GUIDE 4 - MONITORING BY THE BEE COMMISSION
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Foreword

Broad-based black economic empowerment (B-BBEE) is a central part of the South African Government’s transformation strategy. Because B-BBEE is such an important consideration for any company conducting business in South Africa, we have produced a series of four guides to help our clients understand the complex regulations that govern it. This, the fourth in the series, provides a general overview of the monitoring of B-BBEE in South Africa by the B-BBEE Commission including consideration of the:

- role of the B-BBEE Commission (Part 1);
- reporting obligations for listed companies (Part 2);
- registration of major B-BBEE transactions (Part 3); and
- complaints and investigations processes administered by the B-BBEE Commission (Part 4).

Engagement with the B-BBEE Commission during these processes is crucial and we are well placed to assist with the navigation of these processes.

We are in a unique position to help our clients in the development and implementation of lasting and sustainable transformation. Please contact us if you would like to discuss either the content of this guide in more detail or your unique B-BBEE challenges.

Key contacts are set out at the end of this guide.

Ashleigh Hale
Co-head of Corporate

The contents of this guide are for reference purposes only and should not be considered a substitute for detailed legal advice. It is correct as at October 2020. If you require further information, please contact one of the key contacts listed at the end of this guide.
Part 1: The B-BBEE Commission and its Role

The B-BBEE Commission was established under the BEE Act and falls under the administration of the Department of Trade and Industry. It is responsible for, among other things:

- overseeing, supervising and promoting adherence to the Broad-Based Black Economic Empowerment Act 53 of 2003 (BEE Act);
- receiving complaints relating to B-BBEE;
- investigating – on its own initiative or in response to complaints received – any matter concerning B-BBEE including alleged fronting practices and referring them for prosecution; and
- maintaining a registry of major B-BBEE transactions.

It is also required to provide guidance to the public by issuing explanatory notices outlining its procedures; issuing non-binding opinions on the interpretation of the BEE Act; and applying to a court for a declaratory order on the interpretation or application of the BEE Act.

The B-BBEE Commission is headed by a Commissioner, currently Ms Zodwa Ntuli.

Part 2: Reporting Obligations for Listed Companies and the Role of the B-BBEE Commission

All listed companies are required to submit a compliance report to the B-BBEE Commission on an annual basis. The fact that a listing on the JSE is secondary does not exempt a multinational company from reporting.

The process is as follows:

**Submit the compliance report, including Form B-BBEE 1 and annual financial statements, to the B-BBEE Commission.**

**Timeframe:**
- Within 90 days of the end of the listed company’s financial year; or
- Within 30 days of the approval of the audited financial statements and annual report, where the annual compliance report is included in the annual report.

**B-BBEE Commission must acknowledge receipt.**

**Timeframe:**
- Within 5 days of receipt of the compliance report.

**Content of Form B-BBEE 1:**
- Score obtained by company for each of the B-BEE elements.
- Whether the company is an Empowering Supplier.
- Whether the company has achieved the priority element thresholds.

**B-BBEE Commission must consider the report and respond to the company in writing, describing the state of compliance and areas of improvement.**

**Timeframe:**
- Within 90 days of receiving the compliance report.

**Non-compliance**

If the B-BBEE Commission finds non-compliance with the BEE Act, it will notify the company or entity in writing of the apparent non-compliance. In terms of this notification, the company or entity will be required to correct its report and ensure compliance with its reporting duties under the BEE Act within 30 days.

**Compliance**

If the B-BBEE Commission is of the view that the report complies with the requirements of the BEE Act, it will notify the company or entity in the prescribed form.
### Part 3: Registration of Major B-BBEE Transactions and the Role of the B-BBEE Commission

<table>
<thead>
<tr>
<th>What is the registration requirement?</th>
<th>All parties to a major B-BBEE transaction over the prescribed transaction value threshold are obliged to submit the transaction to the B-BBEE Commission for registration.</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is a major B-BBEE transaction?</td>
<td>Any transaction between entities or parties that results in ownership or control changes that meet an economic power threshold.</td>
</tr>
<tr>
<td>What is the prescribed transaction value threshold for a major B-BBEE transaction?</td>
<td>ZAR 25 million. This threshold is based on the transaction value excluding administration, professional and legal fees.</td>
</tr>
<tr>
<td>When must a major B-BBEE transaction be registered?</td>
<td>Within 15 days of the conclusion of the major B-BBEE transaction.</td>
</tr>
</tbody>
</table>

**Who must register a major B-BBEE transaction?**

While the BEE Regulations provide that a party that enters into a major B-BBEE transaction must register it, the notice published by the B-BBEE Commission that set the registration threshold states that "multiple parties/entities involved in the transaction need to register the transaction as a collective'.

