

# Fronting Practice Creates the Mission of Transformation



Reona Strydom  
Technical Specialist  
BEE Chamber

Reona Strydom is a Technical Specialist at the BEE Chamber and is recognised as a competent Technical Signatory. She holds a B.Com Degree in Tourism and Marketing Management from the North-West University, Potchefstroom. She is exceptionally versed in all areas of B-BBEE, from The B-BBEE Act to all published Codes of Good Practice, including all peripheral legislation feeding it. Her career in the B-BBEE space began more than a decade ago as a Verification Analyst. During this time, she has distinguished herself as an analytical thinker with a unique ability to amalgamate each piece of legislation's requirements to support BEE Chamber members in driving their B-BBEE Strategy.

Stella Nolan is the founder and Editor of TFM Magazine. She has unique insight into the B-BBEE space through her direct interaction with corporates, B-BBEE Professionals and government regulators over the last decade. Stella's unique skill lies in simplifying the complexities of the B-BBEE Act, The Codes and peripheral legislation into user-friendly content to expand the knowledge base of the TFM Magazine readership.



Stella Nolan  
Founder & Editor  
TFM Magazine

The official definition of “Fronting Practice” features in the B-BBEE Act (The Act) as Amended: “a transaction, arrangement or other act or conduct that directly or indirectly undermines the achievement of the objectives of The Act or the implementation of any of the provisions of this Act.” However, bluntly put it is: “a calculated group effort to undermine economic emancipation by cheating to create an illusion of transformation”.

2007 not only saw the introduction of the first B-BBEE measurement benchmark, but it welcomed Fronting Practice. Like any virus left to spread with impunity, it has mutated and become more complex and devious, thus more difficult, but not impossible, to detect.

### Did you know that people who participate in Fronting Practice:

- > See it as a victimless crime;
- > Purposely contract a B-BBEE Professional to equip them to manipulate their B-BBEE score. Let’s face it, people do not wake up one morning with the inherent knowledge to circumvent the Codes.
- > Have not broken the law before, apart from traffic violations;
- > Are unaware of the consequences, which include a fine, imprisonment or both;
- > Believe that the B-BBEE Professionals who they contract are their friends and have their best interest at heart;
- > Mistakenly think that they will not be held accountable for the advice they pay for; and
- > Turn a blind eye to those in their supply chain who are manipulating their B-BBEE Credentials.

### Why do Knowing People participate in Fronting Practice?

- > A lack of holistic knowledge about the Code they are measured on or The Act;
- > An over-reliance on B-BBEE Consultants stemming from their lack of knowledge;
- > Laziness: It is easier to instruct and pay a B-BBEE Consultant to implement a B-BBEE Strategy they do not understand;
- > The perception that they are not committing a crime;
- > They view B-BBEE as a compliance issue rather than a transformational one without the prospect of a Return on Investment;
- > They do not expect the long-term Return on Investment; and
- > To gain unfair leverage against competitors who are ethically driving a B-BBEE Strategy.

### What are the consequences of Fronting Practice or creating an illusion of transformation?

- > No tangible economic outcome;
- > Fewer ‘Black’ People participating in the economy;
- > A false baseline on which to conduct research;
- > The risk of prosecution;
- > Reputational damage for an organisation; and
- > A waste of resources.

The amendments laid out in the SANAS R47-03 document address Fronting Practice’s core risk, thus placing limitations on the working relationship between an organisation, its B-BBEE Consultant and B-BBEE Rating Agency. The amendments seek to support organisations in producing B-BBEE Verification Certificates (B-BBEE Certificates) that transparently reflect the real milestones achieved by organisations from Measurement Period to Measurement Period.



The following outlines Fronting Practice risk areas per element and the evidence necessary for a B-BBEE Verification.

