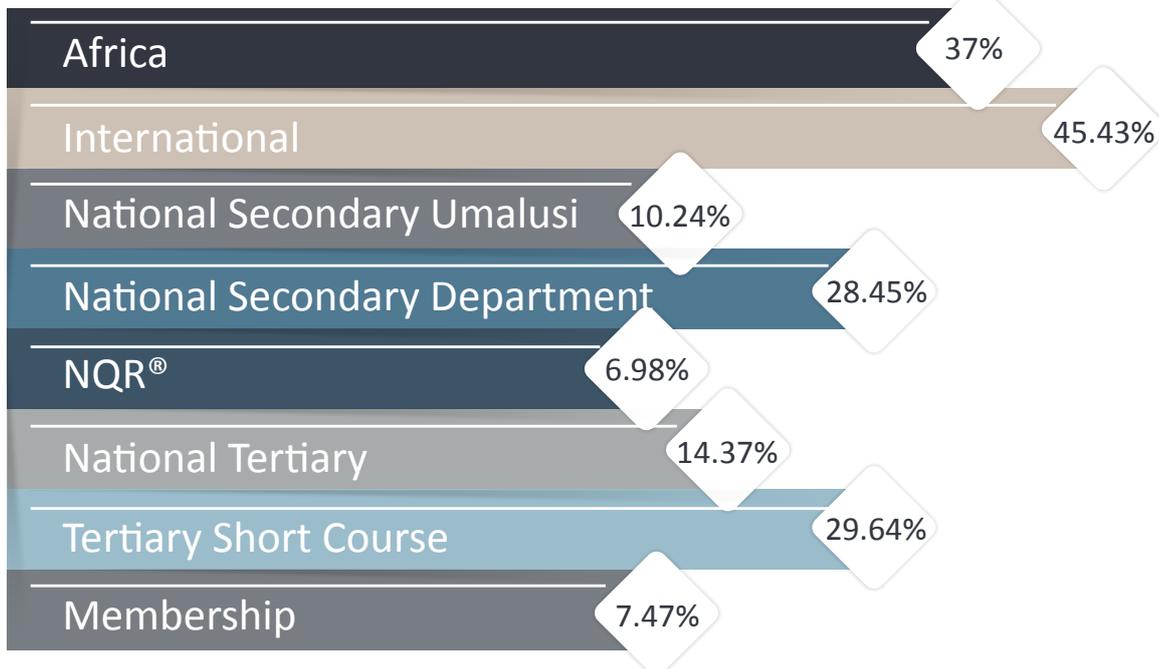
POSITIVE VS. MISREPRESENTED VS. FRAUDULENT VS. CANCELED QUALIFICATIONS - 2016



Frequently lied about facts on CV's include:

- Responsibilities
- Skills
- Titles
- Period of employment
- Companies worked at
- Reason for leaving

QUALIFICATION DISCREPANCY



4. CREDIT SCREENING

Credit Record Checks

Credit (or Credit Bureau) checks provide businesses and potential employers with insight into how employees manage cash or finances. The results include details of defaults, judgements, notices, disputes and previous enquiries (amongst others) from various Credit Bureaus in South Africa.

Industries requesting Credit Checks:

- Financial Service Providers
- Professionals in the banking sector
- Registered professionals like Chartered Accountants and Financial Advisors
- Retail industry - Cashiers

MIE is a registered Credit Bureau and is therefore required to comply with the regulations as set out in the National Credit Act Amendment 19 of 2014 (NCAA), which came into effect in March 2015.