Our view is that it is the commercial parties to the transaction (the buyer and seller), rather than the measured entity or target, who should register it collectively, although the measured entity would generally be party to parts of the transaction and should therefore also participate in the reporting or be listed in the registration form.

If a bank has funded the B-BBEE transaction, in our view it will not have any separate reporting obligation, as it is envisaged in the notice that there is only one registration per transaction. However, if the bank is central to the deal, it should be listed as one of the parties in the registration form.

**What if a company fails to report a major B-BBEE transaction to the B-BBEE Commission?**

There is no offence associated with failing to report, although we recommend parties to major B-BBEE transactions take the necessary steps to register the transaction with the B-BBEE Commission.

**What is the registration requirement?**

Form B-BBEE 18 which requires only basic information on the parties and transaction value.

The following documents:

- brief description of the major B-BBEE transaction;
- copy of a signed sale agreement or similar agreement transferring shares/interests/assets/business, as the case may be, from one party or entity to another;
- copy of signed shareholders’ agreements or similar agreements governing the relationship between holders of interest, in respect of the major B-BBEE transaction;
- copy of signed trust deeds, if the ownership structure of the major B-BBEE transaction includes a trust;
- copy of a signed financing agreement relating to the transaction, irrespective of whether or not it was vendor financed;
- copy of a schematic diagram of the ownership structure before and after the conclusion of the major B-BBEE transaction;
- copy of a valid B-BBEE certificate or a B-BBEE affidavit of the measured entity involved in the major B-BBEE transaction; and
- any document that the parties or entities deem relevant to the transaction.

The parties must indicate where any of these is not applicable. These documents must be submitted for the certificate of registration to be issued by the B-BBEE Commission.

**What happens after the required information and documents are submitted?**

The B-BBEE Commission must immediately acknowledge receipt of the submission.

If the requirements for registration have been met (if the prescribed form and all the required information has been submitted to the Commission within the prescribed time), the Commission must issue a certificate of registration to the parties within 10 days, noting the date of registration. Receipt of a certificate of registration is not the end of the B-BBEE Commission’s role.

**What happens after a registration certificate is received?**

The Commission may assess a transaction to determine “adherence” to the BEE Act.

- If the B-BBEE Commission decides there has been adherence with the BEE Act, the B-BBEE transaction will be included on the B-BBEE Commission’s register of major B-BBEE transactions.
- If the B-BBEE Commission decides there has been no adherence with the BEE Act, the B-BBEE Commission will advise parties of its concerns in writing within 90 days after registration.
- The submitting party must take steps to remedy the transaction within a reasonable period. If the submitting party fails to remedy the transaction to the satisfaction of the B-BBEE Commission, the B-BBEE Commission may initiate an investigation.

**Are there any ongoing obligations?**

The BEE Regulations require that the B-BBEE Commission be notified of any material change to the B-BBEE elements of the entity occurring after the transaction has been registered if such material change meets the threshold.
Part 4: Complaints, Investigations, and the Role of the B-BBEE Commission

When will the B-BBEE Commission conduct an investigation?

The B-BBEE Commission may – on its own initiative or on receipt of a complaint – investigate any matter arising from the application of the BEE Act, any B-BBEE initiative or any category of B-BBEE initiatives. For example, an investigation may be initiated by the B-BBEE Commission following the submission of a registration of a major B-BBEE transaction or a compliance report (where required).

Who may lodge a complaint?

Any person may lodge a complaint with the B-BBEE Commission by completing Form B-BBEE 7. The following information must be provided by a complainant:

- a description of the conduct or practice alleged to be in contravention of the BEE Act;
- particulars of a person, sphere of government, entity or organ of state alleged to be in contravention of the BEE Act;
- name and contact details of any person that may provide information relevant to the complaint to the B-BBEE Commission;
- information on measures taken by the complainant to attempt to resolve the complaint, including alternative dispute resolution measures, prior to lodging the complaint; and
- the way in which the alleged contravention may in the opinion of the complainant be addressed.

What happens after the B-BBEE Commission receives a complaint?

The B-BBEE Commission must acknowledge the complaint in writing within five days of receipt, allocate a distinctive case number and notify the complainant of the case number.