Identified Generic Risk Areas

<p>Overlapping Measurement Periods</p>	<p>An overlap between an organisation's Measurement and Financial periods. The overlap stems from the SANAS guidance that an organisation's financial year and Measurement Period must align. To comply, organisations are amending their Measurement Period to that of their financial one.</p> <p>The transition may result in an organisation's Measurement Period not being a full 12 months.</p>	<p>Ensure that a claim is only made once, regardless of the duration between Measurement Periods during the transition.</p>
<p>A B-BBEE Certificate measured and issued under the incorrect Code</p>	<p>The Code on which an organisation is measured depends on the total revenue derived from a specific sector. A risk area is a group of organisations that derive income across various sectors.</p> <p>Bear in mind that a divisional entity may well generate more income than the holding company.</p> <p>A B-BBEE Certificate not measured or issued on the correct Code is invalid.</p>	<p>Determine from which sector most entities within a group structure derive their income and how it is split.</p> <p>Primary Source:</p> <ul style="list-style-type: none"> <li>&gt; Financial Statements; and</li> <li>&gt; Business description.</li> </ul>
<p>Incorrectly claiming a person as a B-BBEE Beneficiary</p>	<p>Ensure that Beneficiaries qualify as 'Black' People as defined. (Please see page 24)</p> <p>Claiming a non-qualifying Beneficiary will nullify a claim under any element of the scorecard.</p>	<p>A 'Black' Person, as defined, can be verified by:</p> <ul style="list-style-type: none"> <li>&gt; A certified copy of an ID;</li> <li>&gt; If not born in South Africa, a naturalisation certificate issued after 27<sup>th</sup> April 1994.</li> <li>&gt; A birth certificate accompanied by a certified ID copy of a South African parent.</li> </ul>
<p>Sourcing a B-BBEE Rating Agency</p>	<p>A B-BBEE Rating Agency must be SANAS accredited to issue a B-BBEE Certificate. Furthermore, it must be accredited to conduct a B-BBEE Verification for a particular Sector Code. Failing this, an issued B-BBEE Certificate is invalid.</p>	<p>The SANAS website contains a catalogue of accredited B-BBEE Rating Agencies, including what Code they are accredited to measure.</p>

Risk areas to be considered - Ownership

<p>'Black' Shareholders not afforded their Rights of Ownership</p>	<p>'Black' Shareholders not afforded their full Rights of Ownership will nullify a claim on the Ownership Scorecard.</p>	<p>In this case, the measurement of substance over legal form plays a part. Shareholding evidence includes:</p> <ul style="list-style-type: none"> <li>&gt; Shareholders agreement;</li> <li>&gt; Share Register;</li> <li>&gt; Share Certificate;</li> <li>&gt; Memorandum of Incorporation; and</li> <li>&gt; Dividend Declaration and Distribution Reports.</li> </ul>
--	--	---

Claiming Net Value points without considering all debt structures to acquire the shareholding	All debt incurred in gaining shares must be taken into account when determining the outstanding debt acquisition.  Miscalculating or misrepresenting consolidated debt for 'Black' Shareholders nullifies those points available on the Ownership Scorecard.	The full acquisition of debt can be determined by: > Sale of share documentation; > Confirmation of outstanding acquisition debt; and > A confirmed breakdown of outstanding acquisition debt.
Pass through Rights of Ownership or any limitations on such rights by a 'Black' Shareholder, Beneficiary or Participant	The calculation for Economic Interest and Voting Rights must be consistent and apply to all shareholders.	Evidence can be provided by supplying: > Share transaction agreement; > Shareholders agreement; > The trust deed, including amendments thereof; and > A Memorandum of Incorporation.
Incorporating different share classes that allow other Rights of Ownership	All shareholders must have equal rights. Affording 'Black' Shareholders lesser rights will have the same impact on an organisation's scorecard, consequently, points will be nullified.	Evidence can be provided by supplying: > Share transaction agreement; > Shareholders agreement; > The trust deed, including amendments thereof; and > A Memorandum of Incorporation.