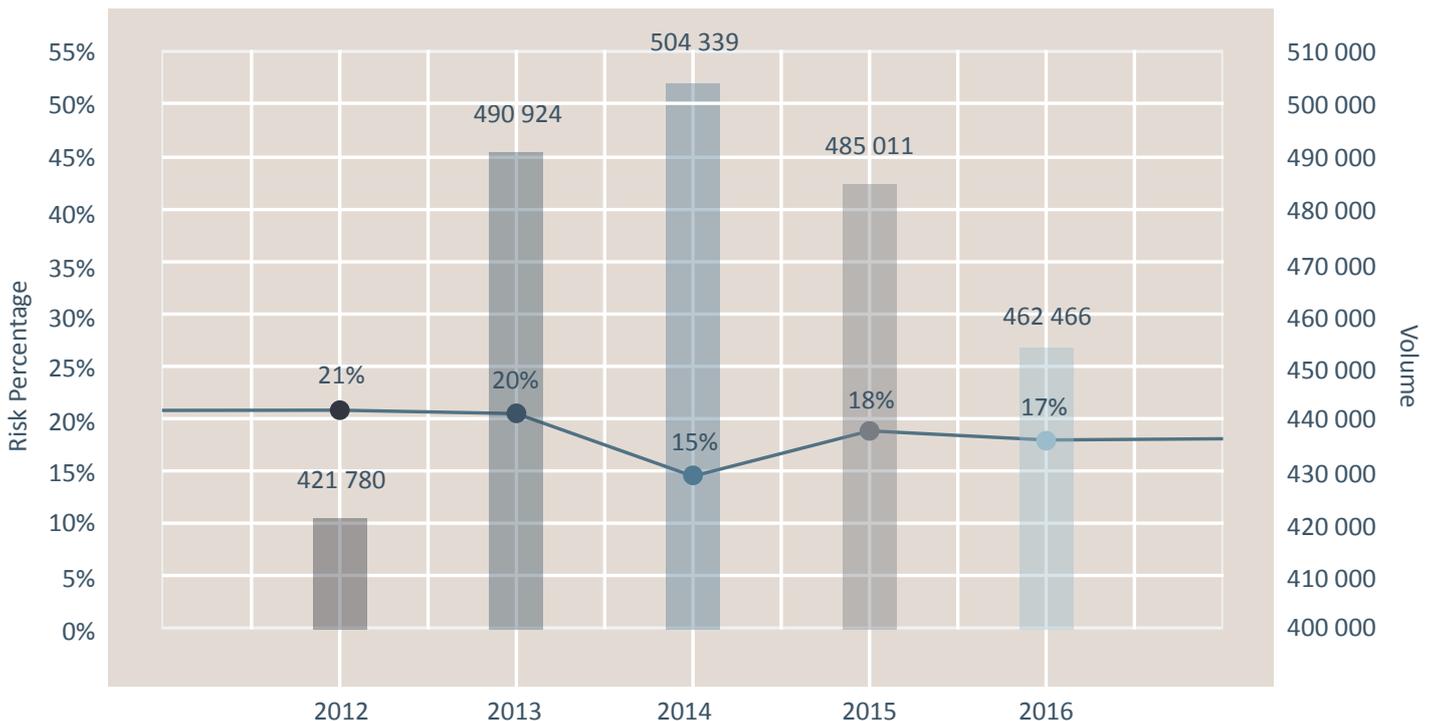
In line with the latest Amendment, a consumer credit record may only be accessed by an employment agency, recruitment consultant, staffing company or employer when:

- They certify that the request for consumer credit information relates to a position requiring honesty in the handling of cash or finances;
- There is a job description in place that stipulates the requirement of trust and honesty in the handling of cash or finances; and
- Specific and informed consent of the consumer is obtained prior to the request being made.

FACE THE FACTS...

There has been a decline in the verification of candidates' credit history due to the amendment to the NCA and legislation changes.

CREDIT CHECKS - VOLUME & RISK



5. CRIMINAL RECORD SCREENING

In South Africa, criminal record checks are legally required to be verified using a set of digitally captured fingerprints. MIE utilises AFIS, the Automated Fingerprint Identification System, where all fingerprints are captured and electronically checked against the South African Police Service (SAPS) database.

MIE has a database of over 3.9 million digital sets of fingerprints. These hosted fingerprints can be accessed by registered MIE clients.