Within one year of receipt of the complaint, the B-BBEE Commission must notify the respondent of the complaint and conduct an assessment of the merit of the complaint.

The B-BBEE Commission must also request any further information from the complainant, which must be provided by the complainant within 14 days of any such request. If the complainant fails to provide the additional information within the prescribed period, the B-BBEE Commission may close the complaint or continue to investigate it as if the B-BBEE Commission initiated it.

The B-BBEE Commission must also issue a summons and hold a formal hearing, if necessary. Finally, the B-BBEE Commission must make a finding, with or without recommendations.

The B-BBEE Commission will issue a notice of noninvestigation to the complainant if the B-BBEE Commission is of the view it has no jurisdiction to hear the matter or a complaint does not warrant an investigation.

What must happen before the B-BBEE Commission makes its final finding?

Before making its final finding(s), the B-BBEE Commission must notify the respondent in writing of the details of any adverse finding and provide the respondent with 30 days to respond to the finding (which may be extended by 10 days).

If the respondent fails to respond to the adverse finding, the B-BBEE Commission will proceed to make its findings, which must be in writing, communicated to the complainant (if any), and published by the B-BBEE Commission, including on its website.
Our Firm

We help our clients manage legal complexity and unlock opportunity in Africa.

We have an enviable track record of providing legal services to the highest professional standards in Africa. We work for clients across numerous African jurisdictions on corporate, finance, competition, taxation, employment, technology and dispute resolution matters.

With eight offices in six African countries and over 400 specialist lawyers, we draw on our unique knowledge of the business and socio-political environment to advise clients on a wide range of legal issues.

Everywhere we work, we offer clients a service that uniquely blends expertise in the law, knowledge of the local market, and an understanding of their businesses. Our aim is to assist clients to achieve their objectives as smoothly and efficiently as possible while minimising the legal and regulatory risks.

Our clients include domestic and foreign corporates, multinationals, funds and financial institutions, across almost all sectors of the economy, as well as state-owned enterprises and governments.

Our expertise is frequently recognised by independent research organisations. Most recently, our Kenyan practice won the 2022 Chambers Africa Award for Law Firm of the Year in Kenya. In 2022, Bowmans won six IFLR Africa Awards including overall M&A Team of The Year; Jurisdictional Firm of the Year: South Africa; Loans Firm of the Year: South Africa; M&A Firm of the Year: South Africa; and Project Finance Firm of the Year: South Africa. We also advised on the deal named M&A Deal of the Year. At the 2022 Africa Legal Awards, we won four practice awards including Banking and Finance Team of the Year; Capital Markets Team of the Year; Tax Team of the Year; and Infrastructure Team of the Year.

In the 2021 DealMakers Africa Awards we ranked first in East Africa for both deal value and deal flow and also advised on the deals named East Africa Deal of the Year and East Africa Private Equity Deal of the Year. In the 2021 DealMakers Awards we placed first by deal flow and second by deal value in the Unlisted M&A Transactions category; first by deal flow and third by deal value in the BEE Deals category; fourth by deal value and deal flow in the General Corporate Finance category.

Recognising the size and enormous diversity of Africa, our approach to providing legal services across the continent is intended to offer on-the-ground advice in the countries that matter for our clients. Our presence in Africa is always evolving to meet the changes that are shaping the future of this vast continent.

Currently, we have our own offices in six African countries: Kenya (Nairobi), Mauritius (Moka), South Africa (Cape Town, Durban, Johannesburg), Tanzania (Dar es Salaam), Uganda (Kampala) and Zambia (Lusaka).

We work closely with our Bowmans Alliance firms in Ethiopia (Aman & Partners LLP) and Nigeria (Udo Udoma & Belo-Osagie). These are two of the leading corporate and commercial law firms in their jurisdictions.

On the global front, Bowmans has long-standing and excellent relationships with a range of international law firms with whom we often work on Africa-focused client mandates. We are also a member firm of Lex Mundi, a global association of more than 160 independent law firms in all the major centres across the globe. Lex Mundi gives us the ability to connect our clients with the best law firms in each of the countries represented.

On the ground, Bowmans has 100% of its team members in Africa. Our teams are led by local partners who understand the unique challenges of doing business in Africa. We ensure that, whenever our clients need legal advice in other parts of Africa, we can assist them by tapping into our comprehensive database of contacts of the best firms and practitioners across the continent.
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