



## **MEDIA RELEASE**

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**TO: ALL NEWS EDITORS AND JOURNALISTS**

### **B-BBEE COMMISSION INITIATES INVESTIGATIONS INTO POSSIBLE FRONTING PRACTICES AND NON-COMPLIANCE WITH B-BBEE ACT**

The Broad-Based Black Economic Empowerment (B-BBEE) Commission has initiated investigations against specific entities for possible violation of the B-BBEE Act relating to the B-BBEE ownership structures and non-compliance with the Codes of Good Practice in respect of the verification process. All entities were notified, and if there are adverse findings against them, they will be given 30 days to respond to the adverse findings before the B-BBEE Commission makes the findings final.

The B-BBEE Commission is allowed to initiate an investigation on its own initiative and this often happens as a result of a tip off. If found to have violated the B-BBEE Act, the entities may be referred for prosecution and exposed to a fine of up to 10% of the entity's annual turnover and the individuals involved can be fined or imprisoned for up to 10 years. The entities can also be excluded from doing business with government for a period of up to 10 years, and the contracts they have with any state owned entity or government department can be cancelled.

The B-BBEE Commission may also approach a court of law to restrain any breach or for any appropriate remedial relief, which may include setting aside the transaction or initiative. The B-BBEE Commission will not discuss the merit or the details of its investigative process, but the findings will be published as required in the B-BBEE Act.

The B-BBEE Commission is also allowed in terms of the B-BBEE Act to consider alternative dispute resolution, if appropriate, and where such has been facilitated and agreed upon, the B-BBEE Commission will communicate such outcome. The investigations are reflected in the table below with the entities and the summary of the issues being looked at.

| No. | Name of Entity   | Summary of Investigation  |
|-----|--|---|
| 1.  | Net Value Holdings (Pty) Ltd   | Determine whether the B-BBEE ownership model used by the entity for black ownership through a trust and acquisition of minority stakes in certain entities, as well as the nature of the Net Value Holdings with such entities, comply with the B-BBEE Act.   |
| 2.  | MTN Group Limited  | Determine whether the MTN Zakhele and the MTN Zakhele Futhi B-BBEE schemes meet the requirements for black ownership elements and comply with the B-BBEE Act.   |
| 3.  | Nokia Solutions and Networks South Africa (Pty) Ltd                              | Determine whether the B-BBEE ownership transaction involving the employee trust and Sekunjalo Investment Limited (Pty) Ltd through specific entities (resulting in 26% black ownership), and the subsequent change in black ownership (resulting in 31.28% black ownership) by Sekunjalo Investment Limited, comply with the B-BBEE Act |
| 4.  | Worley Parsons RSA (Pty) Ltd   | Determine whether the nature and the implementation of the B-BBEE ownership scheme involving 30% black ownership by employees using an employee trust meets the ownership requirements and complies with the B-BBEE Act.  |
| 5.  | Netcare Limited  | Determine whether the B-BBEE ownership initiative facilitated through Health Partners for Life, comprising of four trusts, meets the ownership requirements and complies with the B-BBEE Act.   |
| 6.  | Dust-a-Side (Pty) Ltd, Dust-a-Side Holdings and Dust-a-Side Partnership t/a Dust | Determine black ownership and management control, if any, of the entities and the validity of the B-BBEE certificate issued to Dust-a-Side Partnership, and whether this B-BBEE certificate is used for recognition of B-BBEE points by the Dust-a-Side Group of companies in violation of the B-BBEE Act.                              |
| 7.  | Eskom SOC Limited  | Determine whether the entity complied with the requirements of section 10(1) of the B-BBEE Act in the issuing and awarding of the Duvha Power Station tender to a Chinese company, which is alleged not to be B-BBEE compliant.   |
| 8.  | South African Social Security Agency (SASSA)                                     | Determine whether SASSA complies with section 10 (1) of the B-BBEE Act in issuing and awarding tenders, and whether allegations that the tender for the payment of social grants to Cash Pay Master Services (Pty) Limited (CPS) was awarded to a company (CPS) that is engaging in a fronting practice in violation of the B-BBEE Act. |

| No. | Name of Entity  | Summary of Investigation   |
|-----|---|--|
| 9.  | Tempest Fire CC   | Determine whether the entity has engaged in a fronting practice relating to the two black members of the close corporation that have had shares since 2005 in violation of the B-BBEE Act.   |
| 10. | Altius Trading 40 (Pty) Ltd<br>t/a Reliant Electric     | Determine whether the employee share scheme used by the entity to claim B-BBEE ownership points, with one of the said black shareholders being a receptionist with no involvement in the decisions, complies with the B-BBEE Act.  |
| 11. | Forklift Parts World (Pty) Ltd                          | Determine whether the B-BBEE ownership (50% black and 25% black female) claimed by the entity in its B-BBEE certificate, which is held by persons of Chinese origin, complies with the B-BBEE Act.   |
| 12. | Marissimo BEE Professional<br>Verification and Services | Determine whether the conduct of the verification agency and the professional in question is in compliance with the B-BBEE Act following numerous letters of advice to the entity.   |
| 13. | BEE Matrix CC   | Determine whether the conduct of the verification agency and the professional in question is in compliance with the B-BBEE Act following numerous letters of advice to the entity.   |
| 14. | AQRate Verification Agency                              | Determine whether the black ownership structure of the verification agency complies with the black ownership requirements and whether in its conduct of verification it follows the procedures required of a verification agency and the verification professionals in line with the B-BBEE Act. |
| 15. | National Empowerment<br>Rating Agency (NERA)            | Determine whether the black ownership structure of the verification agency complies with the black ownership requirements and whether in its conduct of verification it follows the procedures required of a verification agency and the verification professionals in line with the B-BBEE Act. |
| 16. | Empowerlogic (Pty) Ltd                                  | Determine whether the black ownership structure of the verification agency complies with the black ownership requirements and whether in its conduct of verification it follows the procedures required of a verification agency and the verification professionals in line with the B-BBEE Act. |
| 17. | Premier Verification (Pty)<br>Ltd                       | Determine whether the black ownership structure of the verification agency complies with the black ownership requirements and whether in its conduct of verification it follows the procedures required of a verification agency and the verification professionals in line with the B-BBEE Act. |

Issued on behalf of the B-BBEE Commission by:

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