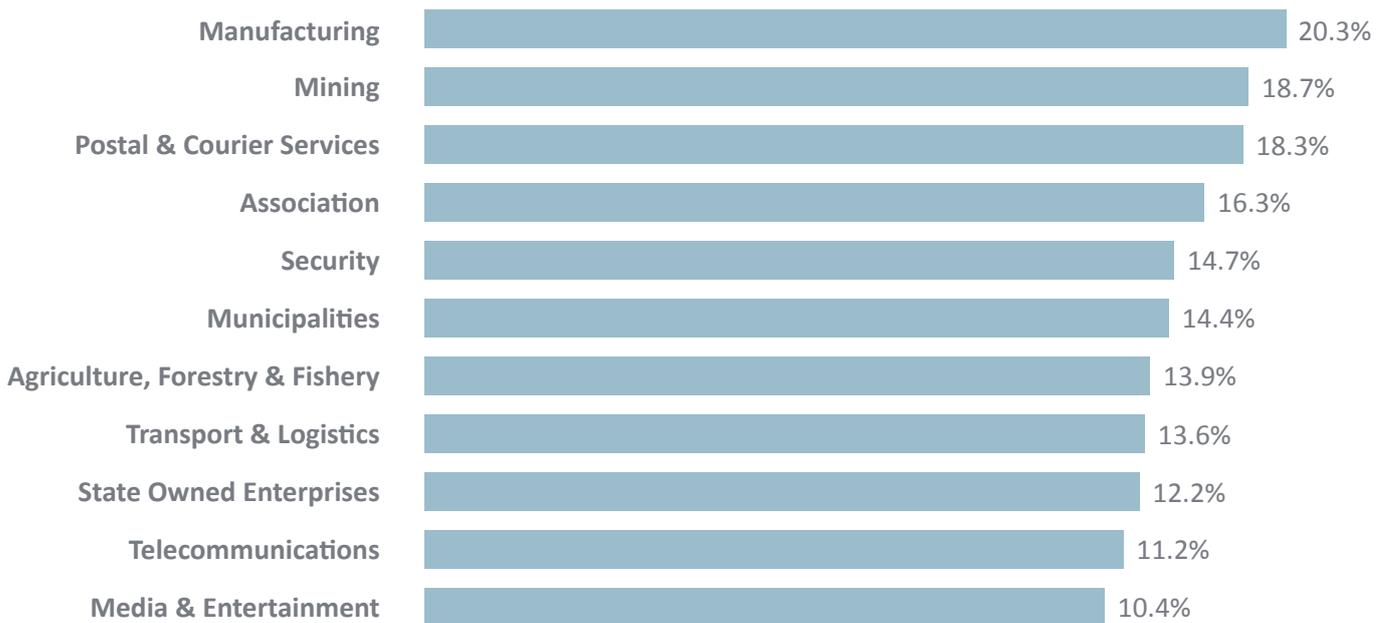
Criminal record checks provide businesses with the insight and information they require regarding potential and existing employees' criminal backgrounds. MIE has classified all criminal activities into various categories. MIE's 2016 criminal statistics revealed the following:

MIE has the capability to assist with the expungement process of criminal records. The latter is only possible if:

- The offence is considered to be trivial, or the punishment is no longer constitutional
- You were given the option to pay a fine of R20 000 or less
- You were told that paying said fine would not result in a criminal record, but have since discovered the existence of such a record