### Risk areas to be considered - Management Control

Incorrectly claiming a 'Black' Director	Claiming for a 'Black' Director not registered as such contravenes this element. The same applies to under-reporting on non-qualifying Directors.	'Black' Director evidence would include: > Current COR39 document; and > Certificate of confirmation from the CIPC; > Company letterhead; > Copy of latest board meeting minutes; and > Organogram of the Board of Directors.
Limiting the rights of 'Black' Directors   Management	Appointing a 'Black' Director that does not participate in the day-to-day management of the business.	Such limitations will appear in: > Memorandum of Incorporation; > Board meeting minutes; > Shareholders agreement; or > Contract of Employment.
Limiting the rights of 'Black' Directors   Voting Rights	Limiting the Voting Rights of some or all of the 'Black' Directors.	Such limitations will appear in: > Memorandum of Incorporation;; > Board meeting minutes; > Shareholders agreement; or > Contract of Employment.
Misrepresenting Top Management data	Incorrect or incomplete Top Management information.	This information should align with an organisation's EEA2 and include: > Employee contract; > Payroll information; > Salary comparison; and > Top Management organogram.



Manipulating employee data	Claiming 'Black' Employees when they do not qualify to fulfil the role they occupy.	An organisation's payroll will indicate the remuneration an employee receives, which will effectively highlight any misrepresentation. A Contract of Employment would provide further evidence.
Incorrectly claiming 'Black' Employees	Claiming for 'Black' Employees who were not employed during the specific Measurement Period when the claim was made.	Evidence to support this claim includes: > Payroll; > EEA2 form; and > Contract of Employment.
Incorrect claims at all levels of management	Management claims at all occupational levels, whereby the person is not involved in the business's strategic decisions or day-to-day running.	Evidence to support this claim includes: > Payroll; > EEA2; > Contract of Employment; and > Where applicable, minutes of a board meeting.
An inaccurate account of permanent employees	Total employees must include the total number of employees in senior-, middle- and junior management, and 'Black' People with a disability currently employed. Temporary employees must be excluded.	This information must align with the EEA2, including any material movements. Other primary resources: > Contract of Employment; > Correspondence confirming a promotion; and > Payroll.
Claiming an employee with a disability that does not meet the criteria as defined	Not all disabilities are visible. Therefore, claiming disability for an employee may not be taken at face value. Notwithstanding, a diagnosis claimed as a disability may not align with the definition thereof.	Confirmation of a disability from a medical practitioner accompanied by an EEA1 document.
Outsourcing of 'White' employees to lessen the burden of targets.	To meet targets, 'White' employees are outsourced at all occupational levels. Outsourcing employees does not align with the principles of either Management Control or Employment Equity requirements. Furthermore, it is a risk to the outsourced employee, as they essentially lose employment protection and benefits, especially in redundancy.	If a person's function within an organisation aligns with those of a permanent employee, they are deemed an employee, irrespective of any service level agreements.

### Risk areas to be considered - Skills Development

Claiming a Beneficiary with a disability that does not meet the criteria as defined	Not all disabilities are visible. Therefore, claiming disability for an employee may not be taken at face value. Notwithstanding, a diagnosis claimed as a disability may not align with the definition thereof.	To clarify, ensure confirmation of a disability by a medical practitioner accompanied by an EEA1 document.
Absorption claims following a person leaving the employment from where the claim is generated	An Absorption claim means a contract of employment has been entered into with no concluding date. An organisation may not claim unless the employee is employed in the full sense of the word.	Evidence includes: > Written confirmation from a Human Resource representative of the employer. > Payroll; > EEA2 document; and > Contract of Employment.