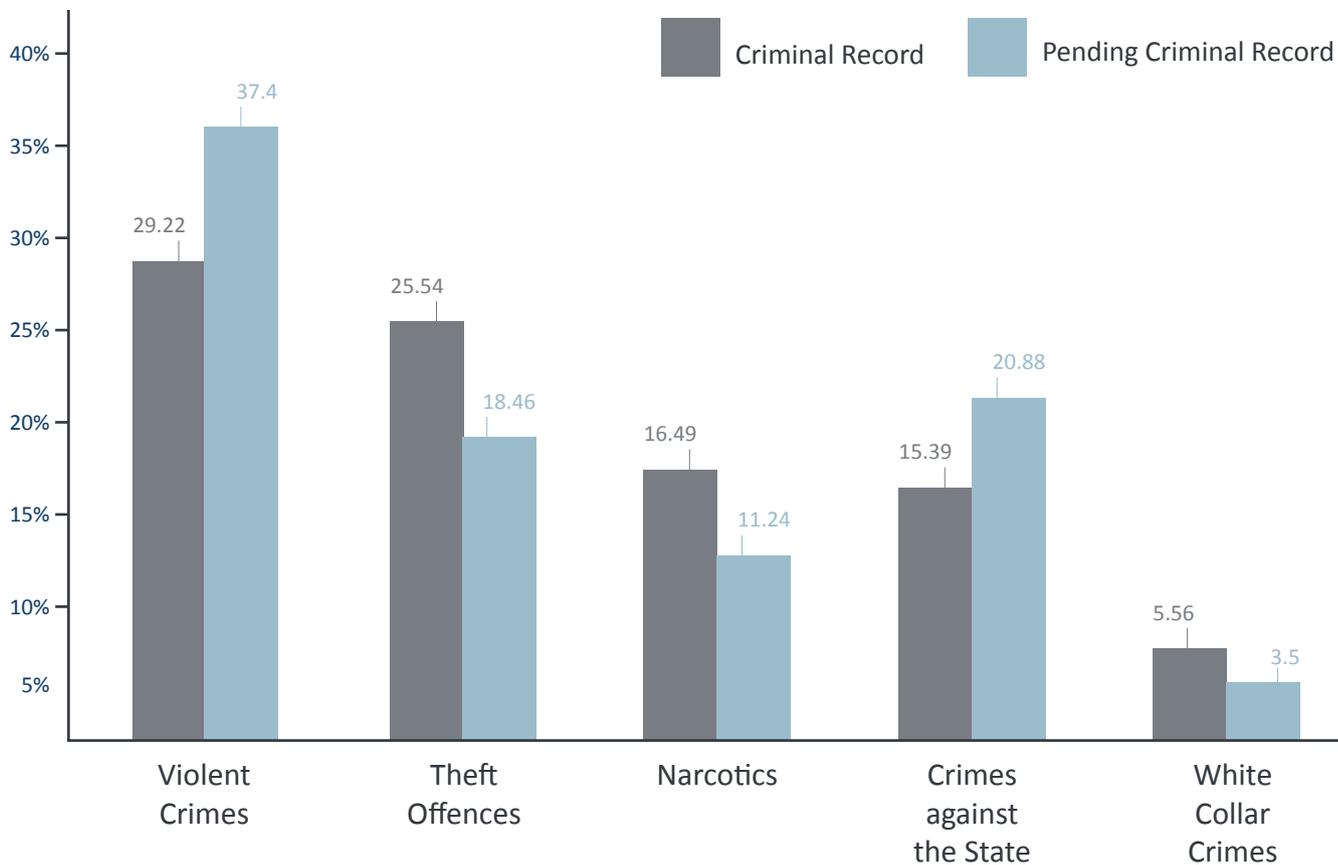
MIE's criminal record check statistics highlights interesting data by industry sector. It shows that over 20% of candidates in the Manufacturing industry have a criminal record, followed by the Mining industry at 18%. We also identified the percentage of candidates with a criminal record are high within the Security and Transport & Logistic industries when compared to other industry sectors.

CRIMINAL RECORD STATISTICS PER INDUSTRY



5. CRIMINAL RECORD SCREENING

CRIMINAL RECORD STATISTICS



FACE THE FACTS...

In 2016, MIE conducted 741,560 criminal record checks of which 10% were found to have a criminal record. 48,167 of these candidates did not disclose that they had a criminal history upfront. Upon application for a criminal record check, candidates are required to complete a form on which previous convictions must be disclosed.