Claiming skills spend on training initiatives that did not take place.	Skills development spend may be claimed from the time of registration. However, paying money without training taking place does not constitute Skills Development Spend.	<ul style="list-style-type: none"> <li>&gt; Confirmation from the training provider that training did take place.</li> <li>&gt; Certificate of completion;</li> <li>&gt; Certificate of registration; and</li> <li>&gt; A progress report.</li> </ul>
People registered on multiple learnerships	If an organisation outsources its Skills Development, there is a risk of registering one Learner on multiple Learnerships during the same Measurement Period.	Create a Learnership datasheet categorised alphabetically, including the Learner's full name and ID number. The database must have the ability to sort numerically, too, by ID number, then full name as a cross-reference.
Not breaking down the demographics of delegates attending training interventions	All employees are entitled to benefit from Skills Development. However, claiming spend for Skills Development may only include 'Black' People as defined.	An invoice from the training provider illustrating the demographic breakdown of delegates who attended training.
Incorrect category classification	Different categories of the Skills Matrix have differing criteria, required outcomes and claim allowances. Claims must align with the category requirement.	Evidence can be in the form of an attendance register. Take time to compare the training outcome against the Skills Matrix requirements to ensure that claims are made against the correct category.
Claiming Absorption for a continued Learnership	A claim for Absorption does not apply if a Learner returns for further training. The criteria for Absorption dictates full employment following a Learnership.	Evidence to confirm Absorption: <ul style="list-style-type: none"> <li>&gt; Payroll;</li> <li>&gt; Contract of Employment; or</li> <li>&gt; Confirmation of permanent employment from a third-party organisation.</li> </ul>
Absorption by a third-party	An organisation can facilitate the employment of a Learner in a third-party organisation, then claim Absorption. However, there has to be evidence to support an Absorption claim.	Evidence to confirm Absorption: <ul style="list-style-type: none"> <li>&gt; An employment contract; or</li> <li>&gt; Confirmation of permanent employment from a third-party entity.</li> </ul>

### Risk areas to be considered - Enterprise Development and Supplier Development

Enterprise Development Beneficiary's business status	Claiming for a Beneficiary who has closed their business or gone into liquidation. Part of the criteria for an Enterprise Development claim is that the Beneficiary must have good financial standing, must not have closed or gone into liquidation at the time of making a claim.	Evidence in the form of a CIPC Disclosure Certificate. Otherwise, a manual search of the CIPC website <sup>1</sup> .
Claiming a loan as a grant	A loan must maintain the characteristics of a loan. If the intent is to write off the loan, then there is a risk that this would be considered a grant. Doing this would result in Fronting Practice, as a grant extended over multiple years is not allowed.	Evidence to support a loan claim: <ul style="list-style-type: none"> <li>&gt; Loan Agreement;</li> <li>&gt; Repayment schedule;</li> <li>&gt; Confirmation of receipt by the Beneficiary;</li> <li>&gt; Evidence of B-BBEE Status of Beneficiary;</li> <li>&gt; Proof of payment; and</li> <li>&gt; Ledger Account from Beneficiary and/or signed Audited Financial Statements.</li> </ul>
Early payment of Beneficiaries	Organisations that inaccurately claim early payments that are not qualified. Early payments only apply to Supplier Development Beneficiaries.	Evidence to support the claim include: <ul style="list-style-type: none"> <li>&gt; Procurement invoices; and</li> <li>&gt; Proof of payment.</li> </ul>

<p>Programmes that do not meet the objectives of Enterprise Development or Supplier Development</p>	<p>The core objective of these sub-elements is development that supports sustainable income generation, leading to financial and operational independence. All Enterprise Development and Supplier Development interventions must be binding, including continual documented evaluation.</p>	<p>Documents to support the claim include:</p> <ul style="list-style-type: none"> <li>&gt; A needs analysis;</li> <li>&gt; An agreement;</li> <li>&gt; Confirmation of receipt by the Beneficiary;</li> <li>&gt; Evidence of B-BBEE Status of Beneficiary; and</li> <li>&gt; Evidence of Contribution.</li> </ul>
<p>Inaccurately claiming job creation in a Beneficiary's business.</p>	<p>There must be evidence that any jobs created resulted from an Enterprise Development or Supplier Development intervention to claim job creation points.</p>	<p>Documents to support this claim include:</p> <ul style="list-style-type: none"> <li>&gt; Confirmation from a Beneficiary that a job created is the result of a contractually binding intervention.</li> </ul>
<p>Claiming graduation of Enterprise Development Beneficiaries without meeting the criteria</p>	<p>Amendments in the Codes allow Enterprise Development Beneficiaries to remain just that when crossing the financial threshold to become Large Enterprises, provided there is evidence of a prior five-year relationship. Bonus points are available when an Enterprise Development Beneficiary graduates to become a Supplier Development Beneficiary. However, such a claim can only be justified if the supplier forms part of an organisation's Total Measured Procurement Spend (TMPS).</p>	<p>Proof of the first ED Claim at the time of the Beneficiary being an EME or QSE to include:</p> <ul style="list-style-type: none"> <li>&gt; Confirmation of receipt by the Beneficiary;</li> <li>&gt; Evidence of B-BBEE Status of Beneficiary; and</li> <li>&gt; Evidence of Contribution.</li> </ul>

Risk areas to be considered - Preferential Procurement

<p>A supplier B-BBEE Certificate that is not representative of its size and infrastructure</p>	<p>A risk is a supplier that does not have the resources to render services or deliver goods as per the requirements independently.</p> <p>As a smokescreen, subsidiaries or divisions of a group of organisations may take on business with all the holding company's resources and infrastructure. If this is the case, the B-BBEE Certificate of the holding company must be used.</p>	<p>Ensure a supplier has the infrastructure and resources to render services or deliver goods independently.</p> <ul style="list-style-type: none"> <li>&gt; References;</li> <li>&gt; Financial results;</li> <li>&gt; Payroll; and</li> <li>&gt; A site visit.</li> </ul>
<p>Differentiating between group, subsidiary and divisional B-BBEE Certificates</p>	<p>B-BBEE Certificates from a group of organisations that include subsidiaries and divisions. Any organisation counted in a group of organisations B-BBEE Certificate may not trade with a stand-alone subsidiary or divisional B-BBEE Certificate.</p> <p>Not strictly enforcing the one certificate, one supplier requirement may result in data duplication.</p> <p>Being unaware of a supplier's capacity and capability may result in their outsourcing of all work. The consequence is that other qualifying small businesses lose the opportunity to grow their business.</p>	<p>A group of organisations B-BBEE Certificate includes an addendum that lists any subsidiary or division counted in their B-BBEE Verification.</p>