6. BACKGROUND SCREENING

Other Background Screening Services

In addition to qualification verification, criminal and credit record checks, MIE also offers various other screening packages

- ID, citizenship, work-permit, permanent residence and passport verification;
- Industry checks, retail database and PSIRA registration;
- Drivers and Public driving permit verification;
- Vehicle ownership and previous accident history and
- Workplace references

VOLUMES OF OTHER CHECKS – ID, DRIVERS



7. GLOBAL CAPABILITIES

Background screening services are typically required by companies with global operations, in-country organisations employing local nationals, as well as multinational organisations which employ various candidates from around the world.

As a whole, cross-border qualifications are more likely to be fake, altered or all together forged. MIE's data suggests that risk indicators on international qualifications (including those from Africa) have increased from 40% in 2015 to 42% in 2016.

There is a greater propensity for qualification fraud with foreign candidates or in countries where Background Screening is not yet common practice as they believe that their credentials will not - or cannot - be checked or verified.

As a trusted and experienced vetting provider for many of our own, as well as other continents', largest corporates, MIE successfully navigates across the globe, leveraging our various in-country partnerships and background screening expertise.

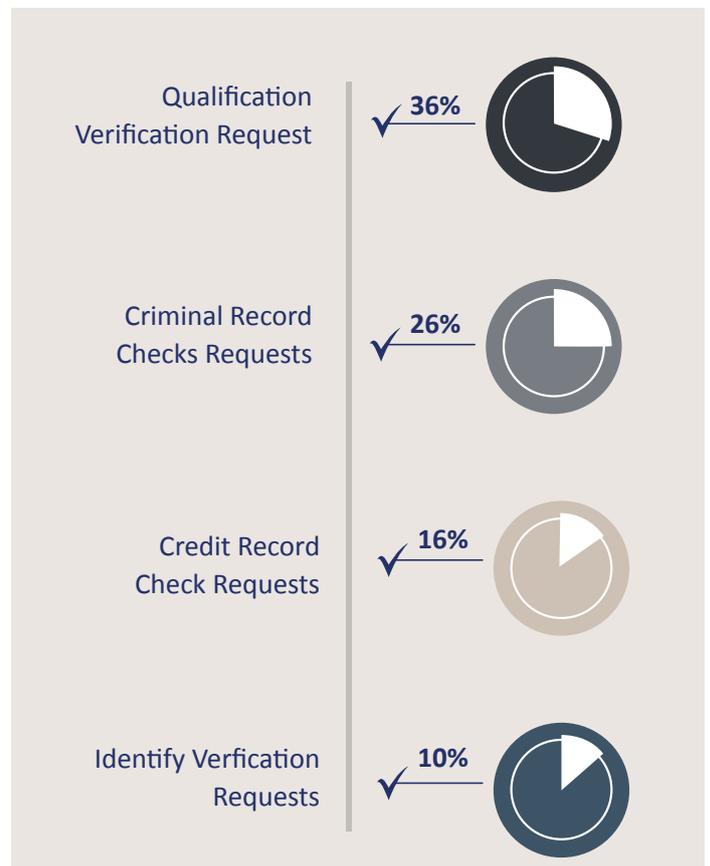
Africa

In an African context, the lack of data availability has long been a concern which MIE have had to learn to overcome, and we have successfully done so through building relationships and fostering in-country partnerships. Amongst many other factors, this has allowed us to become the powerhouse of pre-employment screening on the continent.

MIE's African vetting services include:

- Credit checks
- Criminal checks
- Qualification verification
- Drivers licence checks
- Employment reference verification
- Media search
- World checks

2016 Background Screening Checks requested - Southern, East and West Africa



TWEET THIS...

MIE boasts a network of reputable background screening organisations from all 7 continents around the globe.



7. GLOBAL CAPABILITIES

Background screening challenges in Africa

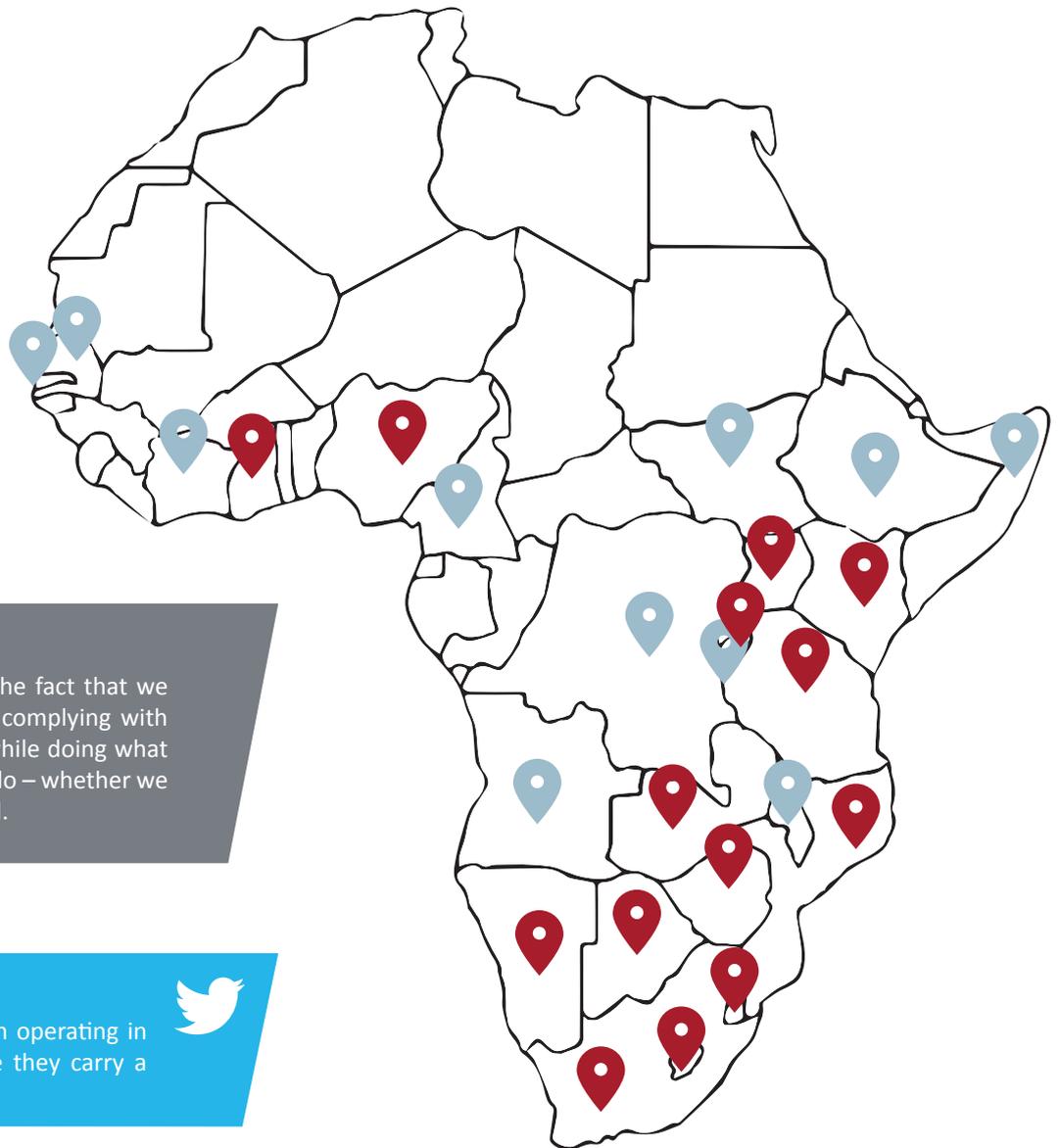
Red tape related to the availability of data presents various challenges when conducting background checks in Africa.