Incorrectly calculating exclusions against Total Measured Procurement Spend (TMPS)	<p>The reference to confirm the TMPS calculation for exclusions can be sourced within an organisation's management accounts.</p> <p>However, flawed management accounts or excluding items that are not valid exclusions as per the applicable Code are problematic.</p>	<p>Verify that management accounts are sound in terms of exclusions. Other primary sources:</p> <ul style="list-style-type: none"> <li>&gt; IRP6;</li> <li>&gt; VAT201;</li> <li>&gt; Sales journal; and</li> <li>&gt; Tax invoices.</li> </ul>
Third-party procurement	<p>Ensure suppliers correctly apply third-party procurement, both local and foreign. This is applicable to suppliers such as property managers, travel agents, event planners, to name but a few.</p>	<p>Sources of evidence:</p> <ul style="list-style-type: none"> <li>&gt; Supplier ledgers or purchase journals; and</li> <li>&gt; Tax invoices.</li> </ul>
Third-party Procurement   Exclusions	<p>When there is a claim for excluding third party procurement, the amount must be excluded in that organisation's Annual Financial Statements.</p>	<ul style="list-style-type: none"> <li>&gt; Ensure that exclusions do not form part of the financial statements;</li> <li>&gt; Evidence that services rendered or goods delivered from the third-party were passed through at the same cost.</li> </ul>
Exclusion principle	<p>A supplier's exclusions will have an impact on an organisation's TMPS. Ensure that all supplier exclusions claimed are relevant.</p>	<p>To verify exclusions, interview the supplier's head of procurement to ascertain their understanding of the exclusion principle.</p>
Exclusion principle   organ of state, public and private entities	<p>Where the exclusion principle applies to an organ of state, it must be excluded from TMPS.</p>	<p>Letter from the organ of state confirming it is a registered or regulated monopoly.</p>
Exclusion principle   imports from local suppliers	<p>Incorrectly including or excluding imports will have an impact on an organisation's TMPS. Inspect the local suppliers list to identify imported goods to ensure that they are excluded from the TMPS.</p>	<p>A claim may be supported by providing:</p> <ul style="list-style-type: none"> <li>&gt; Supplier list; and</li> <li>&gt; Confirmation of the value of imported goods procured from a local distributor.</li> </ul>
Exclusion principle   imports from foreign suppliers	<p>Incorrectly including or excluding imports will have an impact on an organisation's TMPS. Inspect the list of foreign suppliers to confirm that imported goods comply with the requirements of paragraph 6.5.1 and 6.5.2 of the Codes, as indicated in Gazette #42496.</p>	<p>A claim may be supported as follows:</p> <ul style="list-style-type: none"> <li>&gt; Confirming the value of all imported goods.</li> <li>&gt; Confirmation letter from a supplier highlighting what items are imported.</li> <li>&gt; Determining which classification – either 6.5.1 or 6.5.2 - was applied; and</li> <li>&gt; Tax invoices to confirm the description of the procured items.</li> </ul>
Exclusion principle   imports from foreign suppliers	<p>Ensure claims against import exclusions apply as per paragraph 6.5.1. Inspect the description of goods imported to confirm that any item outlined in 6.5.2 is not excluded. An Enterprise &amp; Supplier Development Plan must accompany this exclusion outlined in 6.5.2 as per the relevant Code on which an organisation is measured.</p>	<p>A claim may be supported by providing:</p> <ul style="list-style-type: none"> <li>&gt; A confirmation letter from the supplier confirming the imported items, as well as classification between 6.5.1 and 6.5.2; and</li> <li>&gt; Invoices for sampled suppliers to confirm the description of items procured.</li> </ul>





<p>Inaccurate TMPS due to duplication</p>	<p>Duplicating claims or collating incorrect data means an organisation will not meet its Preferential Procurement targets. Processes must be in place to present correct evidence to a B-BBEE Rating Agency at the time of verification.</p>	<p>A possible solution is B-BBEE Scorecard Software with the ability to identify and highlight duplicated claims.</p>
<p>Inaccurate TMPS due to incorrect application of VAT</p>	<p>Ensure the inclusion of the value of any VAT exclusive items as part of the claim.</p>	<p>Sources of evidence:</p> <ul style="list-style-type: none"> <li>&gt; Supplier ledgers or purchase journals; and</li> <li>&gt; Tax invoices.</li> </ul>
<p>Inaccurate Measurement Period</p>	<p>An organisation's TMPS must reflect the correct Measurement Period.</p>	<p>Sources of evidence:</p> <ul style="list-style-type: none"> <li>&gt; Supplier ledgers or purchase journals; and</li> <li>&gt; Tax invoices.</li> </ul>
<p>Invalid B-BBEE Credentials   B-BBEE Status</p>	<p>Confirm the validity of all B-BBEE Certificates. Organisations must ensure that they receive a supplier's current B-BBEE Status to avoid that supplier's risk, excluding the amount in their TMPS.</p>	<p>Source of evidence:</p> <ul style="list-style-type: none"> <li>&gt; Validate information featuring on a B-BBEE Certificate; and</li> <li>&gt; Direct correspondence with the B-BBEE Rating Agency that conducted the B-BBEE Verification.</li> </ul>
<p>Invalid B-BBEE Credentials   Affidavits and CIPC B-BBEE Certificates</p>	<p>With respect to EME's and QSE's that have 51% 'Black' Ownership presenting Affidavits, confirm that they appear on the latest templates issued by the Department of Trade Industry &amp; Competition (dtic). Organisations must pay attention to the financials used to determine the turnover threshold applicable to the Code on which they are measured.</p>	<p>Affidavit - templates as published by Sector Charter Councils - where applicable. Otherwise latest versions available on the dtic website;</p>
<p>Modified Flow-Through Principle</p>	<p>Confirm that the Modified Flow-Through Principle was not applied for suppliers that claim 'Black' Ownership.</p>	<p>The Source of evidence is a B-BBEE Status.</p>
<p>Suppliers measured on the Transport Sector Code   EME's</p>	<p>EMEs measured on the Transport Sector Code must present a SANAS accredited B-BBEE Certificate or a letter from an accounting officer to confirm their status.</p> <p>The Transport Sector Code, at the time of going to print, was not amended. Until an amendment is published, those measured on this code revert to the Transport Sector Code requirements published in 2009.</p>	<p>Ensure EME's measured on this Sector Code produce:</p> <ul style="list-style-type: none"> <li>&gt; Letter of confirmation from an Accounting Officer; or</li> <li>&gt; SANAS accredited B-BBEE Certificate.</li> </ul>

Suppliers measured on the Transport Sector Code   QSEs	<p>QSE's measured on the Transport Sector Code must present a SANAS accredited B-BBEE Certificate. An Affidavit in this instance is disallowed.</p> <p>The Transport Sector Code, at the time of going to print, was not amended. Until such time as an amendment is published, those measured on this code revert to the Transport Sector Code requirements published in 2009.</p>	<p>Ensure QSEs measured on this sector code produce:</p> <ul style="list-style-type: none"> <li>&gt; SANAS accredited B-BBEE Certificate.</li> </ul>
B-BBEE Credentials vs invoice details.	<p>Before making payment, confirm that the information that appears on a B-BBEE Certificate or Affidavit presented at the point of becoming a supplier is the same that features on the invoice presented.</p> <p>Reference check that the registration and VAT numbers on the B-BBEE Credentials and invoice match.</p>	<p>Sources of evidence:</p> <ul style="list-style-type: none"> <li>&gt; Supplier application;</li> <li>&gt; B-BBEE Certificate, CIPC B-BBEE Certificate or Affidavit;</li> <li>&gt; Tax Invoice.</li> </ul>

### Risk areas to be considered - Socio Economic Development

Socio-Economic Development initiatives that do not meet requirements.	<p>Initiatives for this element must be income-generating and provide sustainable access to the economy.</p>	<p>Sources of evidence:</p> <ul style="list-style-type: none"> <li>&gt; An agreement;</li> <li>&gt; Confirmation of delivery by the Beneficiary;</li> <li>&gt; Names and ID numbers of Beneficiaries;</li> <li>&gt; Proof of contribution; and</li> <li>&gt; Independent Competent Person's Report confirming % of beneficiaries that are 'Black' People as defined.</li> </ul>
---	--	---

## ILLUSIONS OF TRANSFORMATION

Fronting Practice is a significant threat to a transforming South Africa. The B-BBEE Commission is the only regulating body that has the mandate to investigate and institute action against culprits. On 7<sup>th</sup> July 2021, The B-BBEE Commission released a statement welcoming a decision handed down by the Gauteng High Court. The judgement effectively defended the B-BBEE Commission's mandate regarding a Joint Venture for Transnet locomotives between CRRC E Loco Supply (Pty) Ltd and CSR Zhuzhou Electrical Locomotives Company Limited, a Chinese owned entity. TFM Magazine Issue 23 will delve into the court findings of this case and highlight Fronting Practices that flowed throughout all elements of the B-BBEE Scorecard<sup>1</sup>.

Source of Reference

<http://eservices.cipc.co.za/Search.aspx>

<https://www.bbbeecommission.co.za/wp-content/uploads/2021/07/CRRC-E-LOCO-SUPPLY-PTY-LTD-JUDGMENT.pdf>