MIE's service offering may, in some instances, be subject to a particular country's unique credit, labour, data privacy and freedom of information legislations. Of course, this presents a challenge for businesses which are required to ensure the legality of their in-country recruitment practices.

Global and International

MIE's Africa and Global capability covers an extensive range of background screening checks available on a price-on-application basis.

FACE THE FACTS...
MIE offers a full suite of background screening services in over 26 African countries.



FACE THE FACTS...
At MIE, we pride ourselves on the fact that we are stringent when it comes to complying with the laws of different countries while doing what we have been commissioned to do – whether we find ourselves in Africa or abroad.

TWEET THIS...
Qualification checks are vital when operating in or recruiting from Africa, because they carry a 37% risk of being fraudulent.

8. PREMIUM SOLUTIONS

While many organisations opt to conduct standard background screening checks (credit, qualification and criminal record verifications) when vetting a new candidate, there are also a number of other verification solutions which can add even more value in determining candidate suitability.

Risk Assessment

- Includes a number of standard credential verifications.
- The type of risk assessment is determined by the level of employment for which the candidate is being considered.
- MIE makes recommendations on the findings of the risk assessment in line with the client's Human Resource policy.

Types of Risk Assessments:

- Basic Risk Assessment
- Advanced Risk Assessment
- Leadership Risk Assessment
- Consultant & Contractors Risk Assessment

DID YOU KNOW...

MIE has the capability to establish whether a candidate is "Fit and Proper" to work in the financial services industry. The Fit & Proper compliance assessment identifies whether or not a candidate has been authorised by the Financial Services Board to advise consumers on Financial or Insurance services.



TWEET THIS...

In 2008, South Africa's legislation changed the standard a financial advisor would have to achieve in order to be considered "Fit and Proper". In 2016, MIE vetted close to 1,800 financial services professionals.

Fit & Proper Standards:

- Competence and Capability
- Honesty, integrity, fairness and ethical behaviour
- Financial soundness



MIE's World Check exposes hidden risks in business relationships and human networks. This includes global media research, notifying clients of whether a person is politically exposed or listed on over 200 sanction lists.

8. PREMIUM SOLUTIONS

Psychometric and Competency Based Assessments

Psychometric assessments have an important role to play in the overall recruitment and screening process. Not only do they provide an objective view of candidate's strengths and areas in need of development, but they also quantify a person's current and potential skills and capabilities. Psychometric assessment can also decrease the risk of selection error, reducing recruitment costs and staff turnover.

For companies to make better informed "people decisions", as well as curb corruption, companies need a holistic view of an individual's characteristics, namely:

- Cognition, abilities and skills
- Behaviour and personality attributes
- Leadership styles and tendencies
- Competency-based simulations and interactive assessments

DID YOU KNOW...

About 80% of US Fortune 500 and 75% of UK Times 100 companies use psychometric assessments. This growth is also evident in South Africa.



FACE THE FACTS...

Test Batteries are based on job descriptions in line with Human Resource's job specifications to determine the most critical competencies required for success in a particular role

Online Skills Testing

There are a variety of online tools and tests available to establish candidates' proficiency.

Some skills/ability test types include:

- Basic Numeric Conversion (Numeracy)
- English as a Second Language (Literacy)
- Call Centre Basic Spelling
- Call Centre Data Entry
- Call Centre Inbound & Outbound Sales Skills
- Call Centre Telephone Etiquette
- Call Centre Customer Service Survey
- Microsoft Outlook, Excel, PowerPoint and Office
- Typing
- Data Entry

* Test Batteries – A test battery is a selection of psychometric and competency-based tests that can be used to identify skills, knowledge or behaviours or competencies required within a particular role. Test batteries usually include a behavioural section (e.g. personality questionnaire, role play, in-basket exercise) and an ability section (e.g. verbal/numerical/abstract reasoning, complexity handling, learning potential). A test battery may also include an assessment centre, which is an assessment approach that consists of a suit of exercises designed to assess a set of characteristics that can be associated with the role for which a person is being considered.

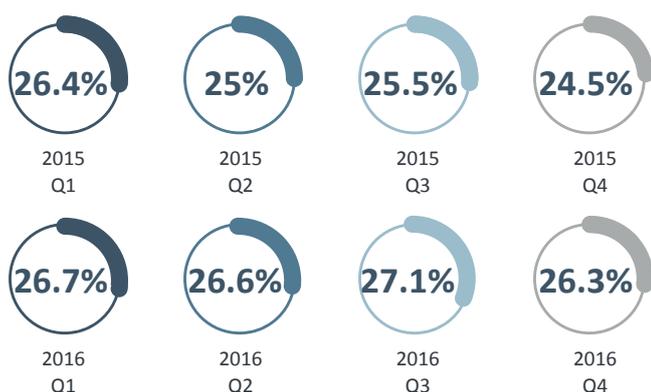
9. LANDSCAPE

MIE expects continued growth in the demand for background screening services in 2017 – possibly even a greater increase than the overall 18.75% we saw across the organisation’s range of services and solutions from 2015 to 2016.

Due to the importance of building strong employer/employee relationships and hiring the right person first time – MIE foresees that background screening solutions will become an integral and mandatory part of HR policies and procedures for businesses.

MIE anticipates that more organisations will benefit from psychometric assessments to determine whether candidates – existing and potential – are the right fit for both the organisation and position. This will allow companies to reap the longstanding benefits associated with making sound recruitment decisions, focussing on growth and staff retention, as well as employing people with the required skills sets.

South Africa’s Unemployment Rate



*Q4 Forecast - source (www.tradingeconomics.com)

The high unemployment rate in South Africa, coupled with staff retrenchments during 2016, contribute to the challenges job-seekers face with finding employment. Desperation to find employment increases the risk of

candidates lying about their professional, criminal and academic histories in order to secure a job opportunity. With this in mind, background screening is a vital consideration for businesses hiring graduates and entry level employees in 2017.

National Qualifications Framework Amendment Bill 2016

In November 2016 Higher Education Minister Blade Nzimande invited public comment on the draft Bill that seeks to establish and maintain a register of fraudulent and misrepresented qualifications.

The main objective of the Bill is to combat, detect and prevent educational qualification fraud and make it compulsory for organisations to report misrepresented or fraudulent qualifications to South African Qualification Authority (SAQA). The Bill aims to ensure educational institutions be registered and accredited to offer qualifications or part-qualifications.





9. LANDSCAPE

Changing business needs

As business needs and the business environment continues to evolve, and the demand for technological advances continues to rise, MIE will continue to hone in on such demands.

We are confident that the demand for MIE's electronic Candidate Capturing System (eCCS) – the first of its kind in South Africa – will continue showing growth in 2017. Companies utilising eCCS are no longer required to capture personal information of candidates. Following an online process, eCCs allows the candidate to complete a questionnaire in line with the information required to process background screening checks.

Backed by the guidance, expertise and support of our experienced staff and associates, as well as MIE-developed platforms such as ZoomOut™ and vVault, organisations can rest assured that their screening and procurement objectives will continue to be met and expectations exceeded.

Africa

MIE expects background screening to continue growing in popularity across the African continent in 2017 - especially as awareness of its benefits spreads across the continent.

We see ourselves remaining the preferred background screening supplier for blue-chip companies across Southern Africa and expanding the list of African countries in which MIE offers screening services.

MIE is determined to achieve this with the help of organisations who are as serious about making our workforces stronger, greater and free of corruption and fraud – one candidate, and one application at a time.





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*Providing you with a **comprehensive** range of
solutions to help you make **intelligent** people choices*

Annual Background Screening Report | 2016

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For more information contact:
+27 12 644 4000
sales@mie.co.za
www.mie.co